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Annual Report 2016

 上海农商银行 SRCB

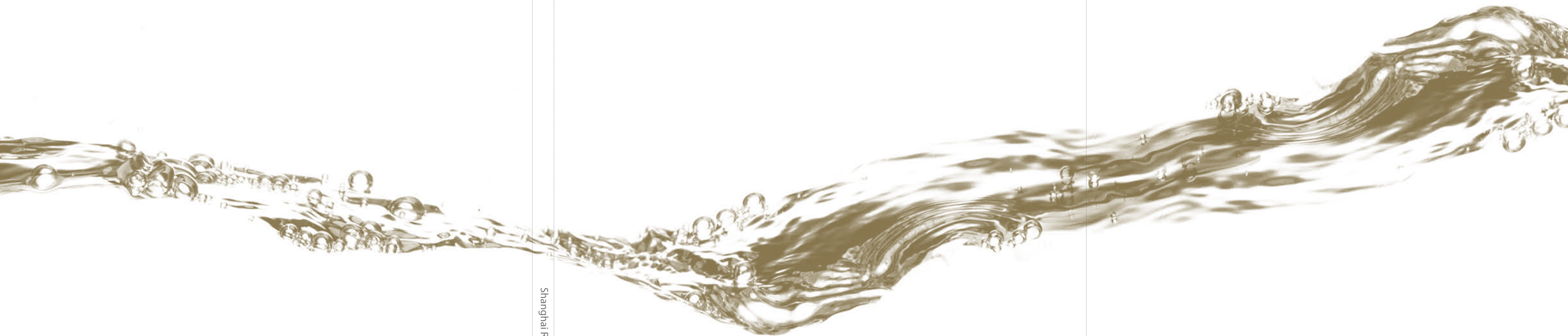
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Shanghai Rural Commercial Bank

2016 SRCB
Annual Report



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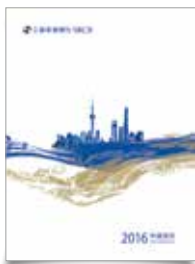
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According to statistics from "The Banker", a British magazine, SRCB ranked 194th among 1,000 of the largest banks in the world in 2015 and was listed in the top 200 banks in the world. It also ranked 27th among Chinese banks included on the list.

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



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Important Notice

- The Board of Directors and directors of the Company assure that there are no false representations, misleading statements or material omissions in this Report and bear individual and collective responsibility for the authenticity and accuracy of its contents.
- The text of the 2016 Annual Report of Shanghai Rural Commercial Bank Co., Ltd. has been reviewed and endorsed at the 28th meeting of the Second Board of Directors and at the 24th meeting of the Second Board of Supervisors.
- The 2016 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 discrepancy.

Definitions

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

- | | |
|---|---|
| — The Group/Group | Shanghai Rural Commercial Bank and its invested rural banks |
| — The Company/Parent Company/Company/the Bank/Bank | Shanghai Rural Commercial Bank |
| — CBRC | China Banking Regulatory Commission |
| — Financial Leasing Company/Yangtze Financial Leasing Company | Yangtze United Financial Leasing Co., Ltd. |
| — Reporting Period | 1 January 2016 to 31 December 2016 |

Shanghai Rural Commercial Bank Co., Ltd. Board of Directors
30 March 2017

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: Ji Guangheng

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

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

Postal code: 200120

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

Email: webmaster@srcb.com

- ▶ Newspaper for disclosing Company information disclosure: Shanghai Financial News, etc.

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

Annual report Available at: Office of the Board of Directors

- ▶ Other Relevant Information

Date of Initial Registration: August 23, 2005

Corporate Business License Number: 913100007793473149

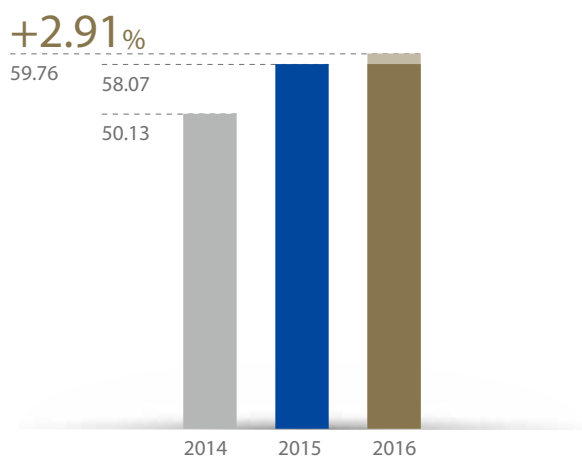
Appointed Auditor: Deloitte & Touche CPAs (special general partnership)

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

Business Highlights

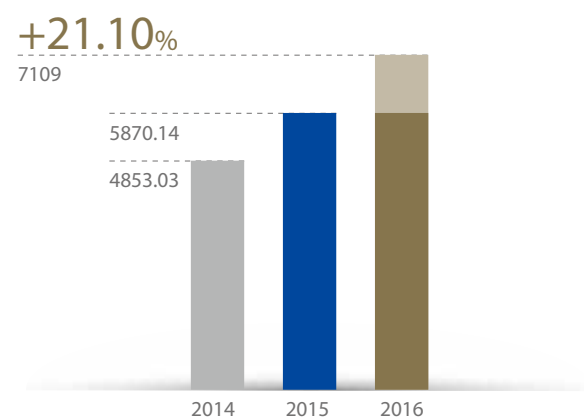
Net profit in the last three years

(Unit: RMB100 million)



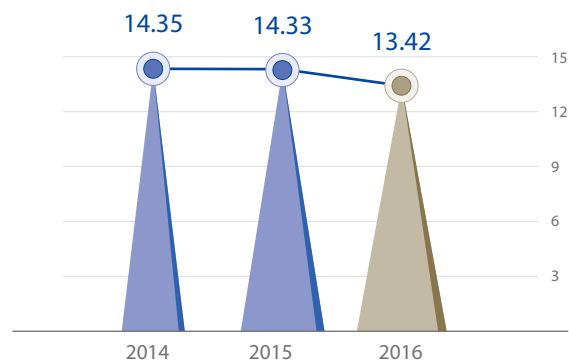
Total assets in the last three years

(Unit: RMB100 million)



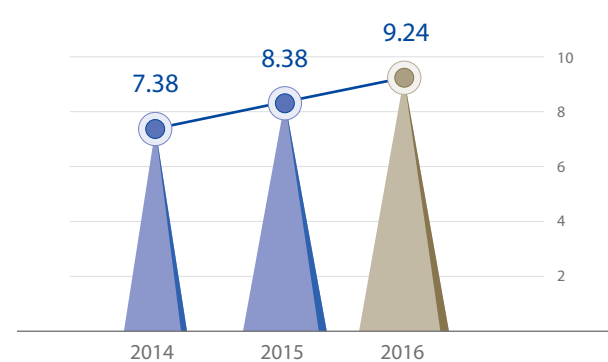
Weighted average ROE in the last three years

(Unit: %)



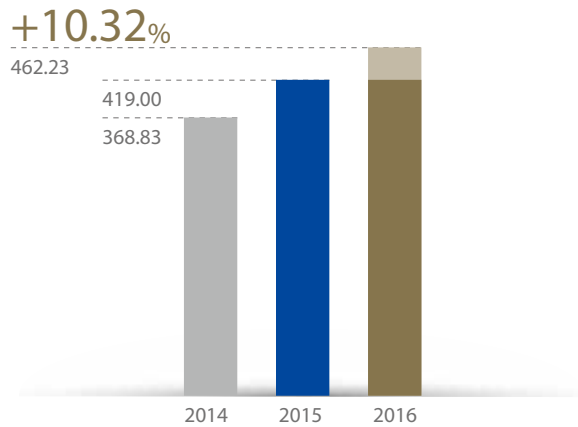
Net asset per share attributable to shareholders of the parent company in the last three years

(Unit: Yuan/Share)



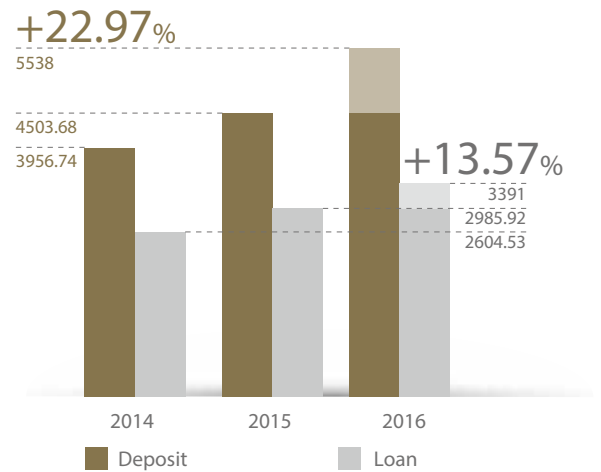
Owners' equity attributable to shareholders of the parent company over the past three years

(Unit: RMB100 million)



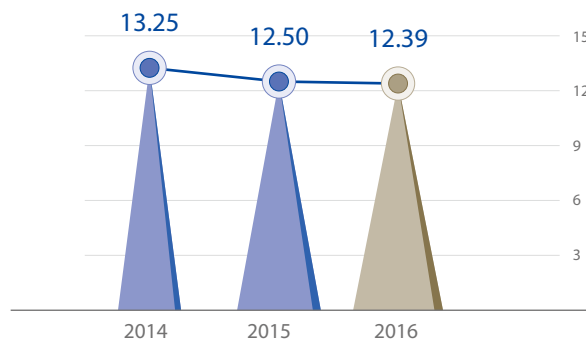
Deposit balance and loan balance in the last three years

(Unit: RMB100 million)



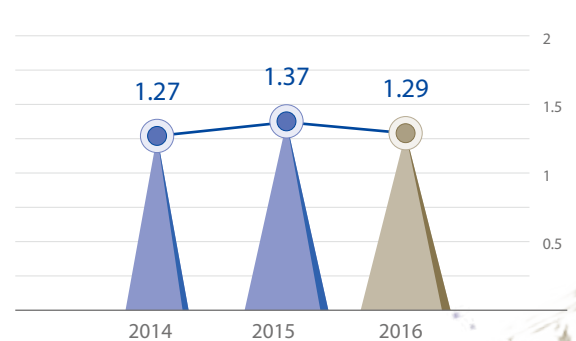
Capital adequacy ratio in the last three years

(Unit: %)



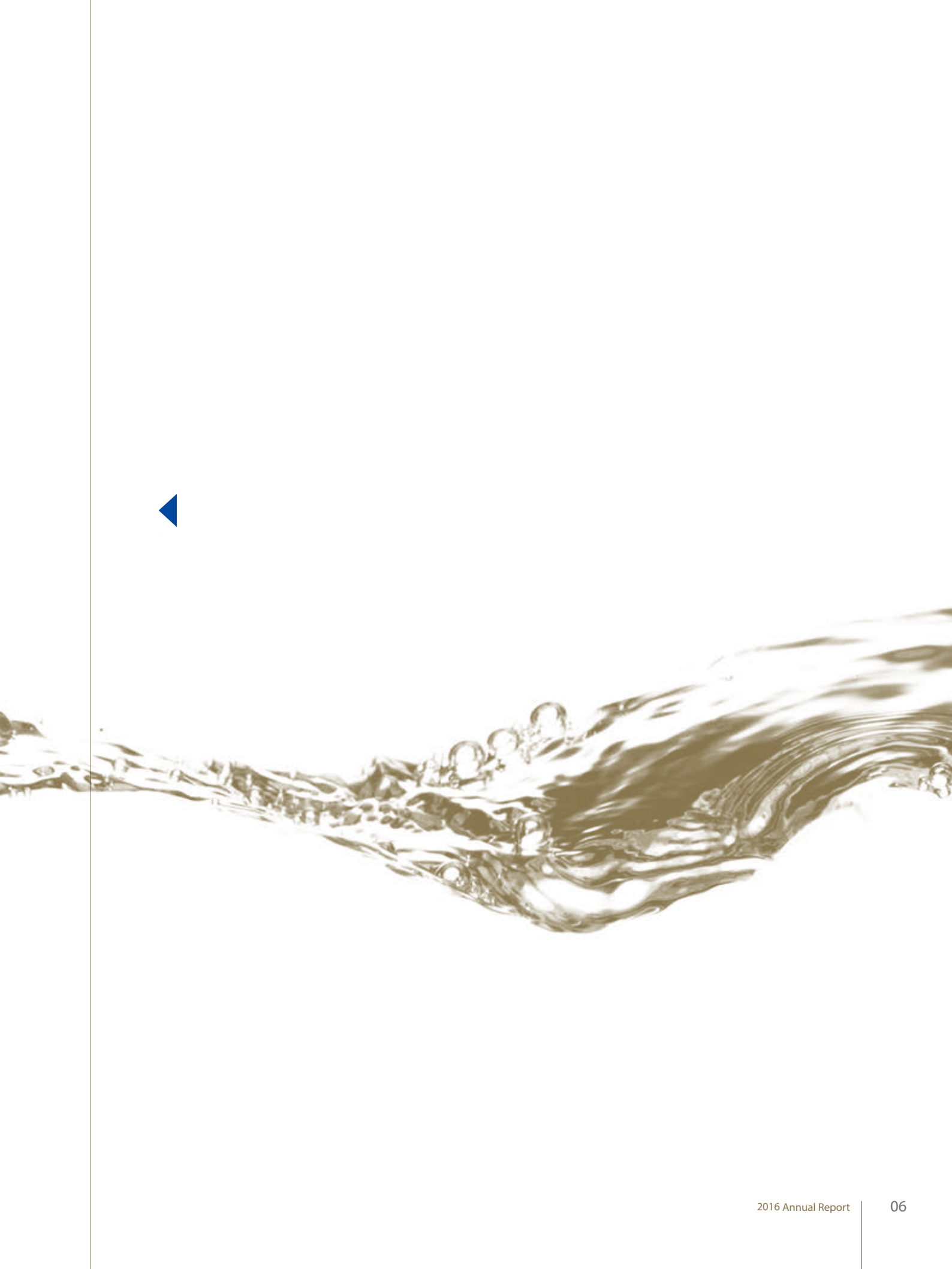
NPL ratio in the last three years

(Unit: %)



2016 Unremitting Effort, Continuous Achievements





Events in 2016

January

Ji Guangheng was nominated as Chairman of the Board of Directors, and XU Li was nominated as Vice Chairman of the Board of Directors and President

Mobile Internet platform system successfully launched

Big data platform system successfully launched

FTZ Branch successfully completed the first batch of FT swap portfolio product business within the Bank

SRCB ranked among Top 30 Best Employers in Shanghai for 2015



February

Saving deposit balance exceeded RMB 200 billion

Credit card cross-border online shopping channel successfully launched

Signed strategic cooperation agreement with Shanghai Theater

Organized 2016 Lantern Festival marketing and promotion activity



March

Successfully completed the 1st FI cross-border entrusted payment business

Head Office IT Department passed ISO27001 information security system certification

10 outlets were evaluated as "Demonstration Outlet for Respecting the Elderly" in Shanghai banking industry

"2015 Best Member Award" of China Foreign Exchange Trade System

2015 excellent member of Shanghai Gold Exchange in technical guarantee

2015 outstanding contribution award in inquiry business by Shanghai Gold Exchange

Won 2 honors in 2015 interbank domestic currency market

April

Held 2015 Annual Shareholders' Meeting

Signed strategic cooperation agreement with Minhang District government

Signed third-party strategic cooperation agreement with Shanghai Pudong Development Bank and Bank of Shanghai

Signed strategic cooperation agreement with Great Wall Asset Management Company

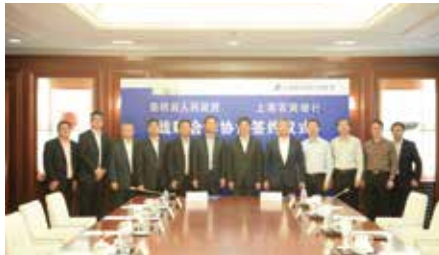
Successfully completed the first FTZ FT electronic commercial bill discount

Became the 1st agency in Shanghai for self-inquiry of personal credit report

Advanced Unit in Government Information Work

Third prize of Shanghai Financial Innovation

Priority Platinum Card won 2016 4th Passenger Travel Award



June

Established Consumer Rights Protection Department

Successfully issued first phase of tier-II capital bonds in 2016

Signed strategic cooperation agreement with Shanghai SME Policy Financing Guarantee Fund

Won 2 financial awards—"Best for Livelihood" and "Top 50 for SME" in China banking industry on social responsibility



May

Signed strategic cooperation agreements with Baoshan District government and Chongming County government

Launched big data application and analysis system





July

Deputy mayor ZHOU Bo visited SRCB

Successfully booked the 1st overseas syndicated loan

Successfully launched invoice management system

Signed strategic cooperation agreement with China Securities

Best Rural Commercial Bank Award issued by Sina Finance

"Best in Fraud/Violation Prevention" honor



August

Successfully launched the 1st loan for SME Policy Financing Guarantee Fund

Successfully launched the telecommunication fraud risk event management platform system

Completed Shanghai children talent contest

September

Successfully issued the 1st interbank non-financial corporate debt financing instrument

Participated in syndicated loan under FT as lead bank for the first time

Successfully relocated business processing center

Won 2nd prize in 2016 China Information Security Skill Contest for Management and Maintenance





November

Xinyi Wealth Forum was successfully organized

SRCB credit card transaction volume reached a new high on 11.11 shopping festival

Won "Excellent Public Welfare Partner" of Shanghai Landscape Commission and China Green Foundation

2016 top 10 integrity cases



October

Signed strategic cooperation agreement with Shanghai Municipal Agricultural Commission

Signed comprehensive strategic cooperation agreement with Shanghai United Media Group

Concurrent sales of insurance exceeded RMB 10 billion

Standard & Poor's maintained "BBB-/A-3" rating for SRCB with stable outlook

Sales team for Seniority Card won first prize in the financial system evaluation


Completed the 6th staff sports meeting

December

The 2015 Annual Social Responsibility Report won "Golden Bee 2016 Growth Award for Excellent Corporate Social Responsibility Report"

Top 10 cases in protecting consumer rights and interests in China

Top 10 wealth management team in Shanghai for the 13th edition



Party Secretary and Chairman: Ji Guangheng



710.9 billion  **21.1** %

Total assets of the Group increased by



553.8 billion  **23.0** %

Deposit balance increased by



339.1 billion  **13.6** %

Total loans increased by



5.976 billion  **2.91** %

Net profit increased by

Message from the Chairman

In 2016, faced with the complex external environment of slowing economic growth, transformation from old growth drivers to new ones, restructuring and prominent structural contradictions brought by transformation and upgrading, SRCB people united together and forged ahead in tackling with difficulties and challenges, made effort to improve business performance and development quality, and pushed forward operation and management in an orderly way. As a result, SRCB, with significantly improved comprehensive strength and market place, continues to create value for shareholders.

As of 2016 end, Group's total asset amounted to RMB 710.9 billion, a year-on-year growth of RMB 123.9 billion (+21.1%); deposit, RMB 553.8 billion, up by RMB 103.4 billion (+23%); total loan, RMB 339.1 billion, up by RMB 40.5 billion (+13.6%); net profit, RMB 5976 million, up by 2.9%; ROA, 0.91%; ROE, 13.42%; CAR, 12.39%; NPL balance, RMB 4371 million; NPL%, 1.29%, down by 0.08 percentage point compared with year beginning; loan provision rate, 2.85%; loan provision coverage rate, 221.27%.

In 2016, the Board of Directors further strengthened its strategic management function, continued to improve corporate governance mechanism, and improved risk prevention capability, which has led to good results of SRCB's major strategic works.

First, the 2017-2019 strategic plan was formulated. The new plan puts independent IPO as a mid-term target; brings forward the strategic vision of becoming a listed public bank with local root and efficient services, as well as a bellwether of national rural commercial banks; and the core strategy of "independent IPO, upgrading of traditional businesses, development of emerging businesses, management transformation, and talent driver".

Second, corporate governance mechanism has been improved. The standards of listed banks have been used as benchmark in strengthening information disclosure and continuously improving service to shareholders. Committees under the Board of Directors have fully played their role of supporting decision-making and guidance on the Bank's business development and major issues. To promote and support business development, the responsibility and structure of Retail Banking Department, Credit Card Department, Internet Finance Department, and Credit Approval Department etc. have been adjusted and optimized.

Third, capital management has been strengthened. In June 2016, an initial RMB 3 billion tier-II capital bond was issued at the lowest market interest rate in the corresponding period, which has effectively strengthened capital strength and risk resistance capability. The capital injection in Yangtze United Financial Leasing Co., Ltd. has increased SRCB's shareholding proportion from 30% to 40%, which has effectively boosted the interaction between the Financial Leasing Company and SRCB.

Fourth, a comprehensive risk management system has been established and improved. Management on asset quality has been strengthened by more intensive screening on high-risk loans and exit efforts, a whole-process early warning platform, and higher risk prevention ability. Internal control structure and system have been established and improved by strengthening internal control evaluation and cultivating internal control culture.

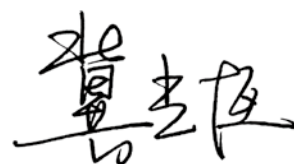
Fifth, IPO preparation is making progress. Communication with securities agency has been strengthened to study key issues related with IPO such as the time of IPO, stock verification and custody, and equity structure design etc.

In 2016, SRCB combined strategic targets with social responsibility in order to create a harmonious unification of economic, social and environmental values by enhancing SRCB people's sense of social responsibility and cultivating a good value of social responsibility. SRCB has greatly supported local real economy and the development of Shanghai Scientific and Technological Innovation Center to promote industrial transformation and upgrading; insisted on serving people's livelihood by developing inclusive finance, standardizing service charge and lowering financing cost; actively involved in social welfare by donating to help poverty alleviation and supporting culture and sports activities; actively practiced SRCB's social responsibility.

All these achievements cannot be made without the support and trust of administrative departments, regulating authorities, shareholders, customers and other people from the society, as well as the effort and contribution from the Company's management level and all employees. Here, I'd like to extend my most sincere thanks to all of you!

The year of 2017 is the first year of implementing the new three-year plan, and also a critical year for SRCB to comprehensively deepen reform. Challenges coexist with opportunities. We will unify out thinking, reach consensus, and comprehensively improve refined management in order to lay a solid foundation for IPO and continuously create value to shareholders.

Chairman:





Deputy Party Secretary, Vice Chairman and President: Xu Li



11.64 million
Number of retail customers

224 billion

RMB deposit
Balance ranks No.4 in Shanghai **NO.4**



RMB **62.464** billion
Agriculture-related loan

RMB **32.4** billion

Incremental retail loan



3.21 million
Number of Labor Union Card issued,
ranks **No. 1** in Shanghai

0.78 million

Seniority Card issued, ranks **No.1** in Shanghai

Message from the President

In 2016, SRCB's Management fully implemented the strategic plan set by the Board of Directors, focused on the strategy of development transformation by promoting business restructure, strengthening risk control, and improving management capability in order to meet the target of building a "service-oriented bank". Overall speaking, progress has been made while maintaining stability. In 2016, SRCB has made a net profit of RMB 5.85 billion, a 7% increase as compared with the previous year.

Faced with the short-term pressure of stabilizing growth and preventing risks, and the long-term challenges of restructuring and transformation, we proactively changed our traditional mindset and development path, made efforts in lowering down resource consumption, continuously improved efficiently the ratio of output to input and followed a path of endogenous development. In 2016, the Management set up an Intermediary Business Promotion Committee for development transformation and intermediary business innovation; perfected the organizational structure of Corporate Banking Department to support the development of investment banking business; promoted scientific and technological finance and innovation experience of FTZ; strengthened the basis for retail business with 11.64 million personal accounts, and realized RMB 224 billion saving deposit, ranking 4th on Shanghai market; issued accumulatively 3.21 million Labor Union Member Card and 0.78 million Seniority Card, both ranking first in Shanghai market; actively tackled challenges in asset management business with AUMgrew by 55% year-on-year, and business income grew by 53% year-on-year; perfected the function of traditional electronic channels by upgrading the functions of mobile bank, which has continuously improved customer service efficiency and customer experience.

SRCB has followed the principle of serving the development of real economy with financial services, activated existing business and optimized incremental business, optimized credit structure and cultivated new growth business while maintaining its business characteristics. In 2016, SRCB spared no effort in providing fund to the real economy by a net increase of RMB 52.8 billion loan, which ranked 3rd in terms of incremental volume on Shanghai market. As for business segment, SRCB, by grasping the opportunity of Shanghai's "13th five-year plan", innovated product services, and strengthened support to supply-side reform, reform of state-owned enterprises, and the building of Shanghai scientific innovation center; SRCB has fully exerted its leading role in agriculture-related financial services, provided RMB 30 billion line of credit to Shanghai Municipal Agricultural Commission for strategic cooperation in supporting urban agriculture, new type of urbanization, and the building of beautiful countryside, and the balance of agriculture-related loan has reached RMB 62.464 billion; for retail business, SRCB promoted and supported consumption upgrading with retail consumer loans grew by RMB 35.6 billion.

SRCB has insisted on the business philosophy of prudent operation, focused on strengthening internal control, compliance and risk prevention. In 2016, against the backdrop of economic downturn, declining business performance, and exposure of Internet finance risks, various financial risks have intertwined and shown an expanding trend, SRCB fully promoted the building of comprehensive risk management system by focusing on

credit management, improving risk management instruments, organizational system and models, strengthening risk forecast and monitoring, and accelerating exit from high-risk loans. Credit quality has witnessed "double decrease and double increase", namely a continuous decrease of year-end NPL balance, and NPL ratio to 1.13% which decreased by 0.17% year-on-year; loan provision coverage ratio reached 237.58% and provision-to-loan ratio, 2.69%, which were all higher than that of previous year, showing an improving risk capability. Meanwhile, SRCB has established a fully-range market risk management system and operation risk management evaluation system, and improved the bank-wide internal control and compliance organizational system, rules, and implementation system. Vertical audit management has been implemented. Special screening and check have been carried out in high-risk areas to prevent risks and hold the risk bottom line.

SRCB has focused on foundation and internal work by continuously improving management on technology, financial management and HR management etc. so as to create favorable conditions for IPO. Following the customer-oriented strategy, SRCB optimized operation process and branch/sub-branch operation model which has ensured stable operation of IT system and passed ISO27001 information security management system certification; built scientific and technological innovation studio and innovation experience center to strength the support from scientific and technological innovation; optimized treasury fund management and successfully issued tier-II capital bond; strengthened budget management and performance evaluation to play a positive incentive effect; improved finance decision-making mechanism and governance structure; strengthened the multi-layer, full-coverage training system to continuously improve employees' professional quality.

In the severe and complex environment of 2016, the progress SRCB has made while maintaining stability has been recognized by the market. In 2016, SRCB ranked 194th with stable outlook on the UK Banker magazine list, maintaining its position in top 200 for many years in a row.

In 2017, faced with new situation and challenges, SRCB Management will focus on the new development strategies and business targets set by the Board of Directors, continue to follow the principle of making progress while maintaining stability, and return the trust and support from shareholders and the society with refined management and excellent performance.

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



Corporate Business Director: Wang Jianping^{Note}

Note: SRCB 2nd ad-hoc Meeting of the 2nd Board held on 20 Feb., 2017 appointed Wang Jianping as Vice President, and his qualification as senior management is under regulatory approval.

On-schedule delivery of all strategic targets

Initial influence of the Bank brand for the convenience of people

Basically complete internal management structure

Continuous growth of talent teams



1.1	Summary of Accounting Data and Financial Indicators	20
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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

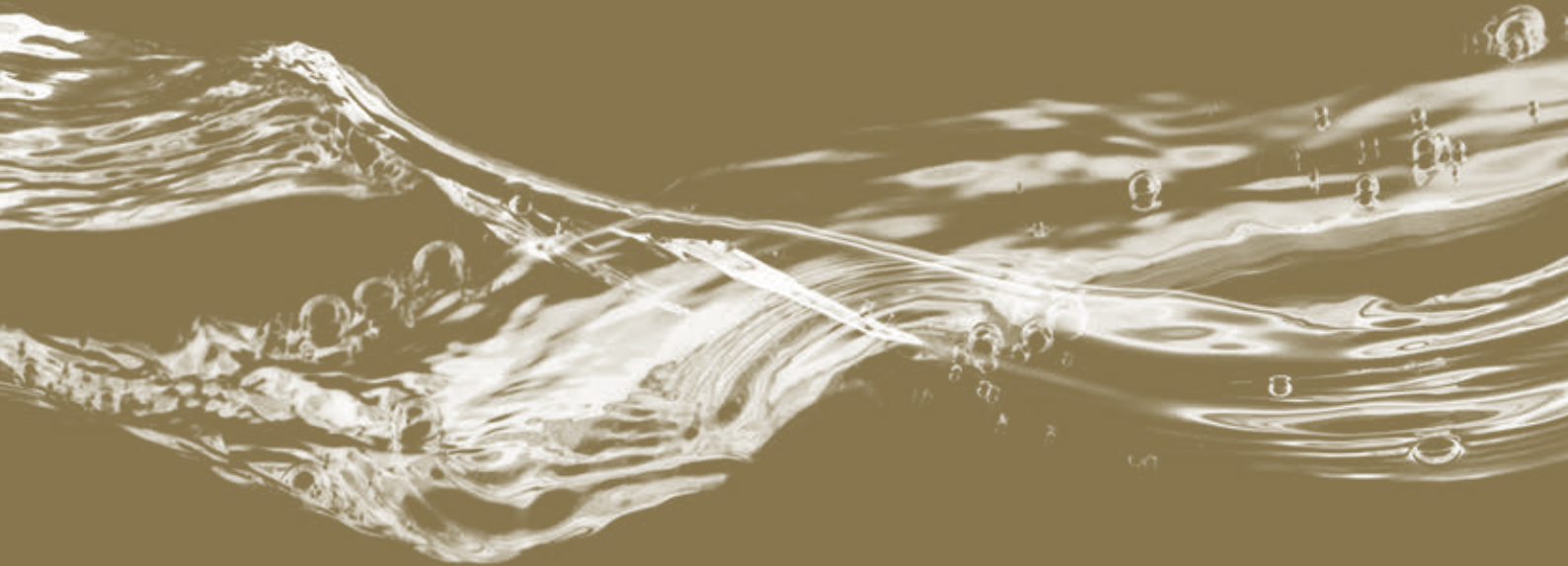
Supplementary Financial Data over the Three Previous Years by the End of the Reporting Period

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 Reporting Period

Unit: RMB 1000 Yuan

Items	The Group	The Bank
Total profit	7,340,354	7,129,390
Net profit attributable to shareholders of the parent company	5,902,491	5,849,763
Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses	5,733,795	5,724,762
Operating profit	7,115,426	6,962,722
Investment income	2,436,765	2,419,583
Net non-operating income and expenses	224,928	166,668
Net cash flow from operating activities	53,976,075	48,940,213
Net increase in cash and cash equivalents	3,560,264	-685,944

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		
	2016	2015	2014	2016	2015	2014
Operating revenue	15,588,750	15,284,657	14,151,303	14,635,134	14,326,623	13,222,086
Net profit attributable to shareholders of the parent company	5,902,491	5,633,520	4,848,224	5,849,763	5,466,082	4,704,536
Total assets	710,880,558	587,013,544	485,303,181	683,257,152	565,112,647	466,600,941
Deposit balance	553,774,691	450,368,329	395,673,753	523,351,122	425,875,155	375,115,227
Loan balance	339,071,488	298,591,767	260,453,301	323,276,817	284,174,783	247,722,280
Owner's equity attributable to shareholders of the parent company	46,222,920	41,899,976	36,882,791	45,813,317	41,547,639	36,697,892
Basic earnings per share attributable to shareholders of the parent company (Yuan)	1.18	1.13	0.97	1.17	1.09	0.94
Basic earnings per share attributable to shareholders of the parent company after deducting non-recurring profits and losses (Yuan)	1.15	1.11	0.94	1.14	1.11	0.93
Net assets per share attributable to shareholders of the parent company (Yuan)	9.24	8.38	7.38	9.16	8.31	7.34
Net cash flow from the operating activities per share (Yuan)	10.80	11.66	3.15	9.79	11.46	2.85
Cost-to-Income ratio (%)	37.78	35.68	38.26	37.38	35.31	38.17
Weighted-average ROE (%)	13.42	14.33	14.35	13.42	14.00	13.97
Weighted average ROE after deducting non-recurring profits and losses (%)	13.04	14.08	13.93	13.13	14.15	13.77

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

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		
	2016	2015	2014	2016	2015	2014
Opening balance	9,928,549	9,091,798	7,994,644	9,168,881	8,621,824	7,737,534
Accrued from profits or losses during the year's reporting period	2,164,460	1,783,262	1,938,580	1,802,064	1,487,943	1,725,431
Other transfer-in during the reporting period	3,319	50,737	675	3,319	50,737	675
Recovery during the reporting period	149,240	61,671	23,384	149,240	61,671	23,384
Transfer-out during the reporting period	-164,636	-546,241	-122,532	-156,226	-546,241	-122,247
Writing-off during the reporting period	-736,755	-512,678	-742,953	-595,394	-507,053	-742,953
Reverse in the year	-22,423	0	0	-22,423	0	0
Closing balance	11,321,754	9,928,549	9,091,798	10,349,461	9,168,881	8,621,824
Balance of provision for loan losses	9,670,686	8,290,295	7,034,046	8,698,393	7,530,627	6,564,072
Accrual during the reporting period	2,090,324	1,776,265	1,902,276	1,727,928	1,480,946	1,689,127
Transfer-in during the reporting period	152,559	112,408	24,059	152,559	112,408	24,059
Write-off or transfer-out during the reporting period	-862,492	-632,424	-840,365	-712,721	-626,799	-840,080

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		
	2016	2015	2014	2016	2015	2014
Total liabilities	663,186,893	543,687,067	447,159,670	637,443,835	523,565,008	429,903,049
Deposit balance	553,774,691	450,368,329	395,673,753	523,351,122	425,875,155	375,115,227
Total interbank borrowing	7,542,118	1,382,696	1,902,868	7,542,118	1,382,696	1,902,868
Loan balance	339,071,488	298,591,767	260,453,301	323,276,817	284,174,783	247,722,280
Wherein: Corporate loans	191,864,433	175,180,581	171,071,143	183,163,344	167,191,107	163,428,704
Discount	61,106,347	74,663,488	56,760,655	61,103,106	74,655,788	56,760,105
Personal loans	86,100,708	48,747,698	32,621,504	79,010,367	42,327,889	27,533,471

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		
	2016	2015	2014	2016	2015	2014
Operating profit	7,115,426	7,095,552	5,977,961	6,962,722	6,865,398	5,663,655
Net profit attributable to shareholders of the parent company	5,902,491	5,633,520	4,848,224	5,849,763	5,466,082	4,704,536
Net profit attributable to shareholders of the parent company after deducting non-recurring profits and losses	5,733,795	5,535,869	4,706,538	5,724,762	5,527,141	4,638,215

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

Unit: RMB 1000 Yuan

Items	Standard	The Group			The Bank		
		2016	2015	2014	2016	2015	2014
Capital adequacy ratio	≥10.5%	12.39%	12.50%	13.25%	12.11%	12.17%	12.64%
Tier 1 capital adequacy ratio	≥8.5%	10.56%	11.36%	12.10%	10.25%	11.09%	11.55%
Core capital adequacy ratio	≥7.5%	10.56%	11.36%	12.10%	10.25%	11.09%	11.55%
Liquidity ratio (RMB)	≥25%	40.58%	38.43%	36.91%	41.19%	38.44%	37.33%
Liquidity ratio (Foreign currency)		46.64%	32.60%	92.01%	46.64%	32.60%	92.01%
NPL%	≤5%	1.29%	1.37%	1.27%	1.13%	1.30%	1.31%
Loan provision ratio		2.85%	2.78%	2.70%	2.69%	2.65%	2.65%
Provision coverage ratio		221.27%	202.42%	212.71%	237.58%	204.24%	202.06%
Proportion of loans to the largest customer	≤10%	4.41%	4.80%	4.92%	4.67%	5.17%	5.28%
Proportion of loans to the top ten customers		25.59%	26.39%	28.62%	27.12%	28.43%	30.69%

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

Unit: RMB 1000 Yuan

Items	The Bank		
	Dec.31, 2016	Dec. 31, 2015	Dec. 31, 2014
Net capital	51,990,074	43,596,003	38,555,993
Core tier 1 net capital	43,991,033	39,752,441	35,240,534
Tier 1 net capital	43,991,033	39,752,441	35,240,534
Total risk-weighted assets	429,282,034	358,339,717	305,089,300
Core tier 1 capital adequacy ratio	10.25%	11.09%	11.55%
Tier 1 capital adequacy ratio	10.25%	11.09%	11.55%
Capital adequacy ratio	12.11%	12.17%	12.64%

VIII. Changes in Shareholders' Equity during the Reporting Period

Unit: RMB 1000 Yuan

Items	The Bank						
	Paid-up capital	Capital reserve	Other comprehensive income	Surplus reserve	General provision	Undistributed profits	Total shareholders' equity
Opening Balance	5,000,000	8,111,058	777,125	8,890,097	5,070,355	13,699,004	41,547,639
Closing Balance	5,000,000	8,111,058	193,040	10,623,321	6,356,583	15,529,315	45,813,317

1/2

Management Discussion and Analysis

Overall Operation during the Reporting Period

Company Operation

Summary of Banking Data

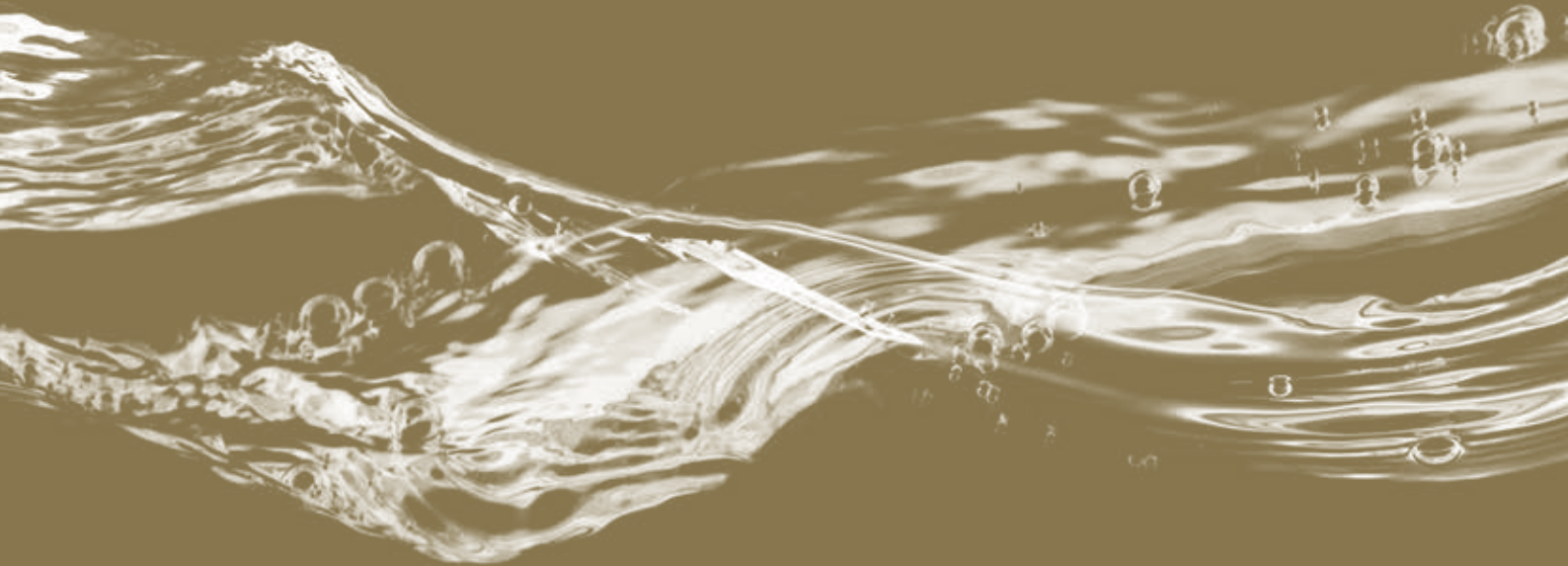
Analysis of Financial Status and Operating Results

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

Serious Asset Loss Caused by Operational Risk Case

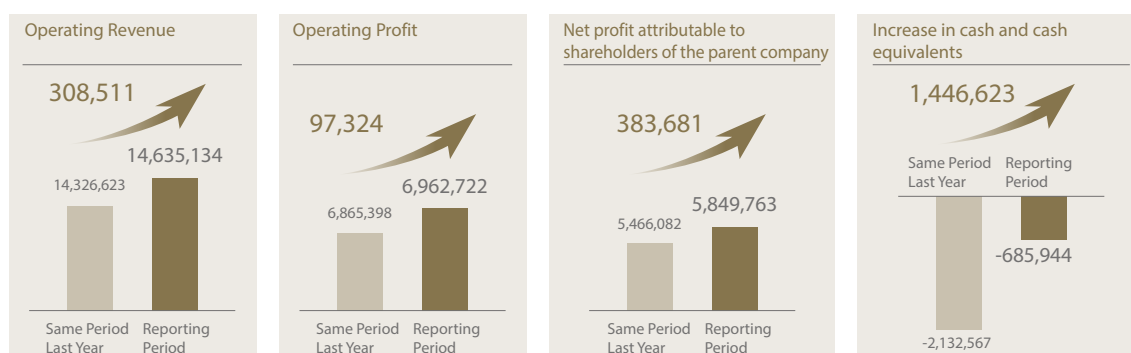
Change in Operating Environment and Macro Policies and Regulations and Their Influence

Business Development Plan for the New Year



I. Overall Operation during the Reporting Period

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



(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	710,880,558	587,013,544	123,867,014	683,257,152	565,112,647	118,144,505
Owner's equity attributable to shareholders of the parent company	46,222,920	41,899,976	4,322,944	45,813,317	41,547,639	4,265,678

II. Company Operations

(I) Company's Business Scope

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

(II) Company Operations Review

1. Completion Status of Primary Business Indicators

During the reporting period, the Company has united together in forging ahead to continuously improve market share and optimize profitability structure.

—The Group's net profit reached RMB 5.976 billion with a year-on-year increase of RMB 169 million, up by 2.91%. Net non-interest income reached RMB 5.133 billion with a year-on-year increase of RMB 1.997 billion, up by 37.4%, accounting for 32.92% of the net operating income, an increase of 8.49 percentage points over the previous year. It included RMB 2.497 billion fee income, year-on-year increase of RMB 962 million, up by 62.7%, accounting for 16.02%, up by 5.98 percentage points over the previous year.

Net profit of the Group up by 2.99%

5.976 billion Yuan

Deposit balance of the Group up by 23.0%

553.8 billion Yuan

Loan balance up by 13.6%

339.1 billion Yuan

—The Group's deposit balance in RMB and foreign currencies was RMB 553.8 billion, an increase of RMB 103.4 billion over the beginning of the year, up by 23%. The Group's loan balance in RMB and foreign currencies was RMB 339.1 billion, an increase of RMB 40.5 billion, up by 13.6% 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 4.371 billion, with an increase of RMB 275 million than the year beginning. NPL% was 1.29%, with a decrease of 0.08 percentage points than the year beginning.

—Provision for impairment of assets made by the Group was RMB 2.164 billion. The loan provision coverage ratio was 221.27% and the loan provision ratio reached 2.85%. The capital adequacy ratio was 12.39%. ROA and ROE reached 0.91% and 13.42%, respectively.

2. Operation of All Lines of Business

Corporate Banking Business

—In terms of corporate banking business, the Company has optimized the structure of traditional business, and developed investment banking business to improve the capability of comprehensive financing services. The Company actively promoted non-standard asset investment, and established private equity fund as well as industrial investment fund covering emerging areas such as cultural innovation and medicine etc.; deepened agriculture-related characteristics to serve the development of national modern agricultural demonstration areas, and to upgrade Shanghai's modern urban agriculture; innovated financial products to support agriculture by introducing "agricultural revolving loan", and promoting collateral loan on rural land contractual management right; served real economy by actively expanding businesses under policy financing guarantee fund for micro/small/medium-sized enterprises; explored new businesses based on unique characteristics to satisfy the financing need of SME customers, which has been rewarded with 2016 Outstanding Partner for Shanghai SME Financing Service award; innovated scientific and technological financial services by promoting pilot on combined debt-equity investment to support the development of scientific and technological companies; developed green finance to encourage companies' technological upgrading and innovation and support the building of Shanghai scientific and technological innovation center, which has won the award of Green Finance Support Award for Shanghai's Energy-saving Services during "12th Five-year Period".

—In terms of trade finance, the Company has insisted on efficiency-orientation, strengthened marketing, and expanded trading channels. Annual business volume of trade finance reached USD 2.041 billion accumulatively, a year-on-year increase by 12.39%; international settlement, USD 12.605 billion, up by 20.47% year-on-year; foreign exchange deposit balance, USD 1.097 billion, up by 53% year-on-year; fee income of trade finance, RMB 181 million, up by 53% year-on-year; interest margin income of trade finance business, RMB 229 million. The Company actively promoted overseas syndicated loan business and established syndicated cooperation with many domestic and foreign banks, issuing USD 163 million of overseas syndicated loan annually; actively developed agency business including entrusted payment, issuing letter of guarantee and letter of credit etc. to serve financial institutions and form new profit growth point; signed entrusted payment cooperation agreement with 10 FI, signed international settlement business agency agreement with 3 banks, and agency business accumulatively reached USD 29.15 million.

Retail Banking Business

—In terms of retail banking, the Company has deepened the transformation of retail business to fully improve customer service capability and build up a better retail business. As of end of the reporting period, RMB deposit balance reached RMB224 billion, up by RMB 28.2 billion than year-beginning; retail loan balance, RMB 88.5 billion, up by RMB 32.4 billion than year-beginning; fee income of retail business, RMB 536 million, up by RMB 275 million than year-beginning; issued 3.21 million Labor Union Member Card, and 0.78 million Seniority Card; innovated Internet marketing by establishing the joint marketing model of "WeChat + E-shop"; the subscription account



for Labor Union Member Card pushed over 500 image-texts read by over 2 million person-times accumulatively, which ranked first among Shanghai's bank subscription accounts in terms of influence, according to the comment of authoritative media; enriched functions of wealth management products, and actively sell as agency insurance, precious metal, and Shanghai-Hong Kong Stock Connect products etc. to satisfy investment and wealth management needs of various customers; actively developed new type of community network to further connect with communities and promote financial knowledge etc.



—In terms of credit card business, the Company newly issued 48,900 credit cards, and accumulatively 955,600 credit cards have been issued; income reached RMB 349 million, a year-on-year increase of 54%; credit card fee income reached RMB 305 million, a year-on-year increase of 84%; annual transaction volume reached RMB 12.5 billion; strengthened product innovation and development by introducing Suixin installment business for consumer's demand in daily consumption scenarios; launched Business Card management system to provide more comprehensive services to Business Card holders and improve market competitiveness; used the advantage of quick payment and effectively expanded online payment scale on occasions of e-commerce shopping festivals; launched 3D-Secure online payment protection function for Master Card to effectively reduce counterfeiting trade, credit card fraud, and transaction dispute risks and ensure the customers' overseas payment safety.



Financial Markets Business

The Company has insisted on profit-orientation, optimized asset structure, and further improved fund operation efficiency and profitability. First, actively optimized asset structure by investing more in national debt, financial debt, and low-risk FI; second, control leverage with active liability, strengthened analysis and prediction of liquidity to ensure that liquidity risk is under control; third, transaction transformation made initial achievement, the trial of bond market making business witnessed a rapidly growing trading volume, turnover rate of bill transfer discount continuously improved, and relatively good yield is obtained while revitalizing remnant assets; fourth, various business innovation with success in Shanghai Insurance Exchange ABS product and innovated bond investment in special bonds for poverty alleviation, green financial bonds, local government bonds on stock exchange, and FTZ local government bonds etc.; fifth, strengthened risk management by improving the whole-process risk control in order to guarantee the compliant and steady development of financial markets business.

—In terms of FI business, the Company has continuously deepened the cross-region and cross-market cooperation with FI customers to push breakthroughs in FI financial products diversification, multi-layer channels cooperation, and team professionalism. First, coordinated the development between asset and liability and improved the economies of scale; second, continuously promote business transformation from single model to comprehensive operation, from mainly relying on FI liability to the balance between FI asset, FI liability and FI investment banking business; third, focused



on cooperation with non-banking FI to complement each other's advantages; fourth, orderly conducted lead underwriting business of debt financing instruments for non-financial companies, and successfully issued the 9th super short-term financing bonds for Bright Food (Group) Co., Ltd, which has laid a foundation for applying for B-class independent lead underwriter.

—**In terms of asset management**, the Company has actively tackled market challenges, continuously promoted structural optimization and transformation, and quickly built up scale and profitability. As of end of the reporting period, the scale of wealth management products reached RMB 91.3 billion, a year-on-year increase of 55%; fee income increased by 53% year-on-year; customer structure was optimized with the product scale of high net worth individuals increased by RMB 6.5 billion than year beginning, up by 69%; the scale of corporate wealth management reached a historic high with RMB 9.5 billion increase than year beginning, up by 110%; the daily average volume of open-end wealth management products increased by RMB 3.9 billion than last year, up by 40%. The Company closely followed market trend, insisted on categorized asset portfolio management, optimized operation of wealth management assets, and realized the transformation of asset investment; expanded scope of investment, actively conducted outsourcing cooperation, dynamically adjusted large-category asset allocation, deepened non-standard project investment, and continuously improved the yield and liquidity management of wealth management assets.

Channel and Service

—**In terms of Internet finance**, the Company has accelerated the development and function expansion of traditional e-channels, upgraded functions of mobile finance including mobile banking, WeChat banking, and gateway payment, promoted the development of online financing system and regulatory system. Registered users of corporate e-banking, personal e-banking, corporate mobile banking, personal mobile banking, and WeChat banking increased by 20.1%, 38.3%, 53.4%, 55.7%, 23.4% than last year respectively; the number of ATM and other automatic machines reached 2294; daily average hits of Chinese website exceeded 8.1 million, daily average visit exceeded 60,000; business volume of telephone banking reached 4.47 million times including 1.53 million times of manual services; visitors of online manual services increased by nearly 50% than last year. The Company continuously promoted innovative development of Internet finance, deepened direct bank FI cooperation, and expanded corporate e-banking financial community service. Channels of Internet finance realized 62.62 million transactions amounting to RMB 2.4 trillion.

—**In terms of branch network**, the Company established 1 new outlet, adjusted 3 outlets, and removed/consolidated 16 outlets. By the end of the reporting period, the Company had 396 outlets in total, including 388 local outlets, among which, 34 were within the Inner Ring Road, 50 between the Inner Ring Road and the Middle Ring Road, 59 between the Middle Ring Road and the Outer Ring Road, 245 beyond the Outer Ring Road, and 8 non-local outlets. The Zhangjiang Business Processing Center was put into use and office efficiency was further improved.

—**In terms of IT support**, the Company has deepened IT management, completed the construction of information security management system, and was certified by ISO 27001 system. The Company further strengthened independent R&D and scientific and technological innovation, completed new request development and new system operation; implemented requirements of regulators, government and externally connected units, completed the development and operation of management platforms for tax reform (replace business tax with value-added tax) project, Seniority Card project, telecommunication fraud risk events, and local FTZ project; supported comprehensive Risk management and refined management by completing the production and operation of systems including president's mobile management cockpit, unified SAS analysis and management platform, credit risk early warning, measurement of risk-weighted assets etc.; strengthened operation and maintenance of IT system, continuously optimized production system to ensure the continuous safe operation of IT system; built application monitoring platform to realize whole-process, end-to-end transaction monitoring and to effectively improve the width, depth, accuracy, agility, and intelligence of monitoring; studied and promoted the





application of virtual cloud computing technology, formulated relevant technical standards and started virtualization modification of minicomputers; strengthened IT system continuity management, further improved contingency plan, and organized drills to improve emerge handling capability; organized the operation optimization in the first year after certified by ISO20000 IT service Management system, continuously improved the process of production and maintenance, and passed the system's annual external audit with "0 non-conformity item".

—**In terms of the protection of financial consumers' rights and interests**, the Company has strengthened the mechanism of consumer rights protection by including it into the roles and responsibilities of Board Strategic Committee, establishing Consumer Rights Protection Commission under the management of Head Office, and establishing Consumer Rights Protection Department to manage bank-wide consumer Rights protection and consumer complaints (letter visit) work. The Company improved relevant rules on consumer rights protection by revising documents including SRCB Consumer Rights Protection Management Measures, Work Rules of SRCB Product Service Approval Committee, Management Measures on SRCB's Agency Business etc. to protect consumer rights and interests; focused on the handling of consumer's first complaint and first visit, actively mediated customer complaints and disputes; promoted public education and training by organizing 5838 education activities for financial consumers with accumulatively 25470 person-times participation, serving over 580,000 financial consumers; strengthened internal evaluation and manage of consumer rights protection work by annual self-assessment, improving related contingency plans such as SRCB Contingency Plan for Savings and Bonds Business etc., implementing major emergency reporting system, issuing Provisional Regulation on the Audit of SRCB Consumer Rights Protection Work to implement special internal audit system related with consumer rights protection.



Risk Management

—**In terms of risk management**, first, the Company formulated and dynamically 2016 credit allocation policy by giving priority to modern agriculture and advanced manufacturing industries that are aligned with the supply-side reform, and promoted the rational allocation of credit assets; developed green credit with differentiated credit resource allocation policy which forbids credit to incremental capacity of "industries with high pollution, high energy consumption, high water consumption and excessive capability"; deepened industrial analysis to further improve the foresight of risk management; second, promoted risk weighted asset (RWA) project and corporate loan risk-based pricing project to realize automatic calculation of SRCB's credit risk weighted asset and study loan pricing model that is suitable for SRCB, and gradually applied the result of internal rating and RWA project; third, improved business-wide credit risk management mechanism, strengthened credit risk management of investment, financing, and institutional customers including off-balance sheet financing, delegated investment, bond underwriting, investment and financing leasing businesses etc. to prevent risk transmission from off-balance sheet business to the balance sheet; fourth, optimized differentiated approval authority, and formulated credit operation qualification management measures for basic level units; fifth, completed the development of market risk management IT system, and promoted the establishment of unified credit management mechanism for financial market business; sixth, further improved business continuity, established operation risk evaluation system and optimized operation risk system platform.



—**In terms of internal control and compliance**, the original Compliance Department was changed into Compliance & Internal Control Department to strengthen management, formulate structure adjustment scheme, and implement differentiated access management of compliance and internal control personnel of branches and sub-branches. Meanwhile, the Company continued to strengthen compliance management, improved compliance management mechanism, actively implemented regulatory requirements, prevented legal risks, deployed compliance risk management network, improved internal control level, strengthened fraud/violation prevention, improved the quality and capability of compliance risk management personnel, continuously strengthened compliance culture and legal building, which helped to stabilize internal compliance risk level.

Group Investment Management

—In terms of rural banks, the 35 rural banks established by the Company has realized relatively fast development with balance of all deposits reached RMB 30.422 billion, up by 24.21% than year beginning; and the loan balance was RMB 15.795 billion, up by 9.55% than year beginning, of which loans to farmers and SMEs accounted for 94.58%, average loan per account was RMB 988,300, loan provision coverage ratio was 181.88%. The Bank mainly focused on standardizing management and strengthening risk control, actively promoted shareholding management of rural banks, and realized sustainable growth of business scale; further optimized shareholding management structure, improved staff's professionalism and evaluation mechanism, and stably carried out the general election of rural bank's Board of Directors; organized savings contest in peak seasons to promote special savings deposit businesses such as "Cuncun Cash" and "Ruyi Cash" to expand deposit; developed 2 credit products including "comprehensive guarantee loans for family members" and "loans for poverty alleviation and start-up"; 4 rural banks were delegated to issue SRCB Business Card; continuously promoted "Huizhong Loan" Business to enrich credit products; launched IC card business, developed small-amount current account function, and provided 7/24 transfer channel; continuously promoted the 9 benchmarking rural banks and marketing skill project, which helped related business data increase by 66% to 133% year-on-year and effectively improved counter service and external marketing skills; improved rule and regulations, organized special check on staff violation behavior, and the implementation of the policies such as avoiding relatives in the same system, and implemented measures of compliance and fraud/violation prevention; fully sorted out and understood the NPL of rural banks, strengthened NPL reduction and disposal to improve credit quality; followed regulatory requirement in regularly monitoring rural banks' fund position so as to improve daily liquidity support and standardize fund management and operation; completed the project of "replacing business tax with value-added tax" and realized rural banks' smooth transition during the tax reform; actively organized various training and learning activities with 5117 training participants.

—In terms of the Financial Leasing Company, Yangtze United Financial Leasing Co., Ltd. initiated by the Company has realized a net profit of RMB 134 million; total assets reached RMB 15.844 billion; closing balance of leased assets reached RMB 15.008 billion; total liability reached RMB 13.705 billion; capital adequacy ratio was 14.64%. Their asset quality was overall stable with 563 rents collected in the year, totaling RMB 3.934 billion; rent recovery rate was 100%. The Financial Leasing Company, under the strategic mission of "industrial finance, and platform ecosystem", focused on three directions of new urbanization, people's livelihood, and industrial upgrading, actively developed 9 business lines including medicine, tourism, education, automobile, environmental protection, communications, construction, electricity and public utilities, and formed a steady and sustainable performance supporting system.

HR Resource and Brand Culture

—In terms of talent team building, the Company has centered on development strategies, actively promoted the development of talent team, providing HR support to business transformation and development. The Company selected a batch of excellent leaders with high qualities, business proficiency, good management, sense of responsibility and integrity, further optimized the age, educational and professional structure of middle-level management team; strengthened competitive selection of leaders, and promoted 14 excellent young leaders as middle-level managers through open post competition; introduced 23 professionals in corporate finance, trade finance, retail finance, and financial markets; organized training for newly on-board middle-level management people, presidents of secondary sub-branches, and high-potential employees etc., totaling 1664 sessions of training with 84022 person-times participation.

—In terms of corporate culture, the Company closely followed the reality of reform and development, actively adapted to the new norm of economic development and Party building work, cultivated and put into active practice the core values of socialism, conducted "two excellent and one advanced" election so as to further create a sound environment of learning from the advanced and striving to be the advanced



throughout the bank; carried out activities of "entering communities, industrial parks and SMEs" by organizing doorstep service for Seniority Card holders, "youth financial English" contest, and the 3rd SRCB urban challenge match themed on "following the memories of the red revolution"; paid attention to the livelihood and showed concern for the community by practicing charity in various ways such as paired support, volunteer service and finance knowledge popularization; actively explored the sustainable way of charity with our financial advantages so as to make positive contributions to solving social problems and building a harmonious society.



Position in Peers and Awards

According to statistics from "The Banker", a British magazine, SRCB ranked 194th among 1,000 of the largest banks in the world in 2016 and was listed in the top 200 banks in the world for three years in a row. It also ranked 27th among Chinese banks enrolled on the list.

Standard & Poor's Rating Services rated SRCB as a bond issuer of long-term "BBB-" and short-term "A-3", where the outlook for the long-term credit rating is "stable", meanwhile, SRCB was also rated with long-term "cnA-" and short-term "cnA-2" of the Great China credit rating system, which was basically level with the rating result of 2015. In 2016, Standard & Poor's downgraded the ratings on many domestic banks to negative while still maintained the original rating for SRCB and confirmed that the stable rating outlook.

During the reporting period, SRCB won the awards of "2016 Innovation Award of Shanghai Banking Industry", "Best SME Service Case", "Outstanding Contribution Award for Best SME Financial Service" issued by Shanghai Banking Association; third prize of 2015 Shanghai financial innovation award for SRCB's rural land management right collateral loan product; "Top 10 Cases of 2016 China Consumer Rights Protection" issued by 2016 China Financial Consumer Rights Protection Forum; "2016 Shanghai Top 10 Integrity Cases" for SRCB's case of "Integrity Supports the Progress towards Industry Leader"; "Best Organization Award" issued by the 13th Shanghai top 10 wealth management stars evaluation; "Golden Bee 2016 Excellent CSR Report-Growth Enterprise Award" issued by China WTO Tribune; "Excellent Public Welfare Partner" issued by Shanghai Green Commission and China Green Foundation "Green Shanghai" Fund; "2015 China Banking CSR-Best Finance for People's Livelihood Award", "Top 50 Financial Products for SME in 2015" and "2015 Top 50 Financial Products Serving Agriculture" issued by China Banking Association; "Passengers' Most Popular Platinum Credit Card Issued by Regional Banks" issued on the 4th Passenger Travel Awarding Ceremony organized by magazines including Inflight Magazine and Civil Aviation Management of Civil Aviation Management Institute of China for SRCB's Platinum Travel Card; "Outstanding Contribution to Inquiry Business" and "Excellent Member for Technical Guarantee" in 2015 issued by Shanghai Gold Exchange; "Top Market Influence Award" and "Best Agricultural Financial Institute" issued by National Inter-bank Funding Center; "Best Member Award", "Best Spot Member Award", "Best Currency Swap Award" and "Best Potential Member for Market Making" in 2015 issued by China Foreign Exchange Trade System; top 30 in Shanghai's 2015 Top Employers' List.



3. Income from Main Operating Businesses

Unit: RMB 1000 Yuan

transaction type	Income	
	The Group	The Bank
Deposit in other banks	284,504	127,859
Deposit in Central Bank	1,200,344	1,159,196
Lending funds and buying back sales from financial assets	2,104,823	2,104,823
Loans and advance	15,371,322	14,261,053
Bond and other investment	4,338,312	4,338,312
Total	23,299,305	21,991,243

4. Market Share of Main Products or Services

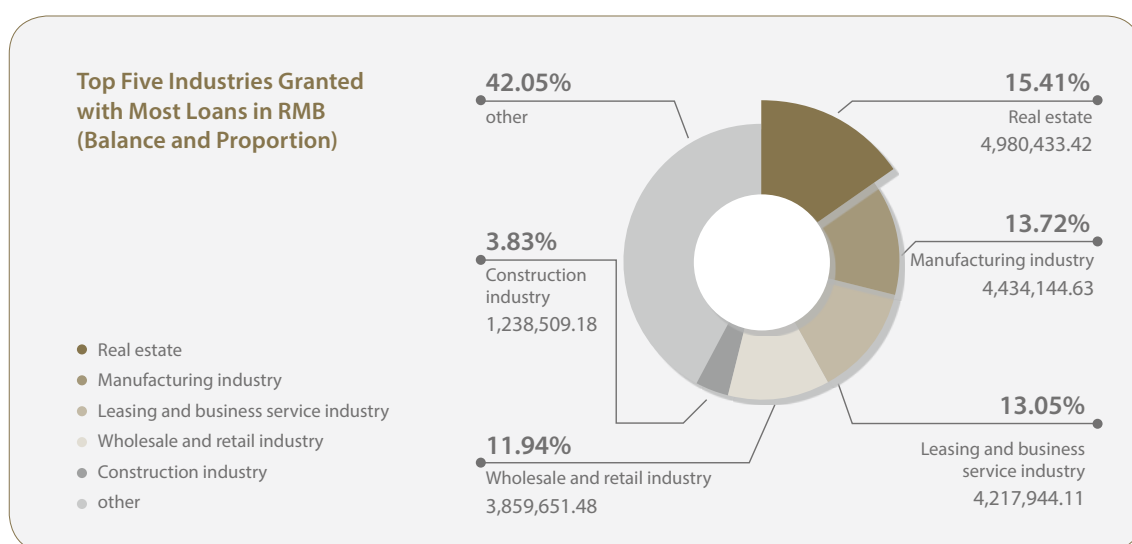
As of the end of the reporting period, among Chinese banks in Shanghai, the market share of SRCB's RMB deposit was 7.22%, 0.54 percentage points higher than end of last year, ranking 5th, level with last year, and the share of incremental was 11.2%, ranking 1st; the market share of SRCB's RMB loan was 6.05%, 0.61 percentage points higher than end of last year, ranking 7th, one rank higher than last year, and the share of incremental was 12.56%, ranking 3rd.

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

Unit: RMB 10,000 Yuan

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

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



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

Unit: RMB 1000 Yuan

Items	2016 Balance	2015 Balance	2014 Balance
The Group			
Letters of credit issued	1,263,950	1,302,031	1,261,790
Letters of guarantee issued	4,786,432	3,318,761	1,817,922
Bank acceptance bills issued	9,200,709	7,772,282	5,716,508
Credit undertakings	19,242,491	13,545,074	12,555,162
The Bank			
Letters of credit issued	1,263,950	1,302,031	1,261,790
Letters of guarantee issued	4,786,432	3,318,761	1,817,922
Bank acceptance bills issued	9,200,709	7,772,282	5,716,508
Credit undertakings	19,242,491	13,545,074	12,555,162

(III) Challenges in Business Operation and Solutions

During the reporting period, with the promotion of "de-capacity, de-stocking, de-leverage, reducing cost and improving shortcomings" as well as the deepening of financial reform, the Company adjusted and optimized the structure of credit business to adapt to new economic situations and requirements, and improve the quality and efficiency of serving the real economy and people's livelihood. The Company proactively followed Shanghai's "13th five-year plan", strengthened cooperation with governments of all levels, and signed strategic cooperation agreements with governments in Baoshan District, Chongming District, Minhang District, Huangpu District, and Jing'an District to further support service to real economy; signed strategic agreement with Shanghai Municipal Agricultural Commission to support modern urban agriculture; established investment banking team and invest part of the credit resources to high-yield non-standard investment business; enriched online payment channels by combining offline and online marketing to stably expand trading volume; actively optimized asset structure and put more proprietary fund to light-capital, low-risk, high-liquidity, and high-yield assets.

During the reporting period, impacted by interest rate marketization, Internet+ and other factors, the Company's traditional profit model was challenged. In response, the Company further explored the potential of traditional businesses on one hand and bravely innovated to find new profit growth points on the other hand. The Company successfully signed the first combined debt-equity investment business, innovated and launched electric bill asset management investment, "credit enhancement discount" and electric bill discount business under FTZ FT account; promoted the innovation experience of FTZ, and all of SRCB's first-tier branches and sub-branches have started FTU business.

During the reporting period, with the deepening of supply side reform, the potential credit risk of certain regions and industries showed up more quickly, which posed continuous pressure on the asset quality for commercial banks. Default occasionally happened on the bond market; investment business risk continuously increased, and market risk measurement was more professional and detailed; the concentrated exposure of illegal fund-raising might transmit to commercial banks, which put more pressure on operation risk management and fraud/violation prevention and control. Therefore, the Company gradually established a business credit risk management system, completed the development of market risk management IT system, and established unified credit approval management mechanism for financial markets business; organized special checks on FI financial asset investment business, financing leasing business, bill business, collateral loan of projects under construction, operational property loan, and non-local loans to dig risk potentials; optimized differentiated underwriting authority, implemented qualification management of credit professionals; organized screening on potentially high-risk loans and developed and implemented exit plans for each account; established Compliance & Internal Control Department to improve the organizational structure, system, and work of compliance and internal control.

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

The Company adhered to profit orientation, strengthened awareness of capital constraint, improved capital allocation, management, control and assessment to comply with the new capital accord. A prudent strategy of supplementing capital mainly by internal sources while complemented by external sources was adopted to ensure that capital position could effectively support and guide bank-wide risk management and increase the ROE.

During the reporting period, the Company gradually adjusted and optimized asset structure on/off-balance sheet, promoted proper growth of risk asset scale; established capital budgeting and allocation mechanism and improved performance assessment mechanism; completed RWA project to improve refined measurement of risk assets; strengthened capital management of rural banks by following return on capital; established diversified capital supplement mechanism which mainly relies on internal retained profit; issued RMB 3 billion tier-II capital bond on inter-bank open market to raise fund to supplement tier-II capital and improve capital adequacy.

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

III. Summary of Banking Data

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

No.	Name	Business address	Number of outlets under its control
1	Headquarters Business Department	No. 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	47
5	Minhang Branch	1-2/F, No. 670, Qixin Road, Minhang District, Shanghai	26
6	Jiading Branch	No. 386, Tacheng Road, Jiading District, Shanghai	26
7	Baoshan Branch	No. 1198, Mudanjiang Road, Baoshan District, Shanghai	30
8	Songjiang Branch	No. 405, North Renmin Road, Songjiang District, Shanghai	27
9	Jinshan Branch	No. 505, West Weiqing Road, Jinshan District, Shanghai	21
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	10
16	Xuhui Branch	No. 3-7, Lane 9, Zhaojiabang Road, Xuhui District, Shanghai	19
17	Hongkou Branch	No. 2721, Songhuajiang Road, Hongkou District, Shanghai	12
18	Yangpu Branch	No. 1599, Huangxing Road, Yangpu District, Shanghai	10
19	Huangpu Branch	Floor1, No. 500, Guangdong Road, Huangpu District, Shanghai	8
20	Jing'an Branch	No. 770, West Beijing Road, Jing'an District, Shanghai	11
21	Jiashan Branch	No. 67-63, Jiashan Avenue, Luoxing Subdistrict, Jiashan County, Zhejiang Province	2
22	Xiangtan County Branch	No. 598, Jingui South Road, Yisuhe Town, Xiangtan County, Hu'nan Province	4
23	Kunshan Branch	F1-3, No. 183, Middle Qianjin Road, Kunshan City, Jiangsu Province	2
24	Zhangjiang Science and Technology Branch	Room 103-108, No. 8, Zone B, Lane 500, Zhangheng Road, Pudong District, Shanghai	1
Total			396

(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
2015-end	2770.14	97.48%	34.74	1.22%	25.23	0.89%	8.99	0.32%	2.66	0.09%
2016-end	3159.09	97.72%	37.06	1.15%	28.05	0.87%	6.81	0.21%	1.76	0.05%

(III) Type of Provisions

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

1. Provisions for impairment of assets include loans, financial assets available for sale, accounts receivable investment, long-term equity investment, foreclosed assets, etc
2. The balance of impaired assets was RMB 10.283 billion at the end of 2016.

(IV) Loan Ratio of Top Ten Customers

Customer name	Loan balance (RMB 10,000 Yuan)	Ratio of total loans (%)
Shanghai Pudong Land Holding (Group) Co., Ltd	242,760.00	0.75
Shanghai Expo Land Co., Ltd.	204,000.00	0.63
Shanghai Mindu Property Co., Ltd.	149,950.60	0.46
Shanghai Zhonghuan Tiandi Investment Co., Ltd.	138,923.00	0.43
Shanghai Jinjiang International Hotels (Group) Co., Ltd.	130,000.00	0.4
Shanghai Industrial Development Shareholding Co. Ltd.	120,000.00	0.37
Shanghai Longhua Construction Development Co., Ltd.	118,100.00	0.37
Pingan Leasing Co., Ltd.	106,990.16	0.33
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	100,000.00	0.31
Shanghai Changtai Commercial Operation and Management Co., Ltd.	99,500.00	0.31

(V) Credit Approved to Group Customers 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 clients of the Company were far lower than the regulatory requirements. Balance of all related credit facility of the Company was RMB 3.009 billion with a relevant concentration ratio of 5.79%, lower than the regulatory indicator of 50%.

During the reporting period, in order to strengthen the group's customer management, SRCB amended and implemented SRCB Unified Credit Approval Management Measures of Group (related) Customers (amended in 2016) to further strengthen risk control on credit business with group (related) customers; added the appendix of Credit Approval Business Application Rules and Procedures of Group (related) Customers cross Tier-I Branches to standardize the relevant work.

(VI) Closing Balance of Restructured Loans and Overdue Loans

At the end of the reporting period, restructured loans reached RMB 286.08 million, of which overdue loan was zero.

(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	264,492,558	4.60%
Deposits	464,142,608	1.93%
-Current deposits	207,044,108	0.61%
-Term deposits	257,098,500	2.99%

(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	15,000.00	2021.10	3.85
2003 Book-entry treasury bonds	10,000.00	2018.10	4.18
2007 Book-entry treasury bonds	55,000.00	2017.3-2017.9	3.4-4.46
2008 Book-entry treasury bonds	36,000.00	2018.3-2038.5	3.68-4.5
2009 Book-entry treasury bonds	42,000.00	2019.6-2019.11	3.09-3.68
2010 Book-entry treasury bonds	375,000.00	2017.3-2040.12	2.76-4.23
2011 Book-entry treasury bonds	326,000.00	2018.1-2021.11	3.57-3.99
2012 Book-entry treasury bonds	454,000.00	2017.2-2022.12	2.95-3.55
2013 Book-entry treasury bonds	771,000.00	2018.1-2033.8	3.09-4.32
2014 Book-entry treasury bonds	52,000.00	2024.12	3.77
2015 Book-entry treasury bonds	1,258,000.00	2017.6-2025.10	2.44-3.64
2016 Book-entry treasury bonds	737,000.00	2017.1-2026.11	1.94-2.95
2012 Certificate treasury bonds	967.81	2017.4-2017.10	5.32-6.15
2013 Certificate treasury bonds	2,776.87	2018.3-2018.11	5.41
2014 Certificate treasury bonds	4,087.03	2017.3-2019.11	5-5.41
2015 Certificate treasury bonds	3,345.82	2018.3-2020.10	4.25-5.32
2016 Certificate treasury bonds	1,491.79	2019.3-2021.11	3.8-4.42
Total	4,143,669.32	2017.1-2040.12	1.94-6.15

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

At the end of the reporting period, total loans of the Bank reached RMB 323.3 billion. Given the five-category classification, there was RMB 315.909 billion in pass loans, accounting for 97.72%, and RMB 3.706 billion of special mention loans, accounting for 1.15%. The last three categories of loans totaled RMB 3.661 billion, accounting for 1.13%, down by 0.17 percentage points, or RMB 26 million less than the previous year. Absolute amount of NPL and NPL% both decreased. Substandard loans increased by RMB 283 million; doubtful loans declined by RMB 218 million; loss loans increased by RMB 90 million.

At the end of the reporting period, the Company's foreclosed assets totaled RMB 235.42 million, with a increase of RMB 60.45 million than year beginning. Within the reporting period, RMB 595.39 million of non-performing loans were written off.

In terms of solving and cutting down non-performing loans, the Company organized screening on high-risk loans, developed exit plans by stages and supervised the exit progress; played the resource advantages of recovery team, speeded up disposal of collaterals, and made full use of written-off resources, took multiple measures to cut down non-performing loans; tightened up risk exposure to steel trade and adhered to the policies of "maintaining some while restricting others, differentiated treatment, risk mitigation and protecting the bottom line".

(X) Foreclosed Assets

By the end of the reporting period, the balance of foreclosed assets was RMB 235.42 million, in which balance for real estate, movable property and equity rights were RMB 210 million, RMB 0.356million and RMB 24.1305 million respectively.

(XI) Overdue Outstanding Debt

None.

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

During the reporting period, China's economy was faced with relatively heavy downturn pressure; the overcapacity issue in certain industries was still serious; asset quality of banks was still under pressure. The increasing default incidents on bond market increased the investment risk of banking industry; market risk and liquidity risk management were more difficult with the deepening of interest rate liberalization; external risks were more likely to be transmitted into the banking industry.

Countermeasures of credit risks:

first, strengthened study of macro-economic and financial environment to improve the foresight of risk management; issued and implemented SRCB 2016 Credit Direction Policies; published macro-economic analysis and industrial price index monthly; continuously tracked and studied key industries including real estate and manufacturing industries; second, established credit management qualification assessment mechanism for basic level outlets by specifying requirements of the evaluation ratings, indicators and standards for tier-I and tier-II sub-branches and applying the evaluation result to differentiated authorization and comprehensive evaluation etc.; third, continuously improved credit approval business system by following external environment and regulatory requirements in amending risk management policies and product business management measures on unified credit approval of the Group (related) customers, first-time credit customers, bank acceptance bill, and personal mortgage loan etc. to avoid excessive credit and over-credit; fourth, improved business-wide risk credit risk management mechanism, established rules and regulations for non-standard investment business, FI investment business, and asset management business to control and prevent the risks of off-balance sheet businesses; fifth, continuously built credit business teams, formulated and implemented SRCB Regulation on Credit Practitioners' Qualification which specified requirements on the qualification, management and cultivation of credit practitioners, and strengthened training to improve staff's risk awareness.

Countermeasures for market

risks: first, implemented market risk internal modeling project, promoted the related consultation, improved market risk management framework, improve policies and procedure of market risk management; second, launched market risk management IT system to realize functions such as VaR measurement of the Bank's financial markets transactions, gain/loss monitoring, factor analysis, quota management, credit monitoring, and stress test etc.; third, improved management rules of the business risks of financial markets business by formulating SRCB Stress Test Management Policies, Notice on Specifying SRCB's Requirements on Managing Risks of Credit

Bond Investment Business, amended SRCB Unified Credit Management of FI Customers, SRCB Bank Account Categorized Management Measures etc.; fourth, regularly organized stress test and enriched tools of managing market risk: formulated stress test reports by observing the changes of the Bank's Investment, exchange gains/losses, and net interest income in the simulated stress scenarios of benchmark interest rate, exchange rate and market interest rate; took responsive measures based on the market risk stress test results.

Countermeasures for operation

risks: first, continually improved the compliance and operation risk management system based on comprehensive risk management: formulated SRCB Operation Risk Management and Assessment Measures (trial), SRCB Internal Control Management Measures, amended SRCB IT Vendors Management Rules, improved management of operation risks, implemented internal control accountability, strengthened management of outsourcing risks, modified functions of risk early warning system by adding accountability module, and standardized accountability of violations in accounting; second, focused on collation and optimization of business processes to make the management of compliance and operation risks more pertinent and effective: formulated SRCB Internal Check Management Measures and SRCB Management Measures on Rectification after Regulatory Checks to improve checking system, strengthen risk identification, and improve the GRC operation process of high-risk businesses including bill, wealth management, bond and gold businesses etc.; third, created and improved the management environment of compliance and operation risks aided by advanced technologies: further promoted vertical auditing management system and strengthened internal control mechanism; introduced post-loan early warning system and continuously conducted post-loan risk screening on existing credit card customers; included the list of customers with bad credit records and the court execution list into the underwriting black list; included related system data on compliance and operation risk into underwriting grey list; fourth, constantly improved compliance and operation risk management level based on IT: established the risk early warning system integrating and unifying credit risk prevention and operation risk prevention; launched mobile security APP and promoted the development, upgrading and application of various systems; fifth, made great efforts for outsourcing risk management guided by optimization of management mechanism: strengthened daily management of outsourcing risks by optimizing contract templates and executing accountability; strengthened vendor management by revising SRCB IT Vendor Management Rules and realizing concentrated management of project purchases; sixth, improved business continuity management focusing on sustainable development: major HQ business departments completed business impact analysis report and continuity plans on 60 product lines and actively organized contingency drills on business continuity and various IT systems.

Countermeasures for liquidity

risks: first, continuously improved the organizational mechanism of liquidity management and optimized liquidity management strategies to ensure that the Bank's liquidity management is aligned with market development trend; second, actively played the treasury function, updated capital management process, and found the balance point between liquidity, security, and return; third, liquidity risk stress test was conducted quarterly for quantified guidance on liquidity safety of the whole Bank; organized contingency drills on liquidity risk to strengthen practical risk-handling capability; fourth, further strengthened liquidity risk indicators management with earlier timeline, and dynamically adjusted asset-liability structure to ensure that indicators are aligned with internal and external management requirements; fifth, actively participated in the fund cooperation and relief mechanism among rural commercial banks; sixth, effectively supplemented the Bank's liquidity level by applying for PBOC loans, issuing negotiable certificate of deposit, and absorbing FI deposit etc.; seventh, initiated new generation assets-liabilities system construction to enhance risk measurement, monitoring and early warning level by system.

Countermeasures for compliance and legal

risks: first, continued to publish Compliance Brief to follow up on changes of laws and regulations, analyze the influence

on the Bank, and integrate the changes into rules and contract review; second, strengthened the guidance of laws by improving the review mechanism of legal risk experts, and strengthened prevention and control for businesses; third, organized compliance and legal risk trainings, explored multi-layer differentiated training mechanism to improve the perceptiveness, pertinence, and practicality of legal trainings; strengthened the usage of external lawyers so as to improve innovative and high-risk businesses; fourth, further improved compliance and operation risk management systems, IT level and efficiency, and efficacy of legal management and authorization management, and realized system identification and reminding functions for legal risk; fifth, improved and strengthened compliance and internal control evaluation systems to timely identify and correct problems in the business process.

Countermeasures for reputation

risk: formulated risk prevention mechanism plans, evaluated potential reputation risk before designing new products, providing new service and changing charging items, provided early risk disclosure and raised countermeasures so that reputation risk could be prevented from the source; continued to give training on reputation risk management and strengthened FI exchange; focused on client appeals and public opinions by responding to negative public opinions timely; further improved services to protect finance consumers' rights and interests.

IV. Analysis of Financial Status and Operating Results

Unit: RMB 1000 Yuan

Items	The Bank			Primary reason
	2016-12-31	2015-12-31	Increase/decrease	
Total assets	683,257,152	565,112,647	118,144,505	Expansion of operating scale
Long-term investment on equity	1,919,480	1,659,230	260,250	Increase in long-term equity investment
Fixed assets	4,037,285	4,454,431	-417,146	Decrease in fixed asset investments
Total liabilities	637,443,835	523,565,008	113,878,827	Increase in deposits and active liabilities
Owner's equity	45,813,317	41,547,639	4,265,678	Increase in undistributed profits
Operating profit	6,962,722	6,865,398	97,324	Increase in non-interest income
Investment income	2,419,583	2,043,120	376,463	Expanded investment scale
Net profit attributable to shareholders of the parent company	5,849,763	5,466,082	383,681	Expanded interest-earning asset scale

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

None.

VI. Serious Asset Loss Caused by Operational Risk

None.

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

In 2016, there were more uncertainties in international economy and politics, and positive changes occurred in China's economy, but structural contradictions still stood out.

In March 2016, PBOC cut RMB reserve requirement ratio by 0.5 percentage points to supplement long-term liquidity, and flexibly provided liquidity of different terms by reverse repo on open market, mid-term lending facility and pledged supplementary lending; established normalized daily open market operation mechanism to regularize mid-term liquidity operation. By end of 2016, supply balance of broad money M2 grew by 11.3% year-on-year, 2 percentage points slower than the growth at last year end.

Reserve requirement system was improved. Since July 2016, PBOC further has reformed evaluation rules on reserve against deposit by implementing averaging method on evaluating the base of reserve against deposit, thus realizing "double averaging method" on both reserve base and maintenance period, which could help financial institutions flexibly manage liquidity, strengthen robustness of monetary market operation, and improve the transmission mechanism of monetary policies.

Prudent policy framework was improved by "upgrading" the dynamic adjustment mechanism of differentiated reserve into macro-prudent assessment (MPA), which guided financially institutions from multiple dimensions including capital, leverage, asset-liability, liquidity, pricing, asset quality, cross-border business risk, and credit policy implementation etc. MPA has already run 1 year in 2016.

Interest rate marketization reform was deepened. Since 15 June 2016, yield curve of Chinese Treasury Bond has been published on PBOC's website to promote market entities' attention and usage of the yield curve of treasury bonds. Since 6 June 2016, the subscription threshold of certificate of deposits has been further adjusted from RMB 300,000 to RMB 200,000 for individual investors.

The RMB interest rate marketization mechanism was further improved. In February 2016, PBOC specified the RMB/USD central parity rate pricing mechanism of "closing rate + exchange rate changes of a basket of currencies", which strengthened the rule-based, transparent, and marketized levels of the exchange rate formation mechanism with stronger RMB/USD bilateral exchange elasticity and more obvious flexibility on both directions.

VIII. Business Development Plan for the New Year

(I) Guidelines for Business Development for the New Year

In 2017, the Company will deeply follow the spirit of the 6th Plenary Session of the 18th Central Committee of the CPC and the 14th Plenary Session of the 10th Municipal Committee of the CPC, focus on six aspects including "refined management, compliance and internal control, risk management, operational transformation, customer development and deepening of reform", comprehensively improve capability of serving customers and make full efforts to build a service-oriented bank; forge ahead with solid work in a more pragmatic and effective style to create excellent performance, implement refined management, and make unremitting endeavors for IPO as soon as possible.

(II) Main Business Targets for the New Year

- Net profit will be RMB 6.11 billion, with a growth rate of 4.5%. Target return on assets will be 0.82 % and return on equity will be 12.7%.
- Increase in deposit balance will be RMB 63.3 billion and reach RMB 586.7 billion, with an increase of 12%.
- Balance of proprietary loan will increase by RMB 59.7 billion to RMB 343.2 billion with an increase of 21%.
- Fee income will be RMB 3.26 billion with an increase of 26%.
- Operating expenses will be controlled at around RMB 5.75 billion and the cost-income ratio will be within 38.5%.

(III) Main Development Measures in the New Year



Corporate Banking

In terms of corporate banking, provide whole-life cycle and comprehensive financial services for key municipal/district projects based on the implementation of the "13th five-year plan" in different districts in Shanghai; strengthen the development of asset business in key strategic industries and the services to projects related with people's livelihood such as food, education, pension and green projects; actively promote the implementation of non-standard business and focus on structural financing as well as merger and acquisition financing projects; stick to "agriculture, rural area and farmers"-related features by mainly supporting the funding needs of agriculture-related infrastructure construction, and the integration of urban-rural development, and fully supporting the building of Chongming International Eco-island and various supporting projects; arrange "the sixth industry" by strengthening industrial and financing cooperation with large agriculture-related enterprises and expanding service scope; improve investment and financing products, business process and working mechanism on the opportunity of building Shanghai scientific innovation center and try to set up a scientific innovation company; continue to strengthen business cooperation with guarantee fund Management center by following up its business demands and fully serving SMEs.

In terms of trade finance, expand basic customer segments of trade finance by credit and fund connections with the upstream and downstream companies of core customers in trade finance; promote new products, expand new channels, actively explore and study the transfer and risk participation mechanism of foreign exchange syndicated loan business, and expand the fee income source of foreign exchange syndicated loan; further explore business innovations of external guarantee products such as "FTZ loan with domestic guarantee" and offshore debt with domestic guarantee etc., fully use domestic Letter of Credit, cross-border RMB forfeiting as well as the combination of FTZ with cross-border RMB business to meet key clients' need of cross-border financing and "going abroad"; closely follow up the innovation of FTZ policies, orderly innovate services and products and lead the development of the Bank's cross-border business.



Retail banking

In terms of retail banking, build up liability and traditional retail asset business, and promote business transformation; further promote wealth management business by diversifying wealth management products, expanding fund cooperation channels, and strengthening the introduction of asset management products; establish and improve customer Service system and promote outlet productivity; emphasize personal consumption loans by rationally developing housing mortgage loans, continuously strengthening management of housing provident fund loan business, supporting product and technological innovation, and integrating offline personal loan products and online channels; further consolidate the marketing achievements of Labor Union Card, and explore data marketing by innovating debit card payment methods using mobile payment products; promote the building and management of new-type community outlets with deeper connection with communities and promotion activities.

In terms of credit card business, deepen cooperation with third-party payment, expand cooperation scenarios with Internet finance and expand transaction volume; promote value-added businesses, innovate and develop high-end card products, continuously expand platinum business card, value-added services, and channel promotion etc. to optimize customer experience; promote the development of marketing channels, fully use assisting sales, telephone sales, and on-spot marketing etc., explore new customer acquisition channels such as online marketing to support business promotional and marketing activities; strengthen risk management to ensure sound and rapid business development.

Trade financing

In terms of trade finance, adjust the organizational structure and functions of trade finance to concentrate resources and improve operation and management efficiency; optimize business structure and EVA-oriented investment operation to improve ROA; stabilize sources of FI liability with negotiable certificate of deposit; promote asset turnover, deeply explore bond market, equity market and develop innovative businesses; promote business coordination and cross-marketing, bond underwriting and distribution, bond lending, and precious metal leasing; accelerate the development of innovative products such as Jicunjin to stably grow fee income; strengthen marketing and promotional of electric bill discount under Xinyitie and FTZ FT account as well as other specialized products to further improve the brand image of discounting business.

In terms of asset management business, follow the idea of "following the market to lower issuing cost; and actively responds to the market to obtain higher-than-market investment yield", centers on profit, start from developing open and high net worth clients, further optimize product structure, solidify customer base by the development of community banking, strengthen cross-marketing, build up retail banking and corporate wealth management business; rely on the advantage of HQ FI client resources, deepen and explore FI wealth management business; deeply explore bond market and equity market, promote entrusted investment accounts and non-standard projects of the Bank and expand quality asset to grow both the business scale of asset management and fee income.

Channel and Service

In terms of Internet finance, strengthen the development of traditional e-banking business channels, promote online financing business, and fully put all product and service lines online; follow the trend of mobile Internet, promote mobile finance and scenario finance etc.; strengthen refined management of automatic machines and optimize their application, and actively promote the development of intelligent ATMs; strengthen study on the development trend of Internet finance, continuously promote direct banking, online mall, and Internet finance communities; strengthen the maintenance and management of customer service center to improve service capability; strengthen business management and improve anti-fraud pre-warning system to improve fraud/violation control and prevention and accelerate the development of Internet finance.

In terms of branch network, center on performance in strengthening network efficiency evaluation, and transform network from "scale-oriented" to "management performance-oriented"; control the total number of network, restructure and optimize the distribution of network to improve comprehensive productivity.

In terms of scientific and technological support, strengthen research on new technologies as well as scientific and technological support; manage IT system service by sorting out existing systems and services, standardizing system interface and data, and improving development efficiency as well as data quality; optimize system architect to lower down R&D and maintenance cost; expand the scope of automatic testing to improve test efficiency; further optimize project management procedure and strengthen control on the development process to improve project management efficiency; ensure the safe and stable operation of production system, promote the research and application of technologies such as agile maintenance, virtualization of data center, and cyber security optimization etc., and actively optimize and innovate system architecture, maintenance methods and service procedure; conduct pilot on the integration of production equipment resources to improve comprehensive utilization rate of IT resources and save IT operation cost; continuously improve disaster relief system to improve switch efficiency and reliability; continuously improve the quality of technological services to strengthen support to business lines, branches and sub-



branches; further improve staff structure, strengthen professional skill training and cultivation, and improve overall independent operation and maintenance.

In terms of protecting consumer rights and interests, continuously improve related system and mechanism, fulfill the responsibility of treating banking consumers fairly, follow the principle of fair trade, focus on consumers' requests and hot opinions, timely respond to negative opinion, further improve services and improve the protection of consumer rights and interests; standardize operation behavior, continuously improve service standards and level; strengthen product information disclosure and follow the principle of transparent sales to guarantee consumers' right to know, right to select on one's own and the right of fair trade; strictly implement the requirement of "specialized area" and "video and audio recording" for product sales to guarantee consumers' property safety and legal right of claim; improve standardized management of agency business; strengthen protection on consumers' personal information, further standardize service charging, and strengthen care and protection on special customer segments; strengthen promotion, education and training, improve the awareness and level of services to customers, optimize complaint handling process and actively resolve complaints and disputes.



Risk Management

In terms of risk management, strengthen research on economic and financial situation as well as prospectiveness of risk management, and ensure the bottom line of no systematic risk; follow CBRC's requirement of comprehensive risk management, promote the building of comprehensive risk management system, further improve policies and rules, improve risk Management technologies, and rely on IT technology to improve the Bank's professional and systematic risk management.

In terms of internal control, strengthen accountability of internal control and improve incentive and penalty mechanism; strictly guard the bottom line of risk by unremitting effort in fraud/violation control and prevention to eliminate potential risks timely; strengthen behavior control, checks, and performance management of internal control on network heads; upgrade IT system to connect accounting, credit, anti-money laundering pre-warning, and auditing systems with the Bank's GRC system, and set up corresponding pre-warning system in the system to realize consolidated management of pre-warning rules and to monitor abnormal staff behaviors through a stronger pre-warning system.

In terms of compliance management, prevent legal risk, strengthen standardized service of innovative businesses and efficiency of law services to provide legal guarantee to product innovation; promote compliance education and law promotion, organize staff compliance education and training as well as code of conduct training, continue with promotion and education on preventing illegal fund-raising, and Implement regulators' requirement on preventing illegal fund-raising.

Human Resources

Focusing on the target of IPO, and taking the opportunity of HR optimization project, strengthen HR management and try to improve productivity per capita; further strengthen the cultivation and usage of excellent young talents, give them more chances to demonstrate, and accelerate their growth; adjust and optimize evaluation methods, strengthen the application of evaluation results, gradually form a complete business qualification evaluation and recruitment system, and expand staff's career development with double passages of "administrative and professional" series; Implement supporting measures for core talents on key posts, establish complete Staff promotion and retention mechanism to prevent key talent attrition; strengthen internal talent exchange, combine open hiring with internal competitive hiring and accelerate the development of professional talent team; strengthen the pertinence and effectiveness of training and implement multi-dimensional staff training following business development.



Group Investment Management

In terms of rural bank, stick to prudent operation, improve development quality, promoted sound and virtuous development of rural banks; establish market-oriented talent cultivation and selection mechanism considering the actual need of rural banks; optimize asset-liability structure, expand basic customer segments, and realize organic unification of "safety, quality, benefit and efficiency"; insist on the market position of serving "SMEs agriculture, rural area and farmers", standardize the business development of SME finance center; optimize network distribution, consolidate and expand achievements of benchmark network.

In terms of the Financial Leasing Company, focused on industrial finance, deeply explored target market, strengthened banking-leasing interaction to build new innovative drivers, tried to develop core competitiveness in industrial finance, and improved the quality and efficiency of serving the real economy; meanwhile, innovated financing models, tried to obtain the qualifications for financial markets business and for interbank lending market business. The Financial Leasing Company will continuously deepen the development of operation and management system following the idea of promoting intrinsic business development, realizing differentiated risk control, building refined management mechanism, and strengthening the development of professional teams.



Target independent IPO

Center on performance

A listed public bank with local root and efficient services

A bellwether of national rural commercial banks



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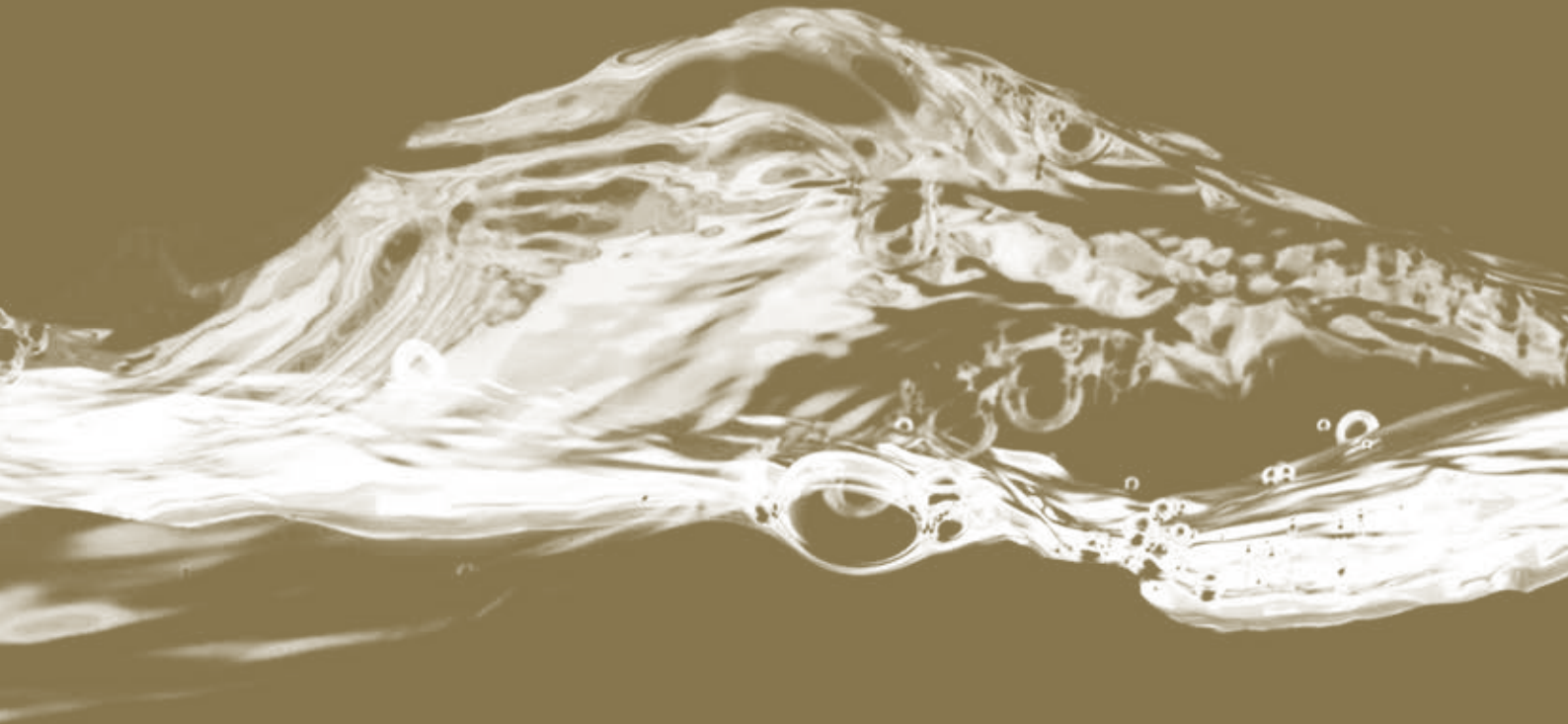
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Changes in Share Capital and Shareholders

Changes in Share Capital
Shareholders



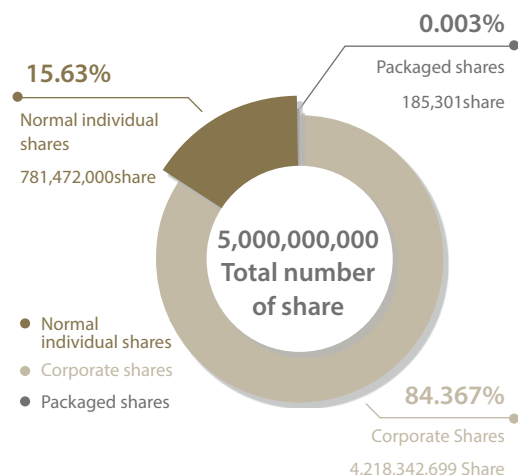
I. Changes in Share Capital

(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 whose shareholders cannot be identified by the original rural credit cooperatives shall be converted into a 'packaged share' and subject to further processing after the actual shareholder is identified.



(II) Issuing of Shares

None during the reporting period.

II. Shareholders

(I) Number of Shareholders and Their Shares

At the end of the reporting period, the Company had a total of 24,670 shareholders, of which 220 were corporate shareholders, 24,449 were individual shareholders and 1 was a holder of packaged shares.

Total 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	-
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	-
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 Guosheng Assets Co., Ltd.	State-owned Corporate Shares	4.47%	22,354.84	-
8	Shanghai International Group Asset 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	-
	Total		67.45%	337,225.41	-

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

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

(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, it 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, ranking 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 with a market capitalization of AUD 80.886 billion in September 2016.

2. Shanghai State-owned Asset Operation Co., Ltd.

holds 10% shares of the Bank. Established in October 1999, it is a wholly-owned subsidiary of Shanghai International Group. It has a registered capital of RMB 5.5 billion with assets totaling over RMB 70 billion. With asset management at its core, the company makes investments through marketization and acquires as well as disposes non-performing assets of financial companies in batches.

3. China Pacific Life Insurance Co., Ltd.

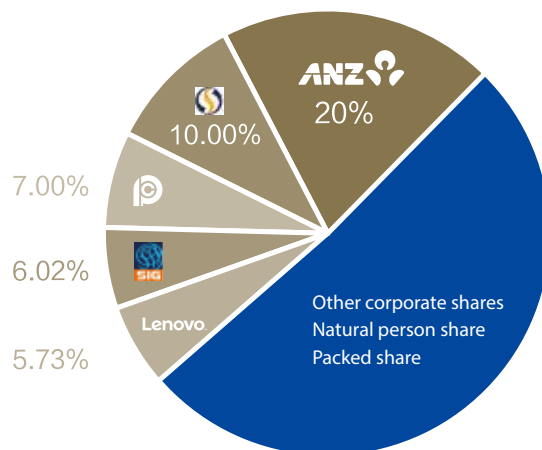
holds 7.00% shares of the Bank. The company was established in November 2001 with China Pacific Insurance (Group) Co., Ltd. as its holding company with a registered capital of RMB 7.6 billion. It is primarily engaged in the life insurance business, including life insurance, health insurance, personal 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

2/2

Directors, Supervisors, Senior Management and Employees

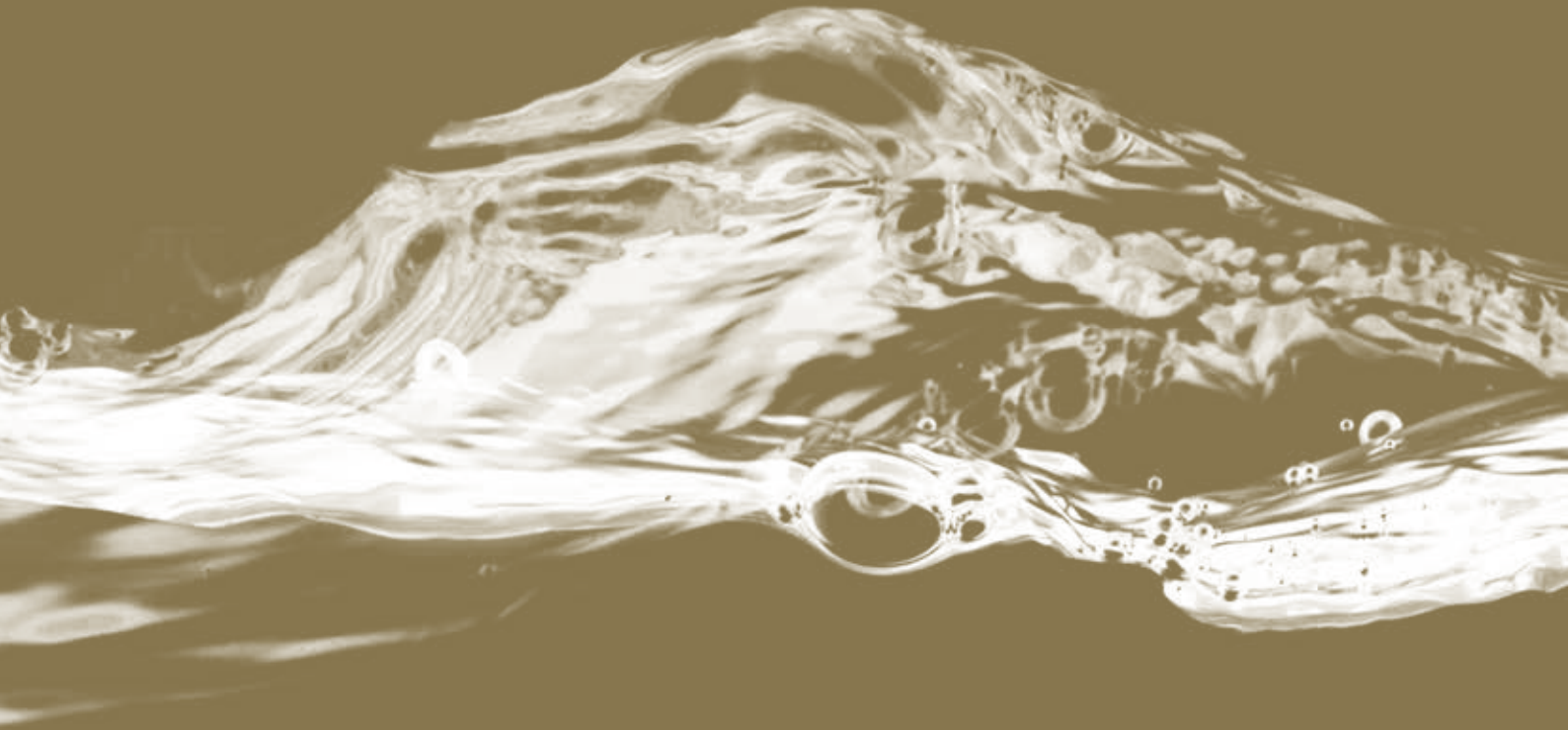
Board of Directors and Supervisors and Senior Management

Work Experience of Directors, Supervisors and Senior Management

Changes in the Board of Directors and Supervisors and Senior Management

Remuneration and Incentive Mechanism

SRCB Staff



I. Board of Directors, Supervisors and Senior Management

Position	Name	Gender	Year of Birth	Date of attendance	Remuneration (√)	Number of shares (shares)
Members of the Board of Directors						
Chairman	Ji Guangheng	Male	1968	2016.1.14 – 2017.3.30	√	
Vice Chairman	Xu Li	Male	1967	2016.1.14 - 2017.3.30	√	
Employee Director	Shen Xunfang	Male	1958	2009.9.8 - 2017.3.30	√	500,000
Shareholding Director	Nigel Henry Murray Williams	Male	1962	2014.4.30 - 2017.3.30		
Shareholding Director	Alistair Marshall Bulloch	Male	1957	2009.9.8 - 2017.3.30		
Shareholding Director	Deng Weili	Male	1964	2014.4.30 - 2017.3.30		
Shareholding Director	Wang Weihua	Male	1967	2011.4.29 - 2017.3.30		
Shareholding Director	Yu Zhongmin	Male	1957	2014.4.30 - 2017.3.30		
Shareholding Director	Chen Shuai	Male	1974	2014.4.30 - 2017.3.30		
Shareholding Director	Xue Jian	Male	1965	2011.3.16 - 2017.3.30		
Shareholding Director	Zhang Liping	Male	1953	2014.4.30 - 2017.3.30		
Shareholding Director	Chen Gang	Male	1965	2014.4.30 - 2017.3.30		
Shareholding Director	Wu Zhengkui	Male	1974	2011.12.27 - 2017.3.30		
Independent Director	Su Zhong	Male	1948	2009.9.8 - 2017.3.30		100,000
Independent Director	Yu Yinghui	Male	1948	2009.9.8 - 2017.3.30		
Independent Director	Liu Hongzhong	Male	1965	2009.9.8 - 2017.3.30		
Independent Director	Wu Jian	Male	1968	2009.9.8 - 2017.3.30		
Members of the Board of Supervisors						
Chairman of the Board of Supervisors	Sun Jianping	Male	1957	2014.12.29-2017.3.30		
Shareholding Supervisor	Wu Zhenlai	Male	1950	2009.9.8 - 2017.3.30		400,000
Shareholding Supervisor	Zhu Peilan	Female	1975	2011.4.29 - 2017.3.30		
Shareholding Supervisor	Lu Changsheng	Male	1959	2009.9.8 - 2017.3.30		30,000
Employee Supervisor	Li Min	Female	1961	2014.11.8 - 2017.3.30	√	300,000
Employee Supervisor	Zhang Qi	Female	1965	2014.11.8 - 2017.3.30	√	100,000
Employee Supervisor	Zhang Zuyu	Male	1957	2009.9.8 - 2017.3.30	√	100,000
External Supervisor	Wu Xing	Male	1945	2009.9.8 - 2017.3.30		
External Supervisor	Jiang Hong	Male	1950	2009.9.8 - 2017.3.30		
Senior management						
President	Xu Li	Male	1967	2016.1.14 - 2017.3.30	√	
Vice President	Shen Xingbao	Male	1958	2009.9.8 - 2017.3.30	√	500,000
Vice President	Ye Guorong	Male	1957	2009.9.8 - 2017.2.20	√	500,000
Vice President	Li Jin	Male	1963	2010.9.9 - 2017.3.30	√	300,000
Vice President	Jin Jianhua	Male	1965	2010.9.9 - 2017.3.30	√	300,000
Vice President	Shi Meiliang	Male	1963	2010.9.9 - 2017.3.30	√	300,000
Chief Information Officer	Zhou Hengchang	Male	1965	2009.9.8 - 2017.3.30	√	500,000
Corporate Business Director ^{note}	Wang Jianping	Male	1965	2016.4.8 – 2017.2.20	√	300,000

Note: the 2nd ad-hoc Meeting of the 2nd Board held on 20 Feb., 2017 appointed Mr. Wang Jianping as SRCB Vice President whose qualifications are going through regulatory approval; Mr. Ye Guorong was appointed as Chief Risk Officer, and he no longer assumes the position of Vice President.

II. Work Experience of Directors, Supervisors and Senior Management

(I) Members of the Board of Directors

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

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

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

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 ANZ. 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 Honors 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 Votraint 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 Secretary of the Party Committee and Chairman of Shanghai State-Owned Assets Operation Co., Ltd., and Director of SRCB. Mr. Deng previously served as a lecturer, Secretary of the General Party Branch of Management Science Department at Fudan University, Associate Professor of the School of Management at Fudan University, Deputy Director of the HR Department and Director of Talent Introduction Office at Fudan University, Deputy General Manager of Shanghai Tiancheng Venture Co., Ltd., Deputy General Manager, General Manager of Shanghai Guoxin Investment Development Co., Ltd., Vice President of Shanghai State-owned Asset Operation Co., Ltd., Vice President, Deputy Party Secretary, Deputy General Manager, and Director of Shanghai State-Owned Assets Operation Co., Ltd., General Manager of Capital Operation Department of Shanghai International Group Co., Ltd.

Wang Weihua, male, born in Nov. 1967, Ph.D. candidate, Economist, CFA. He is currently the Investment Director and Chief of the Asset Management Centre 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

Changes in Share Capital and Shareholders

Directors, Supervisors, Senior Management and Employees

Corporate Governance Structure

Introduction to Annual General Shareholders' Meeting

Report of the Board of Directors

Board of Supervisors Report

Important Matters

List of Financial Statements and Documents for Future Reference

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 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), General Manager of Shanghai Platform, Vice Chairman of Century Ginwa Incorporated Company, Director of Shanghai Municipal Investment Holding Co., Ltd., Director of Rongzhong Group Co., Ltd., and Director of SRCB. Mr. Chen previously served as General Manager of Budget Centre and Settlement Centre of Wumart Stores Inc., General Manager of Vendor Management Department of Beijing Jiahe Group, Senior Investment Manager of D'Long International Strategic Investment Company.

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

Zhang Liping, male, born in November 1953, Master's Degree in Economics, Senior Administration Engineer and Senior Economist. Mr. Zhang serves as 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, Fengxian District Director of the People's Congress in Shanghai, Party Committee Secretary and Chairman of Shanghai Guosheng Group Co., Ltd.

Chen Gang, male, born in April 1965, Master's degree, Senior Economist. Mr. Chen currently serves as Chairman of Tullett Prebon SITICO (China) Ltd., Director of 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. Yu is currently the Independent Director of SRCB. Mr. Yu previously served as Chief of Planning-Credit Section of Bazhou Branch, the People's Bank of China, Deputy Chief of Survey and Statistics Division of , Xinjiang Branch, People's Bank of China, Vice President of Urumqi Branch, People' Bank of China, 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, Representative of the 14th National People's Congress of Shanghai, Director of the All-China Lawyers Association, Executive Director of the Shanghai BAR Association, Vice Chairman of the Shanghai Foreign-capital Enterprise Consulting Working Committee, Special Supervisor of the Shanghai Municipal Legal Committee, Special Supervisor of the Shanghai High People's Court, Special Supervisor of the Shanghai Public Security Bureau, Guest Professor at East China University of Political Science and Law and University of Communication, and 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 of Han nationality, on-the-job postgraduate degree and 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 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 Chairman of SRCB Labor Union, and supervisor of SRCB. She was Vice President of SRCB Pudong Branch, and Supervisor of SRCB. Ms. Zhang previously served as Office Director, Assistant President and Vice President of SRCB Pudong Branch.

Zhang Zuyu, male, born in December 1957, junior college graduate, Economist. Mr. Zhang is currently Senior Business Officer of the Asset Monitoring Department of SRCB Jinshan Branch, and Supervisor of SRCB. Mr. Zhang previously served as President of SRCB Zhangyan Sub-branch, Manager of the Auditing and Supervision Department and Sales Manager of Jinshan Branch, SRCB.

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 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 Sub-branch, and President of the Leading 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. Li currently serves as Vice President of SRCB. Mr. Li previously served as Chief of the Cooperation Division of CBRC Shanghai Office, Chief of the Supervision Division of a Rural Commercial Bank, Chief of the State-owned Banks Supervision Division, Chief of the Supervision Division of Bank of Communications, and Chief Supervisor of the Bank of Communications (Deputy Inspector).

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

Shi Meiliang, male, born in March 1963, MBA. Mr. Shi currently serves as Vice President of SRCB, SRCB Board Secretary, and Chairman of Yangtze Financial Leasing Company. 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 Sub-branch and Putuo Sub-branch.

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

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

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

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

Changes in the Board of Directors

According to the spirit of relevant documents of municipal Party Committee and municipal government, the Company held the 1st Ad-hoc Meeting of the 2nd Board on 14 January 2017, and elected Mr. Ji Guangheng as Chairman of the Bank, and Mr XU Li as Vice Chairman; meanwhile, included Chairman Ji Guangheng as the Chairman of the Strategy Committee of the 2nd Board, and Vice Chairman XU Li as Chairman of the Risk Management Committee of the 2nd Board.

Changes in the Board of Supervisors

The 23rd Meeting of the 2nd Board of Supervisors included SUN Jianping, Chairman of the Board of Supervisors, as member of the Nomination Committee of the 2nd Board of Supervisors, and included Supervisor ZHU Peilan as member of the Audit Committee of the 2nd Board of Supervisors.

Changes in Senior Management

The Company held the 28th Board Meeting of the 2nd Board and nominated Vice President SHI Meiliang as Secretary of the Board. The Company nominated Mr. WANG Jianping as Corporate Business Director. Mr. OU Yang, former Corporate Business Director and GM of Internet Finances Department, applied for resignation due to personal reasons in March 2016.

IV. Annual Salary and Incentive

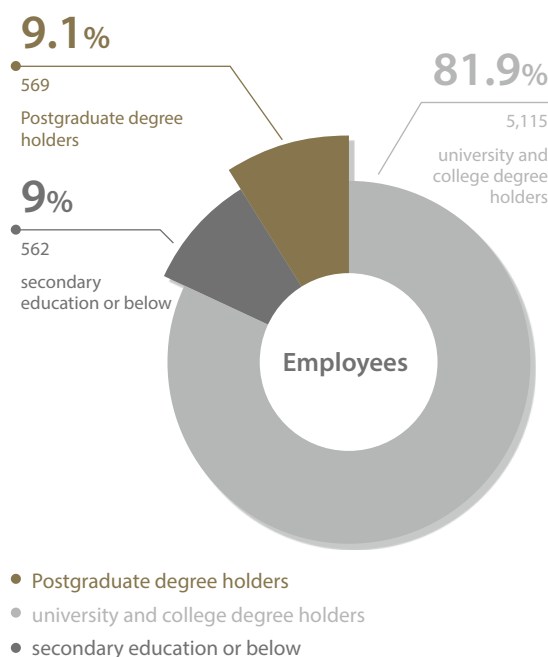
The Bank provides compensation for non-executive directors and supervisors under the provisions of "Duties and Salaries of Directors and Supervisors" in the Administrative Measures for Directors and the Performance Assessment Methods for Directors and Supervisors. The responsibilities, professional knowledge,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

The salary of non-executive directors and supervisors includes annual allowance and post allowance for serving on committees, and meeting subsidy. In addition, the standard annual allowance for independent director and external supervisors is RMB 120,000 yuan after-tax, while the annual allowance for shareholding directors and shareholding supervisors is RMB 60,000 yuan after-tax. The salary standards above were reviewed and approved during the General Shareholders' Meeting.

The salary paid to directors, supervisors and senior management is subject to performance evaluation. During the reporting period, the salaries and benefits paid to directors, supervisors and senior management totaled RMB 4.3502 million after tax.

V. Employee Conditions

As of the end of the reporting period, the Company has 6,246 employees, including: 1,105 managers and 5,141 staff. There are 569 postgraduate degree holders, accounting for 9.1%; 5,115 university and Bachelor degree holders, accounting for 81.9%. The remaining 562 had secondary education or below, accounting for 9%.



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Corporate Governance Structure

Corporate Governance

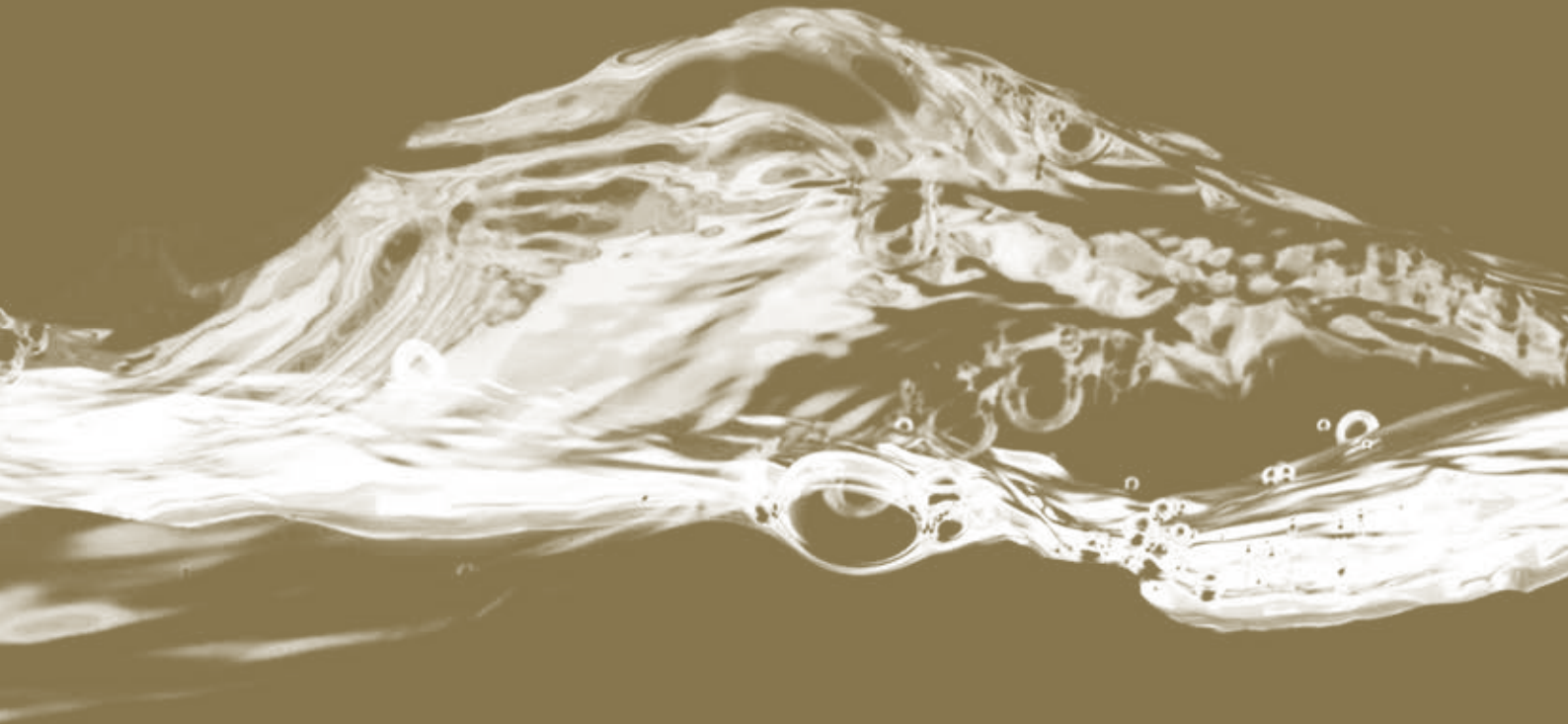
Performance of Duties of Independent Director and External Supervisors

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

Decision-making System of the Bank

Senior Management Assessment and Incentive

Organizational Chart



I. Corporate Governance

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

(I) About Shareholders and Shareholders' Meeting

During the reporting period, the Company held the 2015 Annual Shareholders' Meeting, at which 5 resolutions were approved and 4 proposals were listened to. The procedure of announcement, organization, convention and voting procedure of the Shareholders' Meeting were aligned with the Corporate Law, Articles of Association and other relevant regulations, and Jun He Law Offices (Shanghai Branch) issued a legal opinion letter. Opinions and recommendations of shareholders were provided and listened to at the Shareholders' Meeting to guarantee shareholders' right to know, right of participation and right to vote for the purpose of creating a fair environment for shareholders to fully participate in decision-making, and equality exercise their rights.

(II) The Company and its Shareholders

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

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

The 2nd 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 diligently fulfilled their responsibilities, actively participated in Board meetings and meetings of special committees and raised suggestions on the development of the Bank; paid close attention to the Bank's strategic positioning, operation, capital management, investment management, and comprehensive risk management; further improve corporate governance, strengthen the decision-making function of the Board; protect the Bank's and shareholders' legal rights and interests, protect the rights and interests of financial consumers and other related party of interest, and made effective contribute to the Bank's development.

During the reporting period, the Bank convened 6 board meetings, and reviewed or listened to 55 proposals, covering important issues related with strategy, operation, comprehensive risk management and corporate governance such as annual work plan, financial budget, profit distribution plan, disposal of long-term external equity investment, combined debt-equity investment, issuing tier-II capital bonds, and ABS, capital injection into the Financial Leasing Company, NPL write-off, risk appetite management, IT risk management, loan waiver management, related party transaction management, and nomination of directors and senior management etc.

There are 5 special committees under the Board, including 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 19 meetings, and reviewed or listened to 56 proposals. All committee members, under the organization of the committee chairmen, fulfilled their roles and responsibilities, carefully studied meeting agendas, raised constructive opinion and suggestions, supervised the execution of Board resolutions, and assisted the Board in effective performance fulfillment and scientific decision-making.

The Company has 1 Board Secretary, which is assumed by Vice President, who is responsible for the Company's external information disclosure and daily work of the Board.

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

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

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, provided survey feedbacks on issues and suggestions found in inspections to the Board of Directors and Senior Management, and contentiously performed their supervision responsibilities. During the reporting period, the Bank held 4 Board of Supervisors meetings, reviewed 13 proposals and listened to 2 reports. The Board of Supervisors is consisted of 2 special committees. 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, 1 Chief Information Officer and 1 Corporate Business Director. During the reporting period, the senior management of the Company followed the Board's strategic decisions, centered on the annual strategic focuses, performed corresponding duties conscientiously, organized and promoted various operation and management works, adhered to profit-orientation, continuously improved the market shares and profitability and comprehensively completed the management tasks confirmed by the Board of Directors.

The senior management established a group decision-making mechanism for major issues, which is consisted of 13 special committees, including Consumer Rights and Interests Protection Committee, Asset and Liability Management Committee, Business Continuity Management Committee, Corporate Finance Business Committee, Retail Finance Business Committee, Financial Market Business Committee, Credit Approval Business Committee, Risk Assets Resolution Committee, Information Technology Management Committee, Internal Control and Risk Management Committee, Physical Asset and Centralized Purchase Committee, Financial Review Committee and Fee Income Business Promotion Committee. The special committees regularly/irregularly reviewed and voted on related issues.

During the reporting period, the Company newly established the Consumer Rights and Interests Protection Committee, and Financial Review Committee which is responsible for reviewing and approving the necessity, rationality, and compliance of the Company's financial rules, budget targets, and financial expenditure within the scope of authorization, reasonably allocating financial resources for business developing and effectively saving financial expenditure; newly established Fee Income Business Promotion Committee, which is responsible for reviewing and approving the operation plan, work target, marketing plan and promotion measures of fee income business; combined some functions of the former Centralized Purchase Committee into the Physical Asset and Centralized Purchase Committee, which is responsible for the decision and approval of Bank-wide physical assets management and

centralized purchase; combined some functions of the former Credit Risk Management Committee into the Internal Control and Risk Management Committee, which is responsible for the management of internal control, credit risk, market risk, operation risk, and compliance risk etc.; combined some functions of the former Credit Approval Committee and Non-credit Asset Approval Committee into the Credit Approval Business Committee, which is responsible for the approval of loans, bill acceptance, discount, guarantee, loan commitment, trade financing business, FI line of credit, domestic and foreign currency credit bond investment, ABS investment, underwriting of debt financing instruments, FI financial asset investment and equity investment etc.

(VI) Information Disclosure and Transparency

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

During the reporting period, the Bank completed 2 disclosures of periodic reports, namely the 2015 Annual Report and the 2015 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 2 times, namely 2015 Annual Shareholder Meeting Announcement, and 2015 Annual Dividend Announcement.

II. Performance of Duties of Independent Directors and External Supervisors

(I) Performance of Duties of Independent Directors

The 2nd Board of Directors is consisted of 4 independent directors, who are reputable in their respective fields of economy, 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 transformation, structure adjustment and risk management system reformation, inspired innovation, expanded new business, stabilized operation benefit, protected the overall interests of the Bank, including the legal interests of small and medium shareholders and promoted the Board's scientific and objective decision-making.

1. Attendance of Independent Directors at Board Meetings

During the reporting period, the 2nd 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 from Independent Directors on Issues Related with the Company

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

(II) Performance of Duties of External Supervisors

The 2nd Board of Supervisors had 2 external supervisors. During the reporting period, the 2nd Board of Supervisors held 4 meetings. The external supervisors actively participated in the meetings. The external supervisors actively provided independent opinions at the meetings, and were responsible for all shareholders; fulfilled obligations with integrity and diligence, protected the interests of the Bank and the legal interests of stakeholders, and played an active role in fulfilling the supervisory duties of the Board of Supervisors. The

chairmen of the 2 special committees of the Board of Supervisors were all assumed by external supervisors.

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

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

IV. The Company's Decision-making System

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

V. Senior Management Assessment and Incentive

The Board of Directors authorized the Remuneration and Nomination Committee to evaluate the performance of executive directors and employee directors in 2015, assess the operation, profit and risk control of the senior management, and issue assessment opinion. The Proposal on 2015 Annual Performance Evaluation of Employee Directors and Senior Management was reviewed and approved on the 28th Meeting of the 2nd Board of Directors. The Board of Supervisors issues an assessment report on the performance of senior management each year.

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

Changes in Share Capital and Shareholders

Directors, Supervisors, Senior Management and Employees

Corporate Governance Structure

Introduction to Annual General Shareholders' Meeting

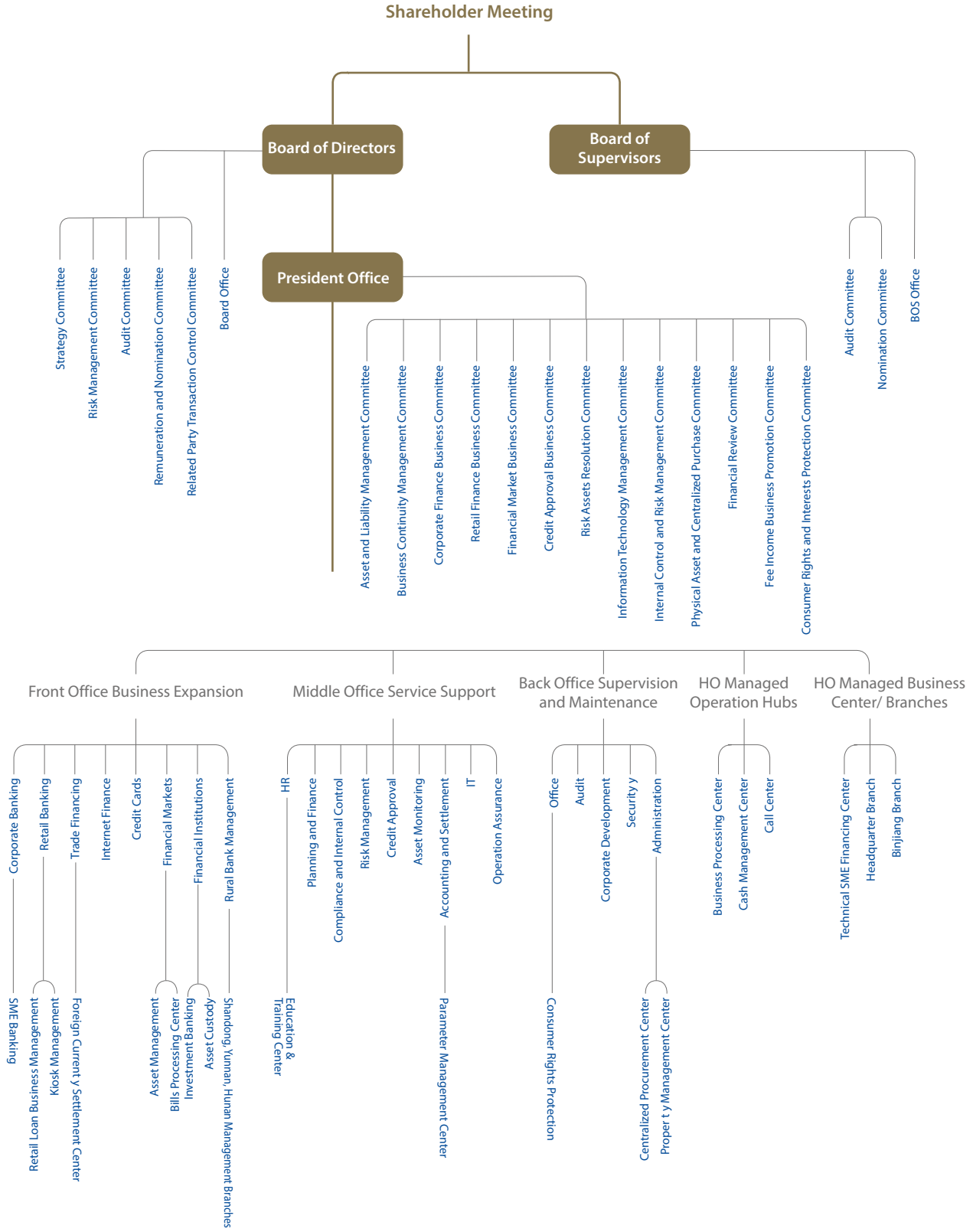
Report of the Board of Directors

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VI. Company's Organizational Chart

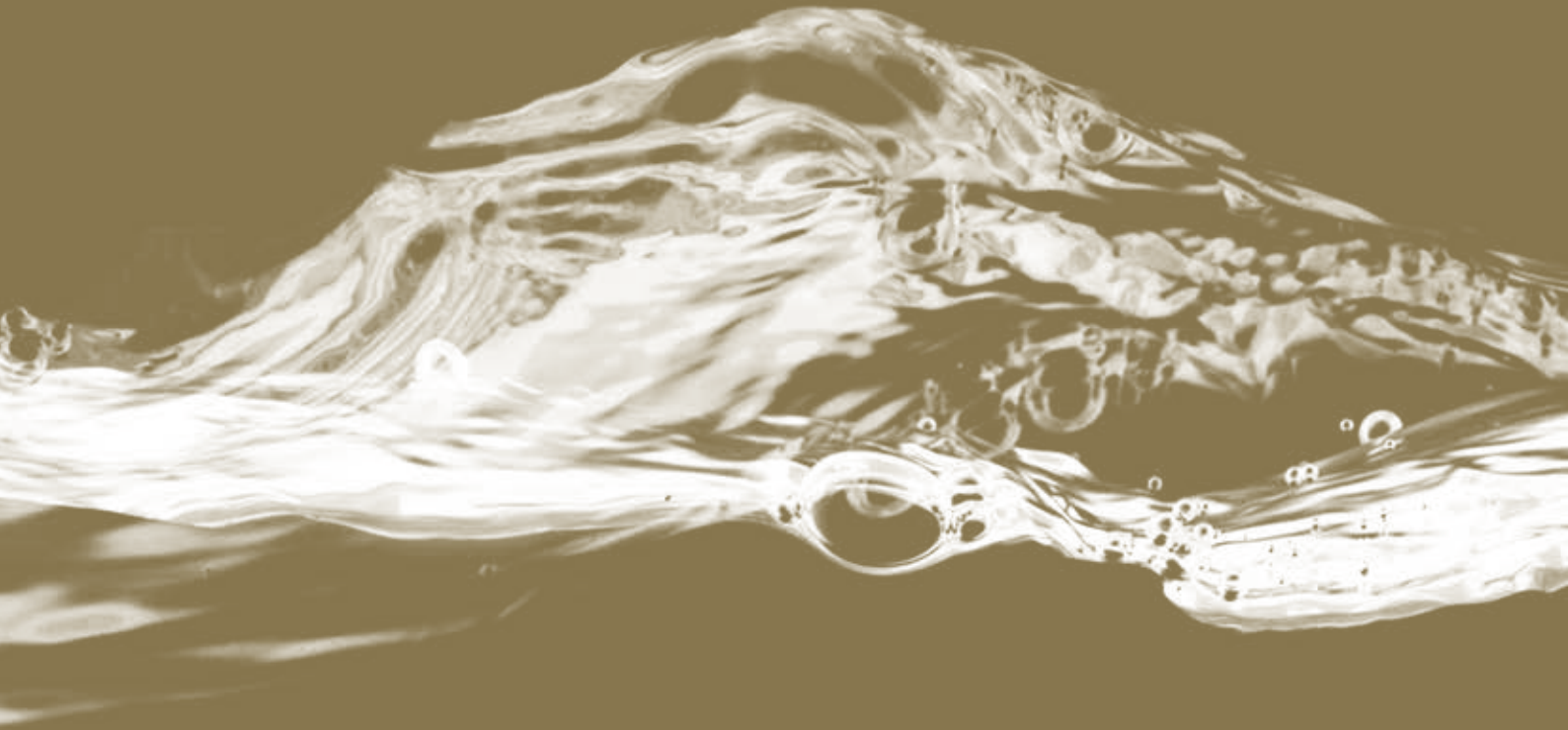


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Introduction to Annual General Shareholders' Meeting

Annual General Shareholders' Meeting

Interim Shareholders' Meeting



Annual Shareholders' Meeting

On April 28, 2016, the Bank's 2015 Annual Shareholders' Meeting was held at No.8 Middle Yincheng Rd, Shanghai. 64 shareholders and representatives attended the meeting, representing 3.77 billion shares, accounting for 75.4% of the Bank's total equity. Certain members of the Board of Directors, the Board of Supervisors and non-directors from Senior Management attended the Meeting.

This meeting reviewed and approved the "Proposal on SRCB 2015 Financial Budget Execution and 2016 Financial Budget Plan", "Proposal on SRCB 2015 Profit Distribution Plan", "Proposal on SRCB Issuing Tier-II Capital Bonds", "Proposal on SRCB Board 2015 Work Report", and "Proposal on SRCB Board of Supervisors 2015 Work Report". The meeting listened to "Audit Report on SRCB 2015 Financial Statement", "SRCB 2015 Directors Performance Evaluation Report", "SRCB 2015 Related Party Transaction Report", and "Report on Implementing Shanghai CBRC Opinions and Rectification Measures".

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



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Report of the Board of Directors

Profit Distribution Proposal

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

Key Equity Investments (Controlling and Participative)

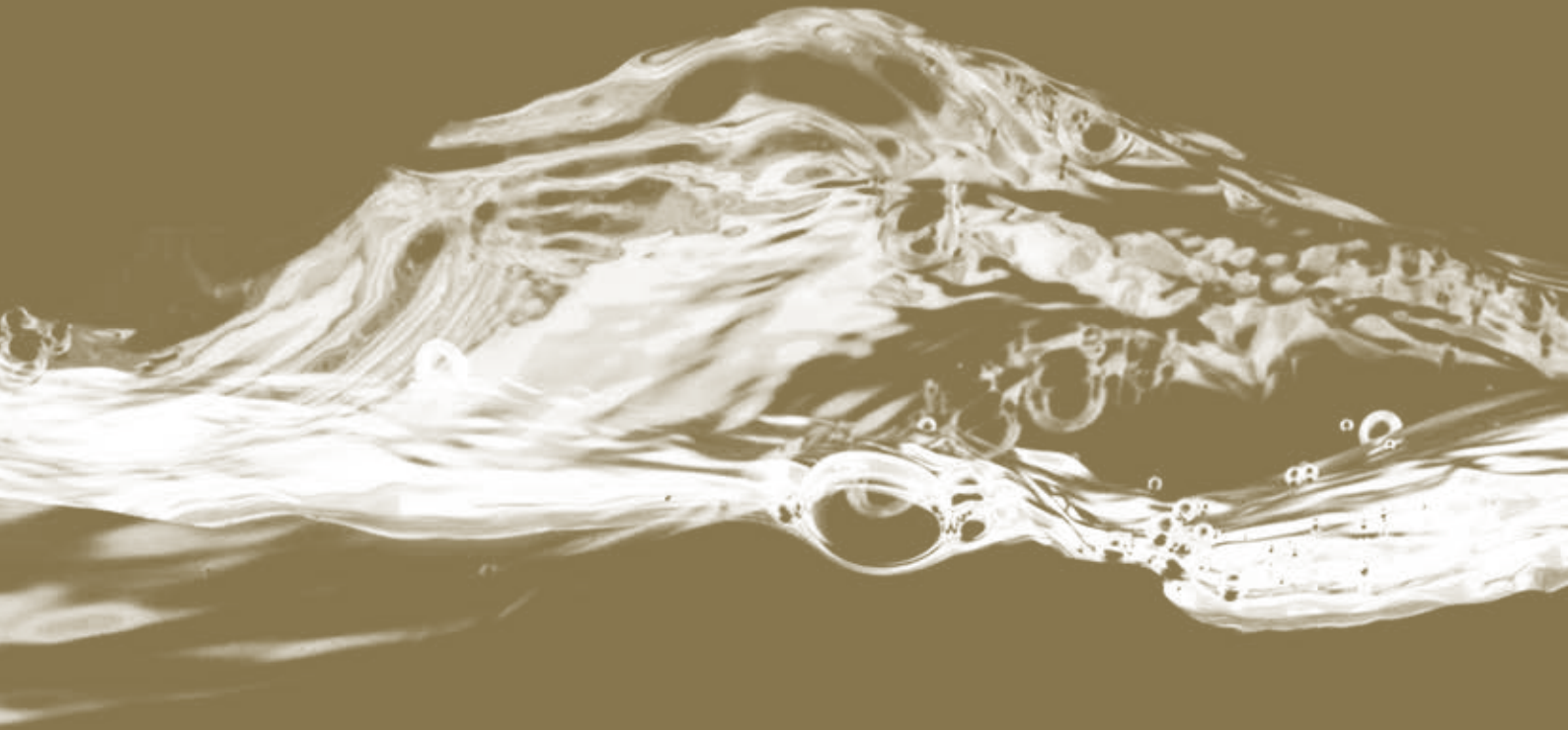
External Equity Investment

Use of Raised Funds

Audit Report

Routine Work of the Board of Directors

Corporate Social Responsibility



I. The Company's Profit Distribution Plan

1. The Company has prepared the profit distribution plan in accordance with the audited financial statements. According to the standard clean opinion auditing report produced by Deloitte & Touche CPAs Co., Ltd., during the reporting period, the Company achieved net profits of RMB 5,849,763,275.77, undistributed profits from previous years were RMB 9,679,548,385.17, and this year's distributable profits were RMB 13,312,656,796.21. The Company's profit distribution plan for 2016 was as follows:

(1) Statutory surplus reserve of RMB 584,976,327.58 and discretionary surplus reserve of RMB 1,331,265,679.62 were accrued from profits after tax as reported in the 2016 statutory financial statements.

(2) General reserve of RMB 1,631,678,537.15 was accrued to ensure that the balance of general reserves shall remain at the level of 1.5% of the previous year-end risk-and-loss-bearing assets balance of SRCB.

(3) Based on the Bank's total common shares of 5 billion on 31 Dec 2016, the cash dividend of the common shares was RMB 2.3 yuan (tax included) per 10 shares, totaling at RMB 1.15 billion.

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

2. By end of 2016, the Company's capital reserve is RMB 8,111,058,187.72. By converting the capital reserve, increase 6 shares per original 10 shares based on the total 5 billion shares, 3 billion shares are added via conversion (RMB 3 billion). After the conversion to increase share capital, total shares are 8 billion, and capital reserve is RMB 5,111,058,187.72.

The profit distribution plan and plan of converting capital reserve to increase shares need to be reviewed and approved by 2016 Annual Shareholders' Meeting and the regulator before implementation.

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

The Company's 2015 profit distribution plan was approved during the 2015 Shareholders' Meeting, namely "distribute cash dividend of RMB 2 per 10 shares (tax included) based on a total of 5,000,000,000 shares, All shareholders recorded on the registration date of 11 May, 2016 will receive the distribution, and the dividend distribution date is 15 May, 2016". A public announcement was displayed on the Bank's website. The distribution plan has been duly implemented.

III. Key Equity Holding Companies and Equity Investing Companies

Unit: RMB 1000 Yuan

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

Equity investing companies	Holding ratio	Total investment as of end of the reporting period
Shimen Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Cili Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Lixian Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Linli Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Yongxing Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Guiyang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Hengyang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Changsha Shanghai Rural Commercial Bank Co., Ltd.	51%	51,000
Ruili Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Kaiyuan Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Baoshan Longyang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Mengzi Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Gejiu Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Jianshui Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Linchang Linxiang Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Mi'le Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Songming Shanghai Rural Commercial Bank Co., Ltd.	51%	25,500
Kunming Shanghai Rural Commercial Bank Co., Ltd.	51%	51,000
Shenzhen Guangming Shanghai Rural Commercial Bank Co., Ltd.	41.65%	83,300
Beijing Fangshan Shanghai Rural Commercial Bank Co., Ltd.	51%	51,000
China UnionPay Co., Ltd.	0.24%	5,500
Rural Credit Banking Capital Settlement Center	6%	6,000
Shanghai Jingyi Industrial Development Co., Ltd.	18.874%	234,884
Yangtze River United Finance & Leasing Co., Ltd.	40%	800,000

IV. External Equity Investment

During the reporting period, the Company invested RMB 500 million in Yangtze Financial Leasing Co., Ltd., and the Company's total invested amount reached RMB 800 million, accounting for 40% of the Financial Leasing Company's total equity.



V. Issuance of Tier-II Capital Bonds

During the reporting period, the Company issued by tender the first phase of tier-II capital bonds in 2016 on national interbank bond market, raising RMB 3 billion. According to the rating of Lianhe Credit Rating Co., Ltd., the credit rating of the issuer is AAA, and the credit rating of the bond is AA+.

VI. Usage of Raised Funds by the Company

During the reporting period, with the guidance and support of PBOC, CBRC, China Bond and other related departments, and with the concerted effort of the lead underwriter, the Company successfully issued by tender the first phase of tier-II capital bonds in 2016 on national interbank bond market, raising RMB 3 billion. This successful issuance of tier-II capital bonds was of great significance to strengthen the Company's capital strength, lay a solid foundation for IPO and promote scientific development, and was helpful in playing the Company's role in serving real economy with finance, SMEs and "agriculture, rural areas and farmers".

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VII. 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, 2016, Income Statement, Cash Flow Statement, Statement of Changes in Equity, and financial statements notes) for the year 2016 according to Accounting Standards for Enterprises, and to provide proposals on internal control management.

VIII. Daily Work of the Board of Directors

(I) Board Meetings

During the reporting period, the Company convened 6 board meetings, reviewed or listened to 55 proposals.



1. On January 14, 2016, the Company convened the 2016 First Ad-hoc Meeting of the 2nd Board. The meeting reviewed and approved the "Proposal on Nominating Mr. JI Guangheng as SRCB Chairman of the Board", "Proposal on Nominating Mr. XU Li as SRCB Vice Chairman of the Board", "Proposal on Nominating Vice Chairman XU Li as SRCB President", "Proposal on Adding Chairman JI Guangheng as Director of the Strategy Committee of the 2nd Board", and "Proposal on Adding Vice Chairman and President XU Li as Member of the Risk Management Committee of the 2nd Board".

2. On February 17, 2016, the Company convened the 27th Meeting of the 2nd board. The meeting reviewed and approved the "Proposal on SRCB 2015 Work Report and 2016 Business Plan", "Proposal on SRCB Board 2015 Work Report and 2016 Work Plan", "Proposal on SRCB 2015 Director Performance Review Report", "Proposal on Developing the 2015-2017 Remuneration Plan for SRCB Executives and Chairman of the Board", "Proposal on Developing SRCB Stress Test Plan", "Proposal on Developing SRCB FCY Business Management Policy (Pilot)", "Proposal on 2016 SRCB Branch & Network Expansion and Adjustment Plan", "SRCB 2015 Corporate Governance Self-Assessment Report", "SRCB 2015 Bank-wide Risk Management Self-Assessment Report", "SRCB 2015 Compliance Risk Management Self-Assessment Report", "Proposal on Amending the SRCB External Donation Policy",

"SRCB 2015 External Donation Report", "SRCB 2015 Loan Waiver/Reduction Report", "Report on SRCB 2015 Consumer Rights Protection", and "SRCB 2015 Share Pledge and Share Transfer Report".

3. On March 30, 2016, the Company convened the 28th Meeting of the 2nd Board. The meeting reviewed and approved the "Proposal on SRCB 2015 Financial Statements and Audit Report", "Proposal on SRCB 2015 Financial Performance Report and 2016 Financial Budget Plan", "Proposal on SRCB 2015 Annual Profit Distribution Plan", "Proposal on SRCB Tier-2 Capital Bond Issuance Plan", "Proposal on SRCB 2015 Annual Report", "Proposal on Report on the 2015 Annual Performance Review on Internal Directors and Senior Executives", "Proposal on Appointing Mr. SHI Meiliang as SRCB Company Secretary", "Proposal on Appointing Ms. XU Jingfen as SRCB Head of Audit Department", "Proposal on Appointing Mr. YAO Xiaogang as SRCB Head of Finance Department", "Proposal on Appointing Mr. BAO Jijun as SRCB Head of Risk Department", "Proposal on Appointing Mr. YANG Guiyuan as SRCB Head of Compliance Department", "Proposal on Developing SRCB 2016 Risk Appetite Strategies", "Proposal on Amending SRCB Concentration Risk Management Policy", "Proposal on Amending SRCB Stress Test Policy", and "Proposal on Holding the 2015 Annual General Meeting". The meeting listened to the "Supplementary Audit Findings on the SRCB 2015 Annual Report", "BRMC Assessment Report on SRCB 2015 Internal Control and Risk Management", "Report on SRCB 2015 Related Party Transactions and Audit Findings", and "SRCB 2015 Internal Audit Report".

4. On 20 June, 2016, the Company convened the 2nd Ad-hoc Meeting of the 2nd Board in 2016. The Meeting reviewed and approved the "Proposal on Approving Share Transfer from Shanghai Zhongxiang (Group) Co., Ltd. to Shanghai Shunmai Trade Co., Ltd." and the "Proposal on SRCB's Transfer of Shanghai Huyang Expressway Development Co., Ltd Shares".

5. On August 4, 2016, the Company convened the 29th Meeting of the 2nd Board. The Meeting reviewed and approved "Proposal on SRCB 2016 1H Business Performance and 2016 2H Work Plan", "Proposal on the 'Combined Debt-Equity Investment' Business Model AND the Establishment of High-tech Venture Capital Company", "Proposal on SRCB Issuing the First Asset-back Security Product and Proposal on the Approval Delegation for 2017-2019 Assets Securitization Business", "Proposal on the Relocation of SRCB Headquarter", "Proposal on 2016 SRCB Branch & Network Expansion and Adjustment Plan", "Proposal on Amending SRCB Internal Control Procedure", "Proposal on Financial Support to Chongming County of Shanghai and SRCB 2016 External Donation", and listened to the "Report on SRCB 2016 1H Financial Performance", and "Report Regarding Implementation of the 2015 Shanghai CBRC Regulatory Opinions".

6. On November 29, 2016, the Company convened the 30th Meeting of the 2nd Board. The Meeting reviewed and approved the "Proposal on SRCB Investing Additional

RMB 500Mn in Yangtze United Financial Leasing Co., Ltd.", "Proposal on SRCB 2016 Non-performing Assets Write-off and Foreclosed Assets Loss Recognition", and "Proposal on Amending SRCB Measures of Protecting Consumer Rights and Interests", and listened to the "Report on Scheduling the Regular Board Meetings of 2017".

(II) Performance of Duties of the Board of Directors

During the reporting period, faced with the complex market environment of low economy during the transformation, frequent credit risk, and more fierce competition in finance, the Board of Directors strengthened study and analysis of the market, and led the senior management in deepening operation transformation, strengthening business innovation and risk management, which has made remarkable achievements in business expansion and transformation and has completed all annual work targets.

Strengthened Strategic Management on Overall Operation to Accelerate Transformation and Development

Comprehensively managed the Bank's key business operation: the Board of Directors discussed and formulated reasonable annual work indicators to further clarify the Guiding philosophy and key requirements on each line basing on the Bank's overall operation and financial budget after reviewing the annual and mid-year work, financial budget plan and budget execution, and annual financial statement; supervised the management to Implement annual key works so as to ensure the completion of all indicators within the 2014-2016 planning period, build up the bank brand of convenience for customers, improve internal management structure, and strengthen talent teams.

Strengthened capital management to improve comprehensive operation of the Group: the Board of Directors reviewed and approved the Bank's issuing tier-II capital bonds, starting combined equity-investment business, establishing scientific and technological investment company, and injecting capital into Yangtze Financial Leasing Company, and strengthened capital strength with the successful issuance of the first phase of tier-II capital bonds on national interbank market in 2016, raising RMB 3 billion; supported capital injection into the Financial Leasing Company, which raised the Bank's holding proportion from 30% to 40%, strengthened banking-leasing interaction, and formed business synergy with the Financial Leasing Company realizing RMB 134 million of net profit by year-end and having a good development momentum; reminded the Bank to focus on the risks and asset quality of rural banks, and prepare profitability forecast and professional teams for establishing the scientific and technological investment company.

Strengthened strategic study to lay a solid foundation for

formulating a new round of development strategy: the Board of Directors required the Bank to strengthen market research and analysis, and strategic study on macroeconomic and financial environment as well as reform trends, analyze the development strategies and operation of financial institutions, summarize the status quo and existing problems of the Bank, and lay a solid foundation for the 2017-2019 new round of strategic planning.

Enhanced Risk Management and Raise the Capability to Prevent Risks

Reviewed risk management policies, and continuously followed on the execution of risk appetite strategies: the Board of Directors reviewed proposals on annual risk appetite, stress test schemes, concentrated risk management measures, and internal control management measures etc.; quarterly followed risk appetite execution and risk indicator changes, regularly listened to the status of internal control and risk management, and stress test report; supervised senior management to strengthen comprehensive risk management at Group level, control the risks of non-local branches, and balance between business development, compliance and internal control.

Strengthened asset quality management with strict write-off and accountability: the Board of Directors reviewed the proposal on annual NPL write-off, and required the senior management to hold accountable the person responsible for NPL and continue the recovery effort.

Strengthened vertical management and supervision of audit, and improved internal control system: the Board of Directors reviewed the Bank's internal control rules, requiring the management to accelerate vertical management reform of audit, strengthen follow up and accountability, and further improve the professionalism of auditors; the Board of Directors reviewed and approved the Bank's internal control management measures, requiring the management to improve internal control management structure and make up the weakness in internal control management.

Strictly controlled transaction risks by strengthening supervision and management of major related-party transactions: the Board of Directors further strengthened approval on material related-party transactions, the documentation and supervision of general related-party transactions, timely updated and confirmed related-party list, regularly evaluated the status of related-party transactions, listened to annual related-party transactions report, special audit report on related-party transactions and internal transaction management, reviewed proposal on major related-party party credit transactions between the Bank and Pacific Life Insurance, and Yangtze Financial Leasing Company; independent directors raised professional comments and made prudent decisions in controlling the investment risk of related-party transactions and safeguarding shareholders' rights and interests.

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Improved Evaluation and Incentives to Optimize HR Allocation

Reviewed and approved proposals on directors' performance evaluation, evaluation of senior management and C&B standards for senior management, assessed the 2013-2015 performance of the management and the completion of 2015 business targets; combined the evaluation result with proper incentive to align interests with responsibilities and further strengthened the performance incentive mechanism for senior management.

Promoted the management to further improve performance evaluation mechanism and linked leaders' performance with department performance and staff's interests; implemented differentiated evaluation for branch level and Head Office level; promoted the management to further adjust evaluation rules for each level, simplify management indicators for Head Office departments, give priority to the coordination among departments, and branches, and improve the weight of direct managers; focused on HR optimization project, and allocated more resources to business lines with larger profitability contribution and potential.

Further Improved Corporate Governance

Revised and improved rules and regulations: according to regulator's regulations and the Company's real situation, the Board of Directors reviewed and formulated the Bank's risk stress test management and policies, foreign exchange management rules, and internal control measures; amended management measures of external donation, concentration risk, consumer rights and interests protection; included the protection of financial consumers' rights and interests and Integrity system into functions of the Strategy Committee under the Board of Directors to improve corporate governance system.

Improved information disclosure: the Board of Directors took the standards of listed banks in strictly controlling the quality of information disclosure to ensure the objectivity, authenticity, completeness and accuracy of regular reports and social responsibility reports; disclosed 2 regular reports in 2016, namely 2015 Annual Report and 2015 Social Responsibility Report; disclosed 2 interim reports, namely Announcement on Holding 2015 Annual Shareholders' Meeting and Announcement on 2015 Annual Dividend Distribution; The Bank's Social Responsibility Report won the "Best Finance Award for People's Livelihood—2015 Social Responsibility of China Banking Industry" issued by China Banking Association, and "Golden Bee 2016 Growth Award for Corporate Social Responsibility Report" issued by China WTO Tribune, further improving information disclosure level and social influence.

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

During the reporting period, special committees under the company's Board of Directors diligently performed their duties, reviewed and listened to 56 proposals.

The Strategy Committee focused on the senior management's execution of the Bank's development strategies, decided on major issues including issuing tier-II capital bonds, starting combined debt-equity investment, and injecting capital into the Financial Leasing Company, meanwhile, continuously strengthened strategy management capability to ensure proper implementation of the strategic targets.

The Risk Management Committee focused on the Bank's risk management strategy, continuously followed up on the execution of risk appetite, strengthened internal control, and forged the senior management to strengthen internal control and guard the bottom line of risks.

The Audit Committee steadily pushed annual external audit, carefully guided internal audit and further promoted the transformation of audit function to risk-oriented direction.

The Remuneration and Nomination Committee implemented steady C&B management, prudently studied the performance assessment and salary distribution mechanism for senior managers, carefully reviewed and examined the qualification of senior management, and worked on the performance evaluation of directors and senior management.

The Related-party Transaction Control Committee updated the information of related parties, implemented approval and documentation rules for related-party transaction and Internal transaction, and regularly reported the status of related-party transactions; independent directors actively fulfilled their duties, investigated the Financial Leasing Company and Shandong Rural Bank, raised policy suggestions on strengthening management of invested companies, and continuously improved the Bank's operation and management.

IX. Social responsibility

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

The Company's 2014-2016 Development Strategic Plan, from the perspective of social responsibility management, specifies to cultivate good social responsibility value, commits to build effective participating mechanism for shareholders, plays the synergy to create value, and maximizes the Groups positive influence on society and environment, and maximizes the comprehensive economic, Social and environmental value.



Served Real Economy and Supported Local Construction

During the reporting period, the Company continuously optimized credit resource allocation, strengthened product innovation, and focused on supporting economic restructuring, industry transformation and optimization, FTZ building, the building of scientific innovation center, Yangtze River economic belt and the supply side reform.

There Company actively followed the municipal and district "13th five-year plan", and promoted key projects; actively served Shanghai FTZ with more innovation by successfully launched 4 innovative businesses including FT account swap product, FT electronic bill discount, crossed RMB letter of credit forfeiting business, and cross-border payment under ODI, successfully disbursed the first syndicated loan under FT account led by the Bank; copied and promoted FTZ innovation experience, and all first-tier branches and sub-branches in Shanghai have all started FTU business.

Actively participated in the building of Shanghai scientific innovation center by continuously innovating products, strengthening process, improving "1+X" structure for scientific finance, formulating special work plans and introducing performance loans, and Weidaitong businesses; the Bank's number of scientific corporate customers reached 1512 with a total loan balance of over RMB 20 billion; continuously supported scientific companies, start-up companies, and "four new" companies (new technology, new industry, new form and new model), established company list, and improved "Xinke loan" investment and financing products covering initial stage, growth stage, and maturity stage, and actively participated the combined debt-equity investment pilot for scientific companies in FTZ; improved projects of combined debt-equity investment, piloted multiple forms of combined debt-equity investment, and continuously promoted financial services to scientific companies.

Fully Served "Agriculture, Rural Area and Farmers", and Promoted the Development of SMEs

During the reporting period, the Company further strengthened "agriculture, rural area and farmer" feature, and signed strategic cooperation agreement with Shanghai Municipal Agricultural Commission on providing RMB 30 billion intentional credit line for Shanghai's agricultural development, which will be used for serving the national modern agricultural demonstration zone, and building Shanghai upgraded urban modern agriculture; maintained leading market share in traditional "agriculture, rural area and farmers" sector, innovated ways of service and products, strengthened the development and promotion of innovative products such as agricultural company brand pledge loan, and gradually expanded the market influence of the Bank's rural land contractual management right collateral loan; introduced "revolving agricultural loan" and promoted rural land contractual management right collateral loan, which won the Shanghai Banking Industry 2016 Innovation Award, and 2016 Shanghai SME Finance Innovation Case. During the reporting period, the Company's "agriculture, rural area and farmers" related loan balance was RMB 62.464 billion, up by RMB 3.408 billion compared with year-beginning; corporate agriculture-related loans accounted for 1/3 of all proprietary corporate loans, maintaining the leading market position.

During the reporting period, the Company continued to diversify and innovate financial services and products for small and micro enterprises by innovating product development channels and ways of guarantee, introducing proper products such as "Xinmeng loan" (loans for franchised chain hotels), "Xinjie loan" (loans guaranteed by natural person of SME), "Xin POS loan" (corporate cash flow), "Xinyi loan" (medical distribution sector), and "rental loan", and "tax loan" etc.; continuously improved professional service to SMEs with 52 SME specialized outlets; developed SME loan

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mobile marketing management system to support on-site application, investigation and post-loan management in order to SMEs' "simple, fast and flexible" financing needs; used Internet and other new technologies and new tools to develop SME online financing application platform in order to expand application channels, further improve efficiency and deepen financial services to SMEs; cooperated with Municipal SME Financing Guarantee Fund and approved 85 loans guaranteed under the Fund, with a total line of credit of RMB 254 million, accounting for over 40% of this business in Shanghai, and ranking No. 1 in terms of accounts and balance.

Served Community Residents and Benefited Customers

During the reporting period, the Company further expanded the construction of community banks, improved the smart network and enhanced customer experience centering on the core philosophy of "innovative, convenient, smart and mutually beneficial". By the end of the reporting period, the number of community bank outlets reached 270, including 52 SME specialized outlets, 4 wealth centers, 56 VIP centers, and 105 community outlets; equipped Pudong Sunqiao and Minhang Aibo Jiayuan community outlets with latest financial facilities, bringing the most convenient financial services to communities; promoted direct services on second-hand houses by combining offline outlets with online property information platform, offering safe, convenient and diversified one-stop service to community residents covering transaction policy consultation, loan consultation, and fund custody. As of end of the reporting period, completed 466 second-hand house transactions for community residents with 1647 houses put online for sale. Meanwhile, the Company consistently implemented municipal government requirements by actively exploring pension financial services such as salary and pension processing, and housing provident fund loans to facilitate people's lives. During the reporting period, the Company's issuance of Seniority Card accounted for 25% of the market, ranking 1st in Shanghai; issued 3.21 million of Labor Union Card, covering nearly half of Shanghai's labor union members.



Promoted Internet finance and upgraded functions of mobile finance: launched the functions of "foreign exchange settlement and sale, fixed term deposit/demand deposit transfer, foreign currency and special account inquiry, credit card HCE flash payment, and bank-securities agreement" etc.; optimized gateway payment by connecting to mobile mall; developed fast payment for debit card to satisfy customers' demand for mobile payment; newly put 302 automatic machines, totaling 2573 of which the automatic online banking service machines covered basically all outlets. There transactions through automatic machines were very active, reaching 113.04 million transactions; further expanded free WIFI hot spots service which is available at 165 outlets so that customers can immediately experience Internet banking, mobile banking and other electronic financial services.

Care for Employees and Their Career Development

The Company actively advocated the corporate value proposition of "dedication to work, honesty and integrity, responsibility, contribution, innovation and unity"; focused on employees' career development by expanding promotion pathways, and piloting evaluation for employment in credit and IT businesses centering on the talent strategy; strengthened competitive recruitment by selecting and promoting excellent young leaders through open competitive recruitment to optimize talent team; organized training and follow-up on newly-on-board middle-level assistants, "smart class" training for scientific staff, and "Xinhua plan" for staff with high potential etc.; organized online learning activities and normalized the operation of "Xinxuetang" WeChat subscription account. 1664 trainings were organized with 84022 participants.



The Company introduced 10 projects for serving staff: opened the "Weijiayuan" WeChat subscription account to realize seamless and considerate communication with staff, and the subscription account received 6200 person-times visits within one week after launch; established management center on retired leaders to serve retired staff, which brought birthday presents to 17 retired staff over 90 years old; implemented care for female staff by establishing 45 Houses for Moms; integrated social resources to build green channels for staff with critical diseases and need for hospitalization; advocated





"Love Donation Day" which raised RMB 850,000; visited 263 staff with illnesses or difficulties and provided RMB 1.1 million consolation money; improved mechanism and extended services to finish the "last one mile" in serving staff.

Active in Social Welfare and 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 RMB 20 million for supporting the projects in key fields and areas of Chongming, improving basic public service system and farmers' living environment in Chongming. The Company started a new round of assistance to Hexing Village in Chongming and Tangwai Village in Fengxin District, selected 5 projects such as Innovation Park in Fusheng Economic Development Zone in Chongming. The Company provided targeted assistance to Qingshanqiao Town and Pingcun in Xiangtan County, Hunan Province, donated to Shanghai Yingpu Community Foundation, Jiading Industrial Park Community Public Welfare Fund, and Shanghai Traffic Civility Fund, totaling RMB 5.98 million annually.



The Company organized community promotion activities every month, and altogether 1539 promotion activities a year with 94170 participants; 460 introduced activities with 17343 participants; 783 activities at booths with 50517 participants. During the reporting period, the Company cooperated with Shanghai Municipal Landscape Commission in co-organizing the "Gardening at Communities" activity for 8 months, altogether 35 activities in 16 districts, attracting over 3000 participants, and bringing new experience of financial services + greenery education; The Company actively organized "Long March of Financial Knowledge", "Financial Knowledge Entering into Thousands of Families" and "Popularizing Month of Financial Knowledge", etc. to promote financial knowledge in communities. Community banks, together with their communities, organized financial knowledge promotion to educate the public on how to apply and keep bank cards correctly, how to make good use of personal credit, and prevent telecommunication fraud etc., which was highly recognized by consumers.



Persists in Green Credit and Advocates Environment Friendliness

During the reporting period, the Company, based on national policy of green credit, specified in the credit policy that "develop green credit, implement differentiated credit policies, dynamically evaluate and effectively control customers' (projects') environmental and social risks, and include key customers (projects) with material environmental and safety violations in terms of energy-saving, water-saving, emission reduction, environmental protection and safety etc. into monitoring list". Meanwhile, remove credit line limit for industries included as prioritized strategic emerging industries in energy-saving and environmental protection. As of end of the reporting period, there werewolf 222 green credit customers with RMB 1.713 billion of loan balance.



The Company vigorously advocated green operation, promoted paperless office and electronic journals to reduce the printing and distribution of paper files; made full use of video conferencing equipments to effectively reduce conference costs and carbon emission; called on our employees to contribute to energy conservation and emission reduction by reusing office supplies to a greater extent; built a low-carbon bank, expanded green service channels by splitting counter transactions into different channels such as online banking, self-service machines, mobile banking, and WeChat banking, etc. By the end of the reporting period, the percentage of electronic banking business was 52%, including online banking, telephone banking, self-service machines, mobile banking and other electronic banking channels.



In 2016, the Company ranked No.194 among the 1000 banks in the world and continued to rank among the world's top 200.



(For full text, see the SRCB's 2016 Annual Corporate Social Responsibilities Report)

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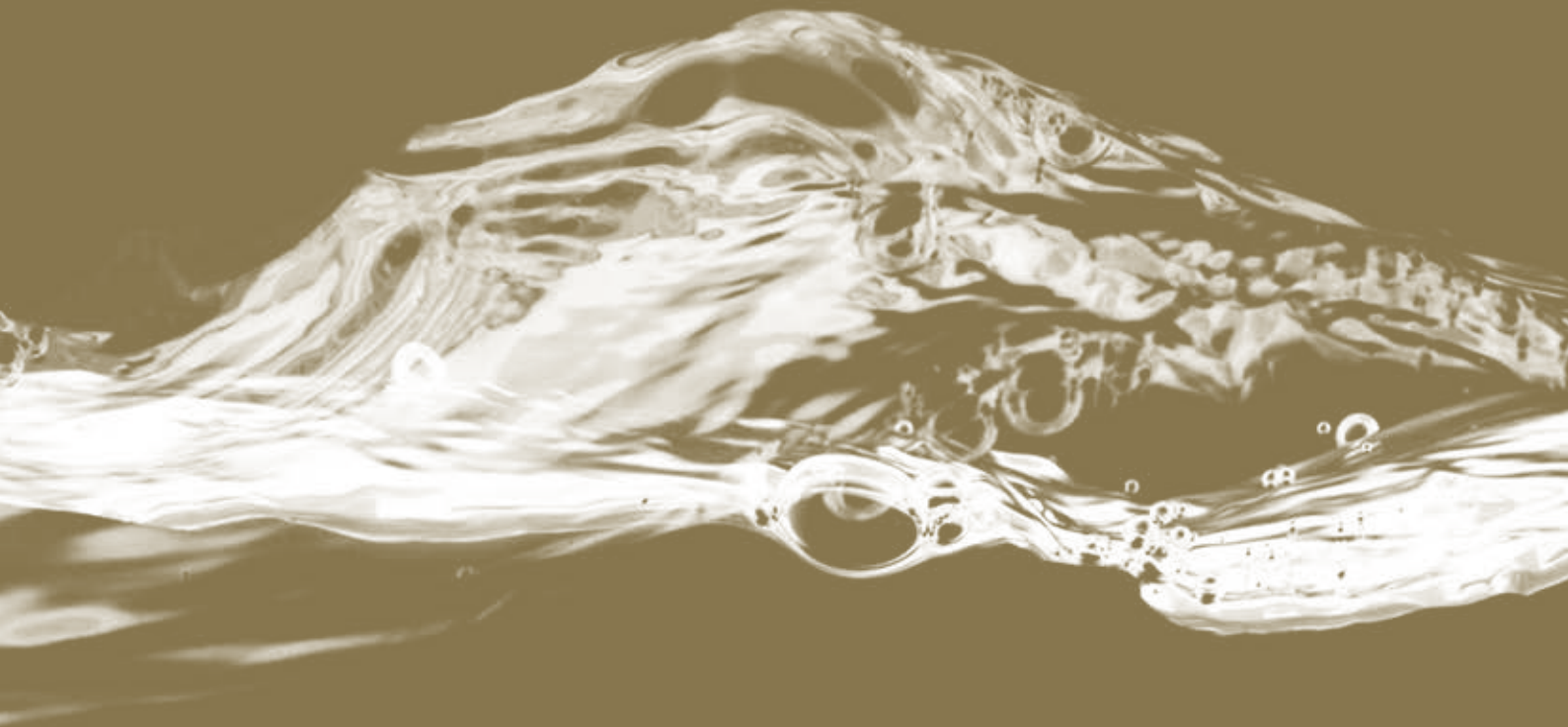


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Board of Supervisors Report

Performance of the Board of Supervisors

Board of Supervisors' Independent Opinions on Specific Items



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

(I) Meetings of the Board of Supervisors

1. The 23rd Meeting of the 2nd Board of Supervisors was held on 14 Jan., 2016, which reviewed and approved the "Proposal on Nominating Chairman Sun Jianping as Member of the Nomination Committee under the 2nd Board of Supervisors", "Proposal on Nominating Supervisor Zhu Peilan as Member of the Audit Committee under The 2nd Board of Supervisors", "Proposal on SRCB 2015 Annual Work Report", "Proposal on SRCB SME Financial Service Assessment Report", and "Proposal on SRCB 2015 Fraud/Violation Prevention Supervision and Assessment Report".

2. The 24th Meeting of the 2nd Board of Supervisors was held on 31 March, 2016, which reviewed and approved the "Proposal on SRCB 2015 Directors' Performance Evaluation", "Proposal on SRCB Board of Supervisors 2015 Annual Work Report", "Proposal on SRCB 2015 Annual Work Supervision Assessment Report", "Proposal on SRCB Stress Test Management Policies", "Proposal on SRCB 2015 Annual Audit Report" and "Proposal on SRCB 2015 Annual Report".

3. The 25th Meeting of the 2nd Board of Supervisors was held on 29 November, 2016, which reviewed and approved the "Proposal on the Board of Supervisors Risk Management Investigation and Evaluation Report", and "Proposal on the Implementation of the Board of Supervisors Risk Management Investigation and Evaluation Report".

4. The 26th Meeting of the 2nd Board of Supervisors was held on 29 Dec, 2016, which reviewed and approved the "Proposal on SRCB Board of Supervisors 2016 Annual Work Report", and "Proposal on SRCB Board of Supervisors 2017 Annual Work Plan".



(II) Attendance at the Shareholders' General Meeting

SRCB supervisors attended the meeting of shareholders.

(III) Attendance at the Board of Directors Meetings

During the reporting period, the supervisors attended the 1st ad-hoc meeting, 27th, 28th, 29th, and 30th meetings of the 2nd Board of Directors.

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

1. Carried out dedicated inspections, supervision and assessment to improve the relevance and effectiveness of supervision

(1) Carry out supervision and assessment on SRCB's work in 2015

According to relative requirements, the Board of Supervisors carried out comprehensive supervision and assessment on the Bank's implementation of major decisions and work requirements from the municipal government and governing departments, strengthening Operation management and financial innovation, implementation of regulatory requirements and opinions of audit department, and issued SRCB 2015 Annual Work Supervision and Assessment Report.

(2) Carried out supervision and assessment on duty performance of SRCB's Board of Directors and directors as well as the operation management in the Head Office in 2015.

The Board of Supervisors performed, in accordance with regulatory requirements, Articles of Association, and Measures for Evaluating the Duty Performance of Directors, supervision and assessment on duty performance of SRCB's Board of Directors, directors as well as the operation management in the Head Office in 2015, issued the report of supervision and assessment and reported it to the Board of Directors, governing departments and regulatory authorities.

(3) Reviewed reports.

According to relevant requirements, the Board of Supervisors reviewed and approved the "2015 Annual Audit Report of SRCB" and "2015 Annual Report of SRCB".

2. Conducted risk management investigation and evaluation to promote sound and sustainable development of the Bank

The Board of Supervisors established research team on risk management investigation and evaluation, which held 16 meetings focusing on credit business, fraud/violation

prevention and rural banks, analyzed and discussed the Bank's risk management systems, confirmation of responsibility for incremental NPL, handling of staff violations and penalty points, and pre-warning for counter business risks etc. The Board of Supervisors systematically analyzed the major problems in the Bank's risk management work and the reasons, and raised 11 suggestions from 4 aspects of deepening understanding, improving system, strengthening measures and improving capability including improving credit risk management systems of off-balance-sheet assets, strengthening accountability, adjusting business management policies, strengthening responsibility of credit approval post, optimizing operation post arrangement, promoting vertical audit management, strengthening compliance resource allocation, improving the organization structure of rural banks, improving study and counter-measures, improving team quality and professionalism and improving the support from middle and back offices.

3. Built long-term effective mechanism for fraud/violation prevention by inspection tour and promotion

To establish a long-term effective mechanism for fraud/violation prevention, the Board of Supervisors formulated special inspection plan at year beginning on the implementation of accountability for fraud/violation prevention, and selected Xiangtan, Qingpu, Fengxian and Chongming sub-branches for inspection. During the inspection process, the Board of Supervisors listened to report on local fraud/violation prevention, and listened to local opinionated and suggestions on fraud/violation prevention.

Through the inspection tour, The Board of Supervisors promoted local leaders and staff to strengthen learning on knowledge, rules and skills of fraud/violation prevention, improve the awareness of obeying disciplines and laws, and compliant operation, and strengthen the implementation of responsibilities.

4. Promoted the implementation of regulatory opinions to improve management level

According to Shanghai CBRC's 2015 regulatory opinions, the Board of Supervisors held 3 symposiums to listen to the implementation progress of regulatory opinions, follow-up work plan, and difficulties from Compliance and Internal Control Department, Audit Department, Risk Management Department, Planning and Finances Department etc. The Board of Supervisors raised clear comments and requirements on promoting vertical audit management reform, improving internal control system, strengthening rectification and accountability. With the works mentioned above, the Board of Supervisors further strengthened the implementation of regulatory opinions by relevant departments and supervision.

II. Board of Supervisors' Independent Opinions on Related Issues

(I) Legal Operation of the Bank

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

(II) Authenticity of the Financial Statement

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

(III) Related-party Transactions

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

(IV) Internal Control System

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

(V) Implementation of Resolutions of the Shareholders' Meeting

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

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

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

Significant Litigation or Arbitration

Increase, Decrease, Division and Combination of the Registered Capital

Related Party Transactions

Information of Shareholder Loan

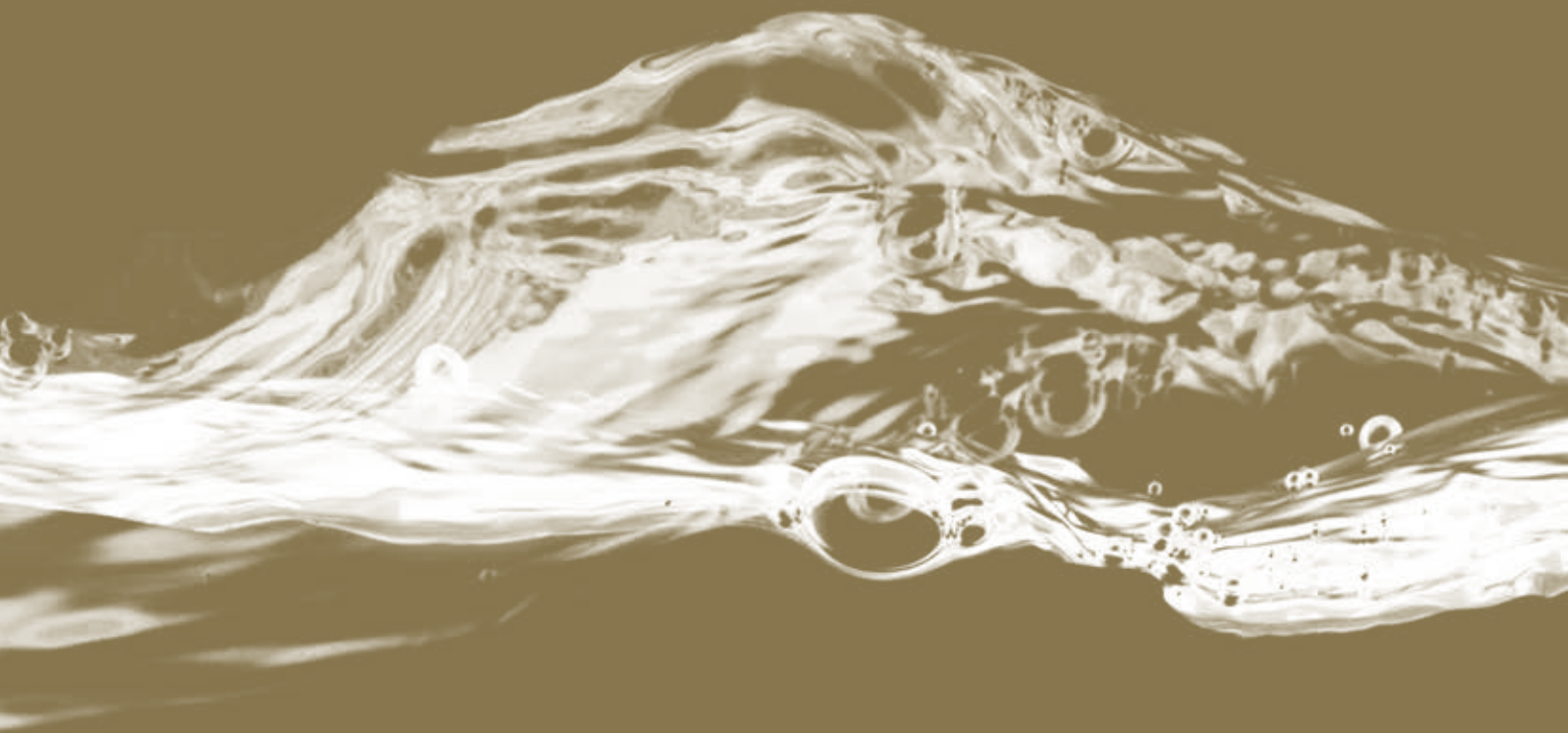
Major Contracts and Their Performance

Employment and Dismissal of Accounting Firms

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

Other Important Information for Public Disclosure

Change in Company Name within Reporting Period



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

None.

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 0.28 million involved. As compared to 2015, there was a decrease of 2 cases, and decrease in the amount involved by RMB 53.75 million.

(II) Credit Litigation or Arbitration

By the end of the reporting period, SRCB had 355 loan litigation cases closed in 2016. The amount involved for these cases was RMB 1,201,644,000. Within the reporting period, RMB 650,729,800 was recovered through litigation for the above cases.

By the end of the reporting period, SRCB had 625 outstanding loan litigation cases in 2015. The amount involved for these cases was RMB 4,198,114,500. Within the reporting period, RMB 732,858,300 was recovered through litigation for the above-mentioned loans.

See the table below for the top 10 outstanding litigation cases for 2016 (arranged according to amount involved in the litigation)

Unit: RMB 10,000 Yuan

No.	Borrower	Guarantor	Commencement Date	Delinquency Date	Object of Litigation	Loans Recovered through Litigation	Litigation Date
1	Remai (Shanghai) Medical Products Co., Ltd.	---	20110416	20150520	10,366.47	0.00	20150520
2	Zhongjian Jinpei Steel Pipe Co., Ltd.	GAO Jinliang, Jinpei Century Investment Group Co., Ltd.	20091028	20150309	8,980.00	8,980.00	20150309
3	Shanghai Honghua Industry Co., Ltd.	QI Xianzhong	20091105	20150322	8,549.23	0.00	20160503
4	Shanghai Tongtian Steel Material Co. Ltd.	---	20040629	20160918	7,000.00	0.00	20160918
5	5 enterprises, including Shanghai Sanmin Building Materials Development Co., Ltd. (combining with the case concerning steel trade enterprises)	---			6,850.00	0.00	20130701
6	Shanghai Solar New Energy Technology Co., Ltd.	---	20101122	20150619	6,500.00	0.00	20150619
7	Shanghai Yungfeng Group.	Shanghai Yungfeng (Group) Jinghong Economic Development Co., Ltd.	20050321	20160113	6,036.90	0.00	20160202
8	Jianxin Property Development Co. Ltd.	SHI Zhuping	20110701	20160120	5,773.47	0.00	20160126
9	Changshu Wanji International Import-Export Trade Co., Ltd.	LU Haiyu, Jiangsu Changshu Yulong Group Co., Ltd.	20120425	20151121	5,667.07	0.00	20160422
10	Shanghai Yungfeng Automobile Industrial Development Co., Ltd.	---	20130408	20151119	5,000.00	0.00	20151222

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

None.

IV. Related-party Transactions

By the end of the reporting period (31 Dec. 2016), related-party transactions of the Company were all related-party credit. Balance of related-party credit was RMB 3.009 billion, accounting for 5.79% of the company's net capital (RMB 51.99 billion). Wherein, the balance of related legal person credit extension was RMB 2.935 billion with 12 clients involved. Balance of related natural person credit extension was RMB 74 million with 26 clients involved. Related credit extension was made in forms of loan, import letter of credit, bank notes, and letter of guarantee etc., which were classified as normal in five-category, without delinquency, advance payment or overdue interest.

The balance of SRCB's related-party transactions with the largest related company, Yangtze United Financial Leasing Co., Ltd., was RMB 2 billion, accounting for 3.85% of SRCB's net capital (RMB 51.99 billion) which did not exceed the regulated level of 10%. The balance of SRCB's related-party transaction with "the Group owning the related party", Yangtze United Financial Leasing Co., Ltd., was RMB 2 billion, accounting for 3.85% of SRCB's net capital (RMB 51.99 billion) which did not exceed the regulated level of 15%. The total amount of related-party transactions with all related parties was RMB 3.009 billion, accounting for 5.79% of SRCB's net capital (RMB 51.99 billion) which did not exceed the regulated level of 50%. All the ratios above were aligned with related regulations of Related-party Transaction Management Measure between Commercial Banks and Insiders/Shareholders, and SRCB Related-party Transaction Management Measures.

Unit: RMB 10,000 Yuan

Customer name	Credit balance	Five-category classification	Guarantee type
Yangtze United Financial Leasing Co., Ltd.	200000	Normal	Credit
Shanghai Greenland Construction (Group) Co., Ltd.	23254.29	Normal	Guarantee
Shanghai Guosheng (Group) Co., Ltd.	20806.84922	Normal	Guarantee
China Pacific Life Insurance Co., Ltd.	20000	Normal	Credit
Jiaxing Chengwang Real Estate & Development Co., Ltd.	7825	Normal	Collateral
Shanghai Shanxin Real Estate & Development Co., Ltd.	7225	Normal	Collateral
Shanghai Lianyang Shijia Real Estate & Development Co., Ltd.	4478.965776	Normal	Collateral
Oriental International Group Shanghai Foreign Trade Ltd.	4365.53	Normal	Guarantee
Shanghai Greenland Xuhui Automobile Sale Co., Ltd.	2500	Normal	Collateral
Shanghai Greenland Baoshi Automobile Sale & Service Co., Ltd.	2000	Normal	Collateral

V. Internal Transaction

Within the reporting period, the Company's internal transactions mainly included the Bank's credit granting, guarantee (including guarantee among rural banks), service charge, FI deposit and wealth management arrangements with rural banks, of which, in 2016, the Bank provided accumulatively RMB 197 million interim liquidity facility to 5 rural banks including Xingsha, Hengyang and Linli rural banks in Hunan Province, and Tai'an rural bank in Shandong Province, and Jianshui rural bank in Yunann Province, all were settled by year end; the Bank provided RMB 30 million short-term liquidity facility to Tai'an rural bank in Shandong Province, with a year-end balance of RMB 30 million.

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

VI. Information on Shareholders' Loans

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

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

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

Unit: RMB 10,000 Yuan

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

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

By the end of the reporting period, the Company had one non-performing shareholder's loan with a balance of RMB 2,991,200 ranking as doubtful with main security being mortgage.

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

By the end of the reporting period, the Company had one non-performing shareholder's loan with a balance of RMB 2,991,200 ranking as doubtful with main security being mortgage.

VII. Major Contracts and Compliance Situation

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

VIII. Appointment and Dismissal of Accounting Firms

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

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

None.

X. Other Important Information Necessary for Public Knowledge

(I) Obtainment of Business Entrance Qualification

In 2016, there was no new business access qualification for SRCB.

(II) Changes in Directors and Supervisors

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

(III) Matters for Future Attention

None.

X. Changes in Company Name within Reporting Period

None.

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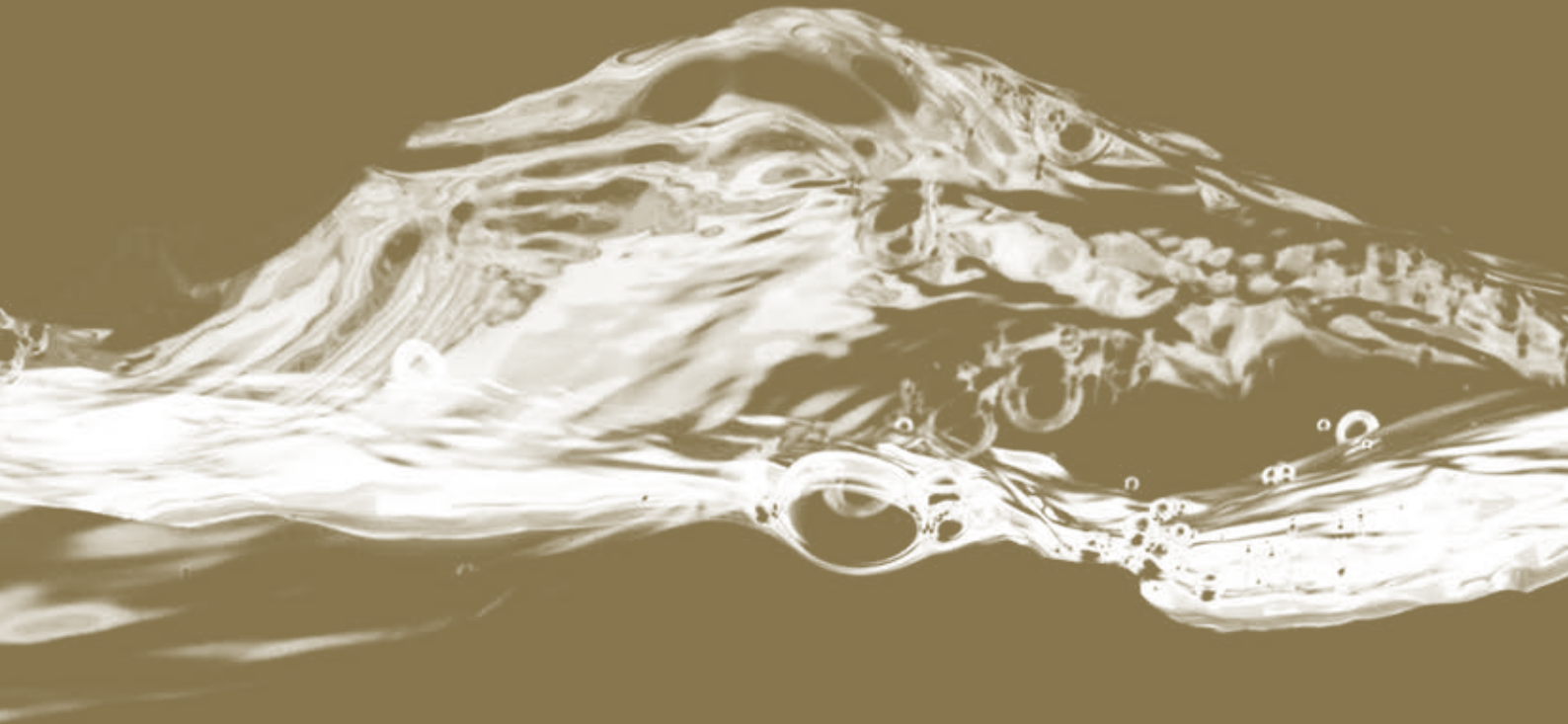
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List of Financial Statements and Documents for Future Reference

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' Written Confirmation Opinions on the Company's 2016 Annual Report

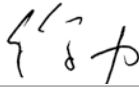
According to regulations and requirements of the "Measures on Information Disclosure of Commercial Banks" (CBRC [2007] No.7 Directive) and the "Special Regulations on Information Disclosure of Commercial Banks" (CBRC [2008] No.33 Announcement), we as SRCB directors and senior officers issue the following comments after fully knowing and reviewing the 2016 Annual Work Report of SRCB:

1. SRCB runs in strict accordance with the Accounting Standards for Business Enterprises and relative system specifications. The 2016 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 2016 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 2016 annual financial statements have been audited by the Deloitte & Touche CPAs who issued a standard unbiased auditing report.

Signatures of Directors:



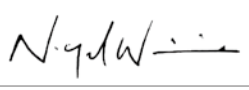
Ji Guangheng



Xu Li



Shen Xunfang



Williams



Bulloch




Zhou Lei



Wang Weihua




Chen Hangbiao



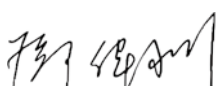
Chen Shuai



Xue Jian



Ha Erman



Deng Weili




Wang Kaiguo



Zhu Yuchen



Chen Jiwu



Sun Zheng



Chen Naiwei



Chen Kai



Mao Huigang

Note: the new Board of Directors was elected by 2017 1st ad-hoc shareholders' meeting on 30 March, 2017.

Signature of Senior Management:



Shen Xingbao



Li Ji



Jin Jianhua



Shi Meiliang

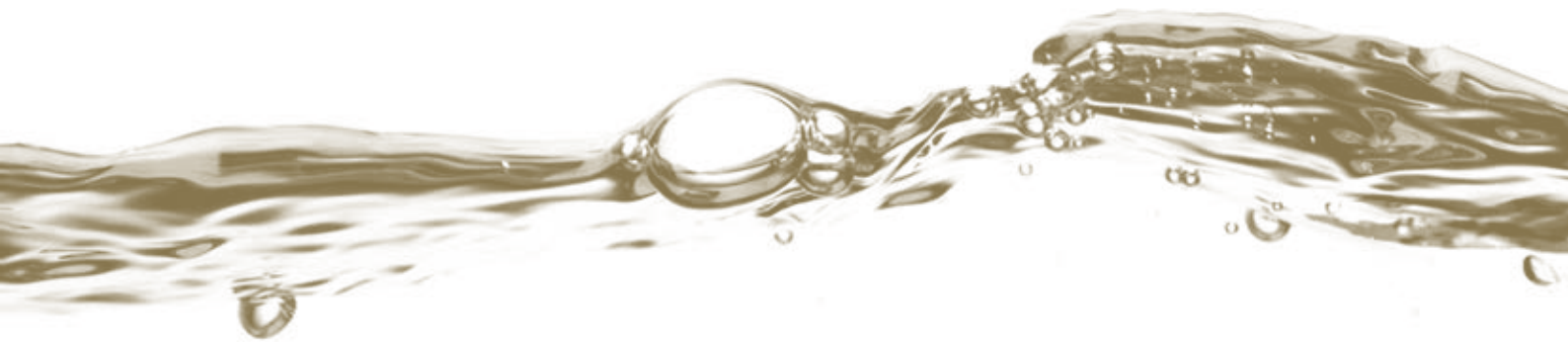


Wang Jianping

Improve traditional businesses & cultivate new businesses

Characteristic operation, professional service & refined management, intensive development

Satisfy customers' needs & improve staff's capability



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Financial Statements and Report of the Auditors

Report of the auditors

Consolidated and Bank's balance sheets

Consolidated and Bank's income statements

Consolidated and Bank's cash flow statements

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

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Auditor's Report

De Shi Bao (Shen) Zi (17) No.P01611

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 2016, 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 2016, 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, 2017

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 2016

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

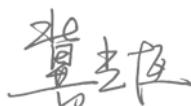
	Notes	Group		Bank	
		As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
ASSETS					
Cash and balances with central bank	VIII. 1	86,726,469	71,054,780	82,166,236	67,073,644
Due from banks and other financial institutions	VIII. 2	11,308,560	12,363,962	3,898,824	8,148,208
Placements with banks and other financial institutions	VIII. 3	32,192,925	20,096,283	32,192,925	20,096,283
Precious Metals		2,809	625,654	2,809	625,654
Financial assets at fair value through profit or loss	VIII. 4	3,273,212	1,757,094	3,273,212	1,757,094
Derivative financial assets	VIII. 5	668,898	225,390	668,898	225,390
Financial assets purchased under resale agreements	VIII. 6	5,570,413	16,693,625	5,570,413	16,693,625
Interest receivables	VIII. 7	2,620,252	2,536,722	2,551,101	2,481,135
Loans and advances to customers	VIII. 8	328,430,370	289,035,448	313,608,010	275,378,164
Available-for-sale financial assets	VIII. 9	120,789,471	95,619,557	119,377,451	94,948,463
Held-to-maturity investments	VIII.10	94,326,945	56,809,691	94,326,945	56,809,691
Investments classified as loans and receivables	VIII.11	13,911,674	9,711,855	13,911,674	9,711,855
Long-term equity investments	VIII.12	841,680	581,430	1,919,480	1,659,230
Fixed assets	VIII.13	4,147,360	4,585,545	4,037,285	4,454,431
Construction in progress	VIII.14	2,244,959	2,089,986	2,229,537	2,086,965
Deferred tax assets	VIII.15	2,391,182	1,770,200	2,207,460	1,623,962
Other assets	VIII.16	1,433,379	1,456,322	1,314,892	1,338,853
TOTAL ASSETS		710,880,558	587,013,544	683,257,152	565,112,647

LIABILITIES	Notes	Group		Bank	
		As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Borrowings from central bank		1,043,500	3,434,500	600,000	2,700,000
Due to banks and other financial institutions	VIII.18	32,420,657	48,693,930	37,925,244	54,119,905
Placements from banks and other financial institutions	VIII.19	7,542,118	1,382,696	7,542,118	1,382,696
Derivative financial liabilities	VIII.5	484,418	42,669	484,418	42,669
Financial assets sold under repurchase agreements	VIII.20	34,718,167	21,903,570	34,718,167	21,903,570
Customer deposits	VIII.21	553,774,691	450,368,329	523,351,122	425,875,155
Employee benefits payables	VIII.22	1,691,651	1,931,082	1,671,275	1,911,720
Tax payables	VIII.23	1,053,499	1,001,903	1,010,655	929,021
Interest payables	VIII.24	11,252,333	9,771,569	10,966,100	9,573,748
Debt securities issued	VIII.25	18,272,810	3,968,322	18,272,810	3,968,322
Other liabilities	VIII.26	933,049	1,188,497	901,926	1,158,202
TOTAL LIABILITIES		663,186,893	543,687,067	637,443,835	523,565,008
SHAREHOLDERS' EQUITY:					
Share capital	VIII.27	5,000,000	5,000,000	5,000,000	5,000,000
Capital reserve	VIII.28	8,111,058	8,111,058	8,111,058	8,111,058
Other comprehensive income	VIII.29	197,578	777,125	193,040	777,125
Surplus reserve	VIII.30	10,707,464	8,941,611	10,623,321	8,890,097
General reserve	VIII.31	6,527,967	5,184,169	6,356,583	5,070,355
Retained earnings	VIII.32	15,678,853	13,886,013	15,529,315	13,699,004
Equity attributable to shareholders of the Bank		46,222,920	41,899,976		
Non-controlling interests		1,470,745	1,426,501		
TOTAL SHAREHOLDERS' EQUITY		47,693,665	43,326,477	45,813,317	41,547,639
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		710,880,558	587,013,544	683,257,152	565,112,647

The accompanying notes form part of the financial statements.

The financial statements on pages 3 to 142 were signed by the following:

Ji Guangheng
Chairman



Xu Li
President



Yao Xiaogang
Head of the
Accounting Department



CONSOLIDATED AND BANK'S INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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

Item	Notes	Group		Bank	
		As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
I. Operating income		15,588,750	15,284,657	14,635,134	14,326,623
Net interest income	VIII. 33	10,620,808	11,684,979	9,575,489	10,631,439
Interest income	VIII. 33	23,299,305	23,864,205	21,991,243	22,616,890
Interest expense	VIII. 33	(12,678,497)	(12,179,226)	(12,415,754)	(11,985,451)
Net fee and commission income	VIII. 34	2,332,847	1,399,284	2,442,145	1,508,125
Fee and commission income	VIII. 34	2,497,460	1,534,992	2,592,221	1,636,203
Fee and commission expense	VIII. 34	(164,613)	(135,708)	(150,076)	(128,078)
Investment income	VIII. 35	2,436,765	2,055,937	2,419,583	2,043,120
of which: share of profit of associates		117,366	71,289	117,366	71,289
Gain/(loss) from changes in fair value		(22,913)	191,778	(22,913)	191,778
Exchange gain/(loss)		200,158	(76,885)	200,158	(76,885)
Other operating income		21,085	29,564	20,672	29,046
II. Operating expenses		(8,473,324)	(8,189,105)	(7,672,412)	(7,461,225)
Taxes and levies	VIII. 36	(418,800)	(951,701)	(399,043)	(913,967)
General and administrative expenses	VIII. 37	(5,866,429)	(5,430,715)	(5,448,812)	(5,037,460)
Impairment loss on assets	VIII. 38	(2,164,460)	(1,783,262)	(1,802,064)	(1,487,943)
Other operating expense		(23,635)	(23,427)	(22,493)	(21,855)
III. Operating income		7,115,426	7,095,552	6,962,722	6,865,398
Non-operating income	VIII. 39	249,391	283,037	190,696	70,729
Non-operating expenses	VIII. 40	(24,463)	(152,836)	(24,028)	(152,141)
IV. Profit before tax		7,340,354	7,225,753	7,129,390	6,783,986
Income tax	VIII. 41	(1,363,864)	(1,418,313)	(1,279,627)	(1,317,904)
V. Net profit		5,976,490	5,807,440	5,849,763	5,466,082
Net profit attributable to shareholders of the Bank		5,902,491	5,633,520		
Net profit attributable to non-controlling interests		73,999	173,920		
XI. Other comprehensive income	VIII. 29	(575,070)	283,665	(584,085)	283,665
Other comprehensive income attributable to shareholders of the Bank		(579,547)	283,665		
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		(579,547)	288,684	(584,085)	288,684
Other comprehensive income attributable to non-controlling interests		4,477	-		
VII. Total comprehensive income		5,401,420	6,091,105	5,265,678	5,749,747
Total comprehensive income attributable to shareholders of the Bank		5,322,944	5,917,185		
Total comprehensive income attributable to non-controlling interests		78,476	173,920		

CONSOLIDATED AND BANK'S STATEMENT OF CASH FLOWS FOR THE YEAR ENED 31 DECEMBER 2016

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

Item	Notes	Group		Bank	
		As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
I. Cash flows from operating activities:					
Net increase in customer deposits and due to other banks		87,133,089	94,238,152	81,281,305	90,481,452
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		11,123,212	-	11,123,212	-
Net increase in financial assets sold under repurchase agreements		12,814,597	3,334,037	12,814,597	3,334,037
Net increase in borrowings from central bank		-	1,265,500	-	2,200,000
Net increase in placements from banks and other financial institutions		6,159,422	-	6,159,422	-
Interest received		18,918,661	19,820,604	17,632,573	18,570,766
Fee and commission received		2,497,460	1,534,992	2,592,221	1,636,203
Cash received relating to other operating activities		1,187,918	638,850	1,127,534	493,061
Sub-total of cash inflows		139,834,359	124,481,955	132,730,864	121,173,906
Net increase in loans and advances to customers		(41,359,509)	(38,648,149)	(39,840,446)	(36,982,499)
Net increase in balances with central bank and placements with banks and other financial institutions		(11,056,022)	-	(11,529,152)	-
Net increase in financial assets purchased under resale agreements		-	(5,377,702)	-	(5,377,702)
Net decrease in borrowings from central bank		(2,391,000)	-	(2,100,000)	-
Net increase in placements with banks and other financial institutions		(12,096,642)	(3,694,443)	(12,096,642)	(3,694,443)
Net decrease in placements from banks and other financial institutions		-	(520,173)	-	(520,173)
Interest paid		(10,748,960)	(10,090,614)	(10,574,630)	(9,992,550)
Fee and commission paid		(164,613)	(135,708)	(150,076)	(128,078)
Cash payments to and on behalf of employees		(3,744,065)	(2,958,847)	(3,533,465)	(2,774,504)
Payments of various types of taxes		(2,245,182)	(2,549,556)	(2,067,257)	(2,350,826)
Cash paid relating to other operating activities		(2,052,291)	(2,229,976)	(1,898,983)	(2,060,294)
Sub-total of cash outflows		(85,858,284)	(66,205,168)	(83,790,651)	(63,881,069)
Net cash flows from operating activities	VIII.42(1)	53,976,075	58,276,787	48,940,213	57,292,837
II. Cash flows from investing activities:					
Cash received from disposal of investments		44,643,592	30,950,680	43,960,476	30,800,680
Cash received from returns on investments		10,174,436	9,947,234	10,157,255	9,960,562
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		121,281	106,445	118,369	93,985
Sub-total of cash inflows		54,939,309	41,004,359	54,236,100	40,855,227
Cash paid to acquire investments		(117,738,808)	(94,713,640)	(116,326,788)	(94,042,547)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(489,354)	(814,581)	(442,743)	(757,186)
Sub-total of cash outflows		(118,228,162)	(95,528,221)	(116,769,531)	(94,799,733)
Net cash flows from investing activities		(63,288,853)	(54,523,862)	(62,533,431)	(53,944,506)

Item	Notes	Group		Bank	
		As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
III. Cash flows from financing activities:					
Proceeds from debt securities issued		3,000,000	-	3,000,000	-
Net increase in interbank negotiable certificates of deposit issued		15,184,457	3,897,574	15,184,457	3,897,574
Sub-total of cash inflows		18,184,457	3,897,574	18,184,457	3,897,574
Repayment of debts securities issued		(3,897,574)	(7,955,158)	(3,897,574)	(7,950,341)
Cash payments for distribution of dividends		(1,465,399)	(1,448,264)	(1,431,167)	(1,444,941)
Sub-total of cash outflows		(5,362,973)	(9,403,422)	(5,328,741)	(9,395,282)
Net cash from financing activities		12,821,484	(5,505,848)	12,855,716	(5,497,708)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		51,558	16,810	51,558	16,810
V. Net increase/(decrease) in cash and cash equivalents		3,560,264	(1,736,113)	(685,944)	(2,132,567)
Add: cash and cash equivalents at the beginning of the year		14,792,585	16,528,698	10,403,531	12,536,098
VI. Cash and cash equivalents at the end of the year	VIII. 42(2)	18,352,849	14,792,585	9,717,587	10,403,531

BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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

2016								
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	777,125	8,941,611	5,184,169	13,886,013	1,426,501	43,326,477
II. Changes for the year								
1. Total Comprehensive income	-	-	(579,547)	-	-	5,902,491	78,476	5,401,420
2. Profit distribution	-	-	-	1,765,853	1,343,798	(4,109,651)	(34,232)	(1,034,232)
(1) Transfer to surplus reserve	-	-	-	1,765,853	-	(1,765,853)	-	-
(2) Transfer to general reserve	-	-	-	-	1,343,798	(1,343,798)	-	-
(3) Distributions to Shareholders	-	-	-	-	-	(1,000,000)	(34,232)	(1,034,232)
III. Closing balance of the year	5,000,000	8,111,058	197,578	10,707,464	6,527,967	15,678,853	1,470,745	47,693,665

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

BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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

2016							
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	777,125	8,890,097	5,070,355	13,699,004	41,547,639
II. Changes for the year							
1. Total Comprehensive income	-	-	(584,085)	-	-	5,849,763	5,265,678
2. Profit distributions	-	-	-	1,733,224	1,286,228	(4,019,452)	(1,000,000)
(1) Transfer to surplus reserve	-	-	-	1,733,224	-	(1,733,224)	-
(2) Transfer to general reserve	-	-	-	-	1,286,228	(1,286,228)	-
(3) Distributions to Shareholders	-	-	-	-	-	(1,000,000)	(1,000,000)
III. Closing balance of the year	5,000,000	8,111,058	193,040	10,623,321	6,356,583	15,529,315	45,813,317

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 distributions	-	-	-	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

I. BASIC INFORMATION

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

The Bank obtained its finance approval license No. B0228H231000001 from China Banking Regulatory Commission ("CBRC") and obtained its business license No. 310000000088142 from Shanghai Municipal Administration of Industry and Commerce. The registered address of the Bank is No. 8 of Yincheng Zhong Road, Shanghai. The Bank replaced its business license on 7 December 2016, and the unified social credit code is No. 913100007793473149.

As at 31 December 2016, 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 2016, and the Bank's and consolidated results of operations and cash flows for the year then ended.

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

1. Accounting period

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

2. Functional currency

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

3. Basis of presentation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of

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

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

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

4. Preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

5. Recognition criteria of cash and cash equivalents

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

6. Translation of transactions denominated in foreign currencies

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

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

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts

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

7. Financial instruments

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

7.1 Effective interest method

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

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

7.2 Classification, recognition and measurement of financial assets

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

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

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial

guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

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

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

Held-to-maturity investments

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

are derecognised, at which time the gains or losses are released and recognised in profit or loss.

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

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

7.3 Impairment of financial assets

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

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

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

Impairment of financial assets measured at amortised cost

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

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

Impairment of available-for-sale financial assets

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

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

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by

delivery of such an unquoted equity instrument, the carrying amounts of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

7.4 Transfer of financial assets

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

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

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

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

7.5 Asset-backed securities business

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

7.6 Classification, recognition and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Other financial liabilities

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

7.7 De-recognition of Financial Liabilities

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

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

7.8 Derivatives and embedded derivatives

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

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

7.9 Offsetting financial assets and financial liabilities

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

7.10 Equity instruments

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

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

8. Precious metals

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

9. Long-term equity investments

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

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

9.2 Determination of investment cost

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

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

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

Long-term equity investment accounted for using the cost method

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

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

Long-term equity investment accounted for using the equity method

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

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

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

9.3 Subsequent measurement and the recognition of profit or loss

The Group discontinues recognising its share of net losses of the investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those

profits only after its share of the profits exceeds the share of losses previously not recognised.

9.4 Disposal of long-term equity investments

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

When the Group can no longer exercise control over an investee due to partial disposal of equity investment or other reasons, and with the retained interest, still has joint control of, or significant influence over, the investee, when preparing the individual financial statements, the investor shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition. If the Group cannot exercise joint control of or significant influence over the investee after partial disposal of equity investment, the remaining equity investment shall be accounted for in accordance with the principles set out in ASBE22, and the difference between the fair value and carrying amounts at the date of the loss of control shall be charged to profit or loss for the current period. Before the Group gains control of an investee, any other comprehensive income previously recognised under the equity method or in accordance with the principles set out in ASBE22 shall be accounted for on the same basis as would have required if the investee had directly disposed of the related assets or liabilities on a pro-rata basis upon when the Group loss control of the investee. Changes in Shareholders' equity recognised under the equity method other than net profit or loss, other comprehensive income, and profit distribution shall be recognised in profit or loss when the Group loss control of the investee. In which, if the remaining equity investment adopts the equity method, other comprehensive income and owner's equity shall be recognised on a pro-rata basis. If the remaining equity investment adopts the principle sets out in accordance with ASBE22, other comprehensive income and owner's equity shall be all recognised.

When the Group can no longer exercise joint control of or

significant influence over an investee due to partial disposal of equity investment or other reasons, the remaining equity investment shall be accounted for with the principles set out in accordance ASBE22. The difference between the fair value and the carrying amounts at the date of the loss of joint control or significant influence shall be charged to profit or loss for the current period. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognised shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method. Changes in Shareholders' equity recognised under the equity method other than net profit or loss, other comprehensive income, and profit distribution shall be recognised in profit or loss upon discontinuation of the equity method.

Where the Group loss control of a subsidiary in multiple transactions in which it 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 loses control of the subsidiary.

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

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

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

10. Fixed assets

10.1 Recognition criteria for fixed assets

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

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

10.2 Depreciation of each category of fixed assets

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

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

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

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

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

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

11. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction

in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

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

Once the impairment loss of construction in progress is recognised, it is not 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 amounts, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

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

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

13. Long-term prepaid expenses

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

14. Assets transferred under repurchase agreements

14.1 Financial assets purchased under resale agreements

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

14.2 Financial assets sold under repurchase agreements

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

15. Provisions

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

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

16. Employee Benefits

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

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

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

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

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

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

arrangements. Such liability is presented as an employee benefits payable on the balance sheet.

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

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 amounts of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

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

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

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

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

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

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

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

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 carrying amounts and their fair value less estimated costs to sell on the date of foreclosure. When the amount of the fair value less estimated costs to sell exceeds the amount of the carrying amounts, a foreclosed asset shall be recognised in impairment loss.

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

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

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

In the application of the Bank's accounting policies, which are described in Note IV, the Bank is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately due to the inherent uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical

experiences of the Bank's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment on the balance sheet date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g.

payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the group. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and book value. When Loans and advances to customers are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

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

The judgement on structured entities

When the group is the manager or investor in a structured entity, it needs to be judged from the following aspects: its power over the structured entity, the variable returns enjoyed by involving in relevant activities, whether the Group has the ability to use its rights over the investee to affect the returns, and then further assess whether the Group has control over such structured entity.

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

Income taxes

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

VI. TAXATION

1. Major categories of taxes and tax rates

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

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

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

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

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. ^(Note1)	Shanghai	105,260	Financial Industry	48.45	50.10
Shandong Huaiyin Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Jinan Changqing County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Ningyang County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Dongping County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Linqing County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Chiping District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Liao City Yanggu District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Rizhao Economic Development District Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Shandong Taian County Village Bank Co., Ltd.	Shandong	50,000	Financial Industry	51.00	51.00
Hunan Ningxiang County Village Bank Co., Ltd.	Hunan	100,000	Financial Industry	51.00	51.00
Hunan Shuangfeng Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Lianyuan County Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Liling County Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Shimen Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Cili Shanghai Village Bank Co., Ltd.	Hunan	50,000	Financial Industry	51.00	51.00
Hunan Li County Shanghai 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 Xingsha Shanghai Village Bank Co., Ltd.	Hunan	100,000	Financial Industry	51.00	51.00
Yunnan Ruili City Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Kaiyuan County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Baoshan City Longyang District Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Mengzi County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Gejiu County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Jianshui County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Lincang City Linxiang District Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Mile County Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Songming Shanghai Village Bank Co., Ltd.	Yunnan	50,000	Financial Industry	51.00	51.00
Yunnan Kunming Economic Development District Ala Shanghai Village Bank Co., Ltd.	Yunnan	100,000	Financial Industry	51.00	51.00
Shenzhen Guangming Shanghai Village Bank Co., Ltd. ^(Note2)	Shenzhen	200,000	Financial Industry	41.65	51.65
Beijing Fangshan Shanghai Village Bank Co., Ltd.	Beijing	100,000	Financial Industry	51.00	51.00

As at 31 December 2016 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 authorised the Bank to use their total 1.65% of the voting rights from 3 May 2012 to 2 May 2018. The Bank still represent actual control of this subsidiary, thus including it in the scope of the consolidated financial statements.

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

VIII. NOTES TO ITEMS IN THE FINANCIAL STATEMENTS

1. Cash and balances with central bank

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Cash on hand	1,984,261	2,645,578	1,901,606	2,548,874
Statutory deposit reserves with central bank	77,395,958	61,160,957	74,831,252	59,018,321
Excess reserves with central bank	7,289,268	7,167,793	5,377,001	5,426,308
Others	56,982	80,452	56,377	80,141
Total	86,726,469	71,054,780	82,166,236	67,073,644

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 2016, the Bank's reserve ratio for customer deposits denominated in RMB is 15% (31 December 2015: 14%); the Bank's and subsidiaries' reserve ratio for deposits denominated in foreign currencies is 5% (31 December 2015: 5%). The subsidiaries' reserve ratio for customer deposits denominated in RMB is 8% or 9% (31 December 2015: 8.5% or 9.5%). Deposit reserves for foreign currency business is non-interest bearing.

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

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

2. Due from banks and other financial institutions

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Deposits with domestic financial institutions	10,564,320	12,236,320	3,154,584	8,020,566
Deposits with overseas financial institutions	744,240	127,642	744,240	127,642
Total	11,308,560	12,363,962	3,898,824	8,148,208

3. Placements with financial institutions

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Placements with domestic banks	4,741,635	2,841,475
Placements with overseas banks	298,290	194,808
Placements with other domestic financial institutions	27,153,000	17,060,000
Total	32,192,925	20,096,283

4. Financial assets at fair value through profit or loss

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Interbank negotiable certificates of deposit	2,785,270	621,180
Corporate bonds	478,045	180,220
Financial institution bonds	9,897	955,694
Total	3,273,212	1,757,094

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:

Group and Bank						
Item	As at 31 December 2016			As at 31 December 2015		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives	34,440,837	498,606	(316,255)	20,202,720	204,451	(39,757)
Interest rate derivatives	30,580,000	163,344	(161,323)	3,500,000	2,783	(2,912)
Precious metal derivatives	2,818,718	6,948	(6,840)	523,237	18,156	-
Total	67,839,555	668,898	(484,418)	24,225,957	225,390	(42,669)

6. Financial assets purchased under resale agreements

Group and Bank		
Item	As at 31 December 2016	As at 31 December 2015
Securities	5,570,413	13,859,952
Bills	-	2,833,673
Total	5,570,413	16,693,625

7. Interest receivables

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Financial assets at fair value through profit or loss	71,716	45,372	71,716	45,372
Held-to-maturity investments	1,215,962	951,284	1,215,962	951,284
Loans and advances to customers	559,368	493,146	517,226	451,624
Available-for-sale financial assets	620,298	744,385	620,298	744,385
Investments classified as loans and receivables	28,300	36,034	28,300	36,034
Others	124,608	266,501	97,599	252,436
Total	2,620,252	2,536,722	2,551,101	2,481,135

8. Loans and advances to customers

(1) Analysis by types

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Individual loans and advances to customers				
- Individual mortgage loans	73,213,668	36,857,839	72,270,870	36,372,494
- Individual business loans	7,109,629	7,493,329	1,926,576	2,288,476
- Individual consumption loans	2,065,810	1,844,081	1,608,136	1,402,257
- Credit cards	3,149,066	2,150,477	3,149,066	2,150,477
- Others	562,531	478,186	55,719	190,835
Sub-total	86,100,704	48,823,912	79,010,367	42,404,539
Corporate loans and advances to customers				
- Loans	191,772,221	175,021,940	183,071,129	167,032,031
- Discounted bills	60,228,131	73,479,891	60,224,907	73,472,221
Sub-total	252,000,352	248,501,831	243,296,036	240,504,252
Total	338,101,056	297,325,743	322,306,403	282,908,791
Less: Allowance for impairment losses	(9,670,686)	(8,290,295)	(8,698,393)	(7,530,627)
Including: individually assessed	(1,806,796)	(1,839,551)	(1,523,367)	(1,668,121)
collectively assessed	(7,863,890)	(6,450,744)	(7,175,026)	(5,862,506)
Carrying amounts	328,430,370	289,035,448	313,608,010	275,378,164

(2) Analysis by industry sectors

Industry sector	Group				Bank			
	As at 31 December 2016	Proportion (%)	As at 31 December 2015	Proportion (%)	As at 31 December 2016	Proportion (%)	As at 31 December 2015	Proportion (%)
Real estate	45,321,831	13.40	40,202,922	13.52	45,145,729	14.00	40,157,535	14.19
Rental and commercial services	44,995,615	13.31	36,946,883	12.43	44,542,618	13.82	36,433,947	12.88
Manufacturing	42,763,879	12.65	42,522,507	14.32	40,190,044	12.47	40,042,651	14.15
Wholesale and retail	20,502,333	6.06	17,551,237	5.90	18,538,988	5.75	15,685,740	5.54
Construction	9,223,432	2.73	10,271,270	3.45	8,483,178	2.63	9,599,388	3.39
Transportation, storage and postal service	7,292,524	2.16	5,779,024	1.94	7,062,430	2.19	5,614,324	1.98
Farming, forest, herd and fishery	3,732,187	1.10	4,056,074	1.36	2,747,324	0.85	1,361,539	0.48
Hotel and restaurant	2,844,461	0.84	1,457,849	0.49	2,408,152	0.75	2,737,273	0.97
Residential and other services	1,422,839	0.42	1,598,328	0.54	1,300,089	0.40	1,438,981	0.51
Water environmental and public utilities	1,082,547	0.32	4,282,801	1.44	849,854	0.26	4,105,814	1.45
Others	12,590,573	3.73	10,353,045	3.48	11,802,723	3.68	9,854,839	3.50
Discount bills	60,228,131	17.81	73,479,891	24.71	60,224,907	18.69	73,472,221	25.97
Corporate loans sub-total	252,000,352	74.53	248,501,831	83.58	243,296,036	75.49	240,504,252	85.01
Individual loans sub-total	86,100,704	25.47	48,823,912	16.42	79,010,367	24.51	42,404,539	14.99
Total	338,101,056	100.00	297,325,743	100.00	322,306,403	100.00	282,908,791	100.00
Less: Allowance for impairment losses	(9,670,686)		(8,290,295)		(8,698,393)		(7,530,627)	
Including: individually assessed	(1,806,796)		(1,839,551)		(1,523,367)		(1,668,121)	
collectively assessed	(7,863,890)		(6,450,744)		(7,175,026)		(5,862,506)	
Carrying amounts	328,430,370		289,035,448		313,608,010		275,378,164	

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

(3) Analysis by collateral patterns

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Unsecured	26,465,677	17,966,823	26,126,101	17,637,181
Guaranteed	46,501,234	43,096,281	40,437,280	37,155,367
Collateral				
Including: Mortgage	189,695,501	149,449,546	180,762,699	141,845,306
Pledge	75,438,644	86,813,093	74,980,323	86,270,937
Total	338,101,056	297,325,743	322,306,403	282,908,791
Less: Allowance for impairment losses	(9,670,686)	(8,290,295)	(8,698,393)	(7,530,627)
Including: individually assessed	(1,806,796)	(1,839,551)	(1,523,367)	(1,668,121)
collectively assessed	(7,863,890)	(6,450,744)	(7,175,026)	(5,862,506)
Carrying amounts	328,430,370	289,035,448	313,608,010	275,378,164

(4) Overdue loans

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

Item	Group					Total
	As at 31 December 2015					
	Less than 90 days past due	91 to 360 days past due	361 days to 3 years past due	More than 3 years past due		
Unsecured	91,742	43,477	49,643	2,546		187,408
Guaranteed	356,615	348,444	423,596	73,654		1,202,309
Collateral						
Including: Mortgage	576,931	1,206,007	2,239,117	340,466		4,362,521
Pledge	29,795	61,675	23,659	-		115,129
Total	1,055,083	1,659,603	2,736,015	416,666		5,867,367

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

Bank					
As at 31 December 2015					
Item	Less than 90 days past due	91 to 360 days past due	361 days to 3 years past due	More than 3 years past due	Total
Unsecured	86,283	40,592	48,296	2,546	177,717
Guaranteed	221,843	108,968	363,834	73,654	768,299
Collateral					
Including: Mortgage	514,180	1,056,133	2,179,969	337,083	4,087,365
Pledge	18,300	52,695	23,659	-	94,654
Total	840,606	1,258,388	2,615,758	413,283	5,128,035

(5) Allowance for impairment losses

Item	Group			Bank		
	Year ended 31 December 2016			Year ended 31 December 2016		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
As at 1 January	1,839,551	6,450,744	8,290,295	1,668,121	5,862,506	7,530,627
Charge for the year	680,497	1,409,827	2,090,324	418,727	1,309,201	1,727,928
Transfer from liability as a result of collection of non-performing assets transferred out ^(Note 1)	-	3,319	3,319	-	3,319	3,319
Recovery of loans previously written off	149,240	-	149,240	149,240	-	149,240
Write off	(736,755)	-	(736,755)	(595,394)	-	(595,394)
Unwinding of discount	(125,737)	-	(125,737)	(117,327)	-	(117,327)
As at 31 December	1,806,796	7,863,890	9,670,686	1,523,367	7,175,026	8,698,393

Item	Group			Bank		
	Year ended 31 December 2015			Year ended 31 December 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	-	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)
As at 31 December	1,839,551	6,450,744	8,290,295	1,668,121	5,862,506	7,530,627

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

In accordance with the Yin Jian Ban Tong [2003] No. 83, the repayment proceeds received by the Bank was reclassified as allowance for assets impairment. The Bank recorded RMB3,319 thousand and RMB50,737 thousand in 2016 and 2015 respectively in allowance for loan impairment.

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Available-for-sale debt instruments				
- Bonds				
Government bonds	7,469,293	8,254,625	7,469,293	8,254,625
Financial institution bonds	7,829,364	14,314,631	7,829,364	14,314,631
Corporate bonds	12,180,878	15,786,223	11,414,887	15,115,129
Interbank negotiable certificates of deposit	10,301,474	9,567,791	10,301,474	9,567,791
- Wealth management products issued by other banks	58,099,272	37,819,070	58,099,272	37,819,070
- Trust and asset management plans	15,818,783	8,552,671	15,172,754	8,552,671
- Securities investment funds	7,891,440	-	7,891,440	-
Available-for-sale equity instruments				
- Equity instruments at fair value	2,140,553	2,286,555	2,140,553	2,286,555
- Equity instruments at cost	11,838	11,838	11,838	11,838
Total	121,742,895	96,593,404	120,330,875	95,922,310
Less: allowance for impairment of available-for-sale financial assets	(953,424)	(973,847)	(953,424)	(973,847)
Carrying amounts	120,789,471	95,619,557	119,377,451	94,948,463

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

As at 31 December 2016						
Item	Group			Bank		Total
	Available-for-sale equity instruments	Available-for-sale debt instruments	Total	Available-for-sale equity instruments	Available-for-sale debt instruments	
Cost/Amortised cost	1,983,852	119,471,106	121,454,958	1,983,852	118,071,106	120,054,958
Fair value	1,189,129	119,588,504	120,777,633	1,189,129	118,176,484	119,365,613
Changes in fair value through other comprehensive income	156,701	119,398	276,099	156,701	107,378	264,079
Allowance for impairment	(951,424)	(2,000)	(953,424)	(951,424)	(2,000)	(953,424)

As at 31 December 2015						
Item	Group			Bank		Total
	Available-for-sale equity instruments	Available-for-sale debt instruments	Total	Available-for-sale equity instruments	Available-for-sale debt instruments	
Cost/Amortised cost	2,014,118	93,524,590	95,538,708	2,014,118	92,853,496	94,867,614
Fair value	1,312,708	94,295,011	95,607,719	1,312,708	93,623,917	94,936,625
Changes in fair value through other comprehensive income	272,437	770,421	1,042,858	272,437	770,421	1,042,858
Allowance for impairment	(973,847)	-	(973,847)	(973,847)	-	(973,847)

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

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

10. Held-to-maturity investments

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Government bonds	50,262,260	44,900,985
Financial institution bonds	20,575,002	4,314,995
Corporate bonds	7,201,295	7,084,280
Interbank negotiable certificates of deposit	14,453,705	29,970
Asset-backed security	1,834,683	479,461
Total	94,326,945	56,809,691
Less: allowance for impairment	-	-
Carrying amounts	94,326,945	56,809,691

11. Investments classified as loans and receivables

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Government bonds	126,693	111,069
Trust and asset management plans	13,900,418	9,644,087
Total	14,027,111	9,755,156
Less: allowance for impairment	(115,437)	(43,301)
Carrying amounts	13,911,674	9,711,855

12. Long-term equity investments

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Subsidiaries ^(Note VII)			1,077,800	1,077,800
Associates	907,992	685,041	907,992	685,041
Total			1,985,792	1,762,841
Less: allowance for impairment	(66,312)	(103,611)	(66,312)	(103,611)
Carrying amounts	841,680	581,430	1,919,480	1,659,230

(1) Associates

Investments in associates are listed as follows:

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

Group and Bank								
Name	Accounting method	Initial investment cost	As at 1 January 2016	Increase/ (Decrease) during the year	As at 31 December 2016	Percentage of shares Held(%)	Percentage of voting rate(%)	Allowance for impairment
Shanghai Jingyi Industry Development Co., Ltd.	Equity method	367,000	103,611	-	103,611	18.874	18.874	(103,611)
Shanghai Hu Yang Highway Development Co., Ltd.	Equity method	192,500	265,593	14,419	280,012	35.00	35.00	-
Shanghai Southeast Suburb Ring Expressway Investment Development Co., Ltd.	Equity method	248,400	88,548	(88,548)	-	-	-	-
Yangtze United Financial Leasing Co., Ltd.	Equity method	300,000	-	301,418	301,418	30.00	30.00	-
Total		1,107,900	457,752	227,289	685,041			

13. Fixed assets

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

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

Item	Group					Total
	Building	Transportation Equipment	Electronic equipment	Machinery	Office equipment	
Cost						
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
Accumulated depreciation						
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)
Carrying amounts						
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

14. Construction in progress

(1) Details of construction in progress

Item	Group					
	As at 31 December 2016			As at 31 December 2015		
	Book value	Allowance for impairment	Carrying amounts	Book value	Allowance for impairment	Carrying amounts
Renovation of the head office building	1,673,229	(485,801)	1,187,428	1,672,663	(485,801)	1,186,862
Zhangjiang business processing centre	787,704	-	787,704	696,953	-	696,953
Renovation of Longbai segment	99,105	-	99,105	92,363	-	92,363
Business premises of Yingzhong branch	34,700	-	34,700			
Business premises of North Xizang Road branch	16,223	-	16,223	16,223	-	16,223
Business premises of Hunan Shuangfeng Village Bank Co., Ltd.	14,454	-	14,454			
Business premises of Gong Road branch	13,599	-	13,599			
Others	91,746	-	91,746	97,585	-	97,585
Total	2,730,760	(485,801)	2,244,959	2,575,787	(485,801)	2,089,986

Item	Bank					
	As at 31 December 2016			As at 31 December 2015		
	Book value	Allowance for impairment	Carrying amounts	Book value	Allowance for impairment	Carrying amounts
Renovation of the head office building	1,673,229	(485,801)	1,187,428	1,672,663	(485,801)	1,186,862
Zhangjiang business processing centre	787,704	-	787,704	696,953	-	696,953
Renovation of Longbai segment	99,105	-	99,105	92,363	-	92,363
Business premises of Yingzhong branch	34,700	-	34,700			
Business premises of North Xizang Road branch	16,223	-	16,223	16,223	-	16,223
Business premises of Gong Road branch	13,599	-	13,599			
Others	90,778	-	90,778	94,564	-	94,564
Total	2,715,338	(485,801)	2,229,537	2,572,766	(485,801)	2,086,965

(2) Movement of construction in progress

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

Item	Group			
	Building	Electronic and machinery	Others	Total
As at 1 January 2015	1,749,404	210,620	313,762	2,273,786
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	2,029,117	253,759	292,911	2,575,787
Less: allowance for impairment	(485,801)	-	-	(485,801)
Carrying amounts	1,543,316	253,759	292,911	2,089,986

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

Item	Bank			
	Building	Electronic and machinery	Others	Total
As at 1 January 2015	1,749,367	210,581	313,753	2,273,701
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	2,026,260	253,595	292,911	2,572,766
Less: allowance for impairment	(485,801)	-	-	(485,801)
Carrying amounts	1,540,459	253,595	292,911	2,086,965

15. Deferred tax assets

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

Item	Group			
	Deductible temporary differences		Deferred tax assets	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Allowances for impairment losses	8,945,063	7,353,469	2,183,427	1,829,112
Others	1,274,555	994,143	317,647	248,398
Total	10,219,618	8,347,612	2,501,074	2,077,510

Item	Group			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	(163,469)	(186,382)	(40,867)	(46,596)
Changes in fair value of available-for-sale financial assets	(276,099)	(1,042,858)	(69,025)	(260,714)
Total	(439,568)	(1,229,240)	(109,892)	(307,310)

Item	Bank			
	Deductible temporary differences		Deferred tax assets	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Allowances for impairment losses	8,000,569	6,737,970	2,000,141	1,684,493
Others	1,256,819	987,118	314,206	246,779
Total	9,257,388	7,725,088	2,314,347	1,931,272

Item	Bank			
	Taxable temporary differences		Deferred tax liabilities	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Changes in fair value of financial assets at fair value through profit or loss and fair value of derivative financial instruments	(163,469)	(186,382)	(40,867)	(46,596)
Changes in fair value of available-for-sale financial assets	(264,079)	(1,042,858)	(66,020)	(260,714)
Total	(427,548)	(1,229,240)	(106,887)	(307,310)

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

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
	Deferred tax assets	2,391,182	1,770,200	2,207,460
Deferred tax liabilities	-	-	-	-
Total	2,391,182	1,770,200	2,207,460	1,623,962

16. Other assets

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
	Other receivables and prepayments (1)	167,623	226,590	130,162
Foreclosed asset (2)	213,994	149,967	212,013	149,967
Long-term prepaid expenses (3)	186,558	229,838	107,762	147,972
Intangible assets(4)	865,204	849,927	864,955	849,669
Total	1,433,379	1,456,322	1,314,892	1,338,853

(1) Other receivables and prepayments

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Intra-city bills under collection	8,713	78,123	8,713	68,123
Prepaid legal expenses	45,842	36,081	34,250	30,520
Rental deposits	13,521	9,281	12,599	8,801
Other receivables	99,547	103,105	74,600	83,801
Total	167,623	226,590	130,162	191,245

Note: Aging analysis of other receivables

Aging	Group				Bank			
	As at 31 December 2016	Percentage (%)	As at 31 December 2015	Percentage (%)	As at 31 December 2016	Percentage (%)	As at 31 December 2015	Percentage (%)
Within 1 year	100,744	94.83	74,974	68.30	75,797	93.25	55,670	61.53
1 to 2 years	1,008	0.95	1,180	1.07	1,008	1.24	1,180	1.30
2 to 3 years	1,059	1.00	366	0.33	1,059	1.30	366	0.40
Above 3 years	3,423	3.22	33,272	30.30	3,423	4.21	33,272	36.77
Total	106,234	100.00	109,792	100.00	81,287	100.00	90,488	100.00
Less: allowance for doubtful accounts	(6,687)		(6,687)		(6,687)		(6,687)	
Carrying amounts	99,547		103,105		74,600		83,801	

(2) Foreclosed assets

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Land use rights	138,719	136,738	136,738	136,738
Buildings	74,196	12,150	74,196	12,150
Machinery	356	356	356	356
Others	24,130	25,730	24,130	25,730
Total	237,401	174,974	235,420	174,974
Less: allowance for impairment	(23,407)	(25,007)	(23,407)	(25,007)
Carrying amounts	213,994	149,967	212,013	149,967

(3) Long-term prepaid expenses

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

2015

Item	Group				Bank			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Leasehold improvement	204,346	49,704	57,911	196,139	132,622	32,619	39,358	125,883
Prepaid rental expenses	4,052	23,459	5,614	21,897	1,195	16,066	3,413	13,848
Network construction expenses	9,514	21	3,847	5,688	9,057	-	3,719	5,338
Others	2,796	4,727	1,409	6,114	814	3,066	977	2,903
Total	220,708	77,911	68,781	229,838	143,688	51,751	47,467	147,972

(4) Intangible assets

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

Item	Group			Bank		
	Land use right	Software and others	Total	Land use right	Software and others	Total
Cost						
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
Accumulated amortisation						
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)
Carrying amounts						
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

17. Allowance for assets impairment

Item	Group						
	2016						
	Opening balance	Charge of the year	Reversal	Transfer out	Write off	Recovery of loans previously written off	Closing balance
Loans and advances to customers	8,290,295	2,090,324	-	(122,418)	(736,755)	149,240	9,670,686
Available-for-sale financial assets	973,847	2,000	(22,423)	-	-	-	953,424
Investments classified as loans and receivables	43,301	72,136	-	-	-	-	115,437
Long-term equity investments	103,611	-	-	(37,299)	-	-	66,312
Other receivables	6,687	-	-	-	-	-	6,687
Construction in progress	485,801	-	-	-	-	-	485,801
Foreclosed assets	25,007	-	-	(1,600)	-	-	23,407
Total	9,928,549	2,164,460	(22,423)	(161,317)	(736,755)	149,240	11,321,754

Item	Group						
	2015						
	Opening balance	Charge of the year	Reversal	Transfer out	Write off	Recovery of loans previously written off	Closing balance
Loans and advances to customers	7,034,046	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
Construction in progress	485,801	-	-	-	-	-	485,801
Foreclosed assets	25,007	-	-	-	-	-	25,007
Total	9,091,798	1,783,262	-	(495,504)	(512,678)	61,671	9,928,549

Item	Bank						
	2016						
	Opening balance	Charge of the year	Reversal	Transfer out	Write off	Recovery of loans previously written off	Closing balance
Loans and advances to customers	7,530,627	1,727,928	-	(114,008)	(595,394)	149,240	8,698,393
Available-for-sale financial assets	973,847	2,000	(22,423)	-	-	-	953,424
Investments classified as loans and receivables	43,301	72,136	-	-	-	-	115,437
Long-term equity investments	103,611	-	-	(37,299)	-	-	66,312
Other receivables	6,687	-	-	-	-	-	6,687
Construction in progress	485,801	-	-	-	-	-	485,801
Foreclosed assets	25,007	-	-	(1,600)	-	-	23,407
Total	9,168,881	1,802,064	(22,423)	(152,907)	(595,394)	149,240	10,349,461

Item	Bank						
	2015						
	Opening balance	Charge of the year	Reversal	Transfer 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
Construction in progress	485,801	-	-	-	-	-	485,801
Foreclosed assets	25,007	-	-	-	-	-	25,007
Total	8,621,824	1,487,943	-	(495,504)	(507,053)	61,671	9,168,881

18. Due to banks and other financial institutions

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Deposits from domestic banks	23,956,351	22,135,627	29,460,938	27,561,602
Deposits from other domestic financial institutions	8,464,306	26,558,303	8,464,306	26,558,303
Total	32,420,657	48,693,930	37,925,244	54,119,905

19. Placements from banks and other financial institutions

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Placements from domestic banks	7,406,388	960,111
Placements from overseas banks	135,730	422,585
Total	7,542,118	1,382,696

20. Assets sold under repurchase agreement

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Securities	31,649,530	21,694,400
Bills	3,068,637	209,170
Total	34,718,167	21,903,570

21. Customer deposits

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Demand deposits				
Corporate	195,963,634	156,362,705	180,152,557	143,646,030
Individual	45,126,423	35,980,141	42,150,514	33,211,018
Time deposits				
Corporate	83,469,365	65,195,655	79,126,242	61,789,335
Individual	190,585,113	168,260,002	183,635,075	163,037,027
Pledged deposits held as collateral	9,400,059	7,316,184	9,062,166	6,946,592
Other deposits	29,230,097	17,253,642	29,224,568	17,245,153
Total	553,774,691	450,368,329	523,351,122	425,875,155

22. Employee benefits payables

(1) Employee benefits payables are listed as follows:

Item	Group							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term salary	1,574,417	2,975,690	2,911,050	1,639,057	1,273,408	2,844,853	2,543,844	1,574,417
Post-employment benefits - defined contribution plan	5,631	423,131	428,611	151	6,751	397,674	398,794	5,631
Defined benefit plan	351,034	105,813	404,404	52,443	355,584	16,679	21,229	351,034
Total	1,931,082	3,504,634	3,744,065	1,691,651	1,635,743	3,259,206	2,963,867	1,931,082

Item	Bank							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term salary	1,555,280	2,781,855	2,718,303	1,618,832	1,255,586	2,671,867	2,372,173	1,555,280
Post-employment benefits - defined contribution plan	5,406	405,352	410,758	-	6,697	384,830	386,121	5,406
Defined benefit plan	351,034	105,813	404,404	52,443	355,584	16,679	21,229	351,034
Total	1,911,720	3,293,020	3,533,465	1,671,275	1,617,867	3,073,376	2,779,523	1,911,720

(2) Short-term salary

Item	Group							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,571,255	2,496,832	2,429,183	1,638,904	1,269,567	2,369,929	2,068,241	1,571,255
Employee services and benefits	-	92,794	92,794	-	35	96,808	96,843	-
Social insurance	3,080	144,662	147,699	43	3,743	148,571	149,234	3,080
Of which: Medical insurance	2,713	119,269	121,944	38	3,295	122,703	123,285	2,713
Work-related injury insurance	123	2,467	2,588	2	150	5,297	5,324	123
Maternity insurance	244	10,777	11,018	3	298	10,177	10,231	244
Others	-	12,149	12,149	-	-	10,394	10,394	-
Housing funds	60	174,091	174,041	110	14	165,501	165,455	60
Labour union fee and staff education expenses	22	67,311	67,333	-	49	64,044	64,071	22
Total	1,574,417	2,975,690	2,911,050	1,639,057	1,273,408	2,844,853	2,543,844	1,574,417

Item	Bank							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,552,278	2,336,956	2,270,402	1,618,832	1,251,864	2,233,363	1,932,949	1,552,278
Employee services and benefits	-	82,731	82,731	-	-	79,602	79,602	-
Social insurance	3,002	137,030	140,032	-	3,720	143,057	143,775	3,002
Of which: Medical insurance	2,641	112,557	115,198	-	3,275	117,854	118,488	2,641
Work-related injury insurance	121	2,084	2,205	-	149	5,021	5,049	121
Maternity insurance	240	10,240	10,480	-	296	9,788	9,844	240
Others	-	12,149	12,149	-	-	10,394	10,394	-
Housing funds	-	161,866	161,866	-	2	155,386	155,388	-
Labour union fee and staff education expenses	-	63,272	63,272	-	-	60,459	60,459	-
Total	1,555,280	2,781,855	2,718,303	1,618,832	1,255,586	2,671,867	2,372,173	1,555,280

(3) Defined contribution plan

Item	Group							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	5,249	410,436	415,543	142	6,298	381,197	382,246	5,249
Unemployment insurance	382	12,695	13,068	9	453	16,477	16,548	382
Total	5,631	423,131	428,611	151	6,751	397,674	398,794	5,631

Item	Bank							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	5,044	394,310	399,354	-	6,249	369,548	370,753	5,044
Unemployment insurance	362	11,042	11,404	-	448	15,282	15,368	362
Total	5,406	405,352	410,758	-	6,697	384,830	386,121	5,406

(4) 设定受益计划

Item	Group							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Retirement benefit plan	351,034	105,813	404,404	52,443	355,584	16,679	21,229	351,034

Item	Bank							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Retirement benefit plan	351,034	105,813	404,404	52,443	355,584	16,679	21,229	351,034

23. Taxes payable

Item	Group							
	2016				2015			
	Opening balance	Taxes payable during the year	Taxes paid during the year	Closing balance	Opening balance	Taxes payable during the year	Taxes paid during the year	Closing balance
Enterprise income tax	715,432	1,793,157	1,803,376	705,213	752,443	1,563,580	1,600,591	715,432
Individual income tax	38,686	466,198	384,997	119,887	35,065	317,524	313,903	38,686
Value-added tax	-	641,479	439,200	202,279	-	-	-	-
Business tax	223,187	269,054	492,241	-	214,253	859,214	850,280	223,187
Surcharges	24,435	108,764	107,617	25,582	21,907	92,487	89,959	24,435
Property tax	17	32,667	32,667	17	-	31,385	31,368	17
Land use tax	1	1,591	1,591	1	-	180	179	1
Vehicle and vessel use tax	-	231	231	-	-	52	52	-
Others	145	7,291	6,916	520	8,825	4,564	13,244	145
Total	1,001,903	3,320,432	3,268,836	1,053,499	1,032,493	2,868,986	2,899,576	1,001,903

Item	Bank							
	2016				2015			
	Opening balance	Taxes payable during the year	Taxes paid during the year	Closing balance	Opening balance	Taxes payable during the year	Taxes paid during the year	Closing balance
Enterprise income tax	653,380	1,668,431	1,648,177	673,634	699,313	1,396,362	1,442,295	653,380
Individual income tax	37,142	451,980	370,542	118,580	33,357	306,361	302,576	37,142
Value-added tax	-	602,781	409,381	193,400	-	-	-	-
Business tax	214,945	254,667	469,612	-	204,459	825,179	814,693	214,945
Surcharges	23,554	104,689	103,202	25,041	21,907	88,788	87,141	23,554
Property tax	-	32,188	32,188	-	-	30,889	30,889	-
Land use tax	-	1,577	1,577	-	-	173	173	-
Vehicle and vessel use tax	-	171	171	-	-	13	13	-
Others	-	6,196	6,196	-	6,678	4,097	10,775	-
Total	929,021	3,122,680	3,041,046	1,010,655	965,714	2,651,862	2,688,555	929,021

24. Interest payables

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Customer deposits, banks and other financial institutions	11,189,727	9,769,099	10,903,494	9,571,278
Debt securities issued	62,010	-	62,010	-
Others	596	2,470	596	2,470
Total	11,252,333	9,771,569	10,966,100	9,573,748

25. Debt securities issued

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Financial debt ^(Note 1)	3,000,000	-
Interbank negotiable certificates of deposit ^(Note 2)	15,272,810	3,968,322
Total	18,272,810	3,968,322

Note 1: The Bank issued 10-year fixed rate bonds on 23 June 2016. The par value of the financial bonds is RMB3 billion and the coupon rate is 3.95%.

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 2.00% to 5.00%.

26. Other liabilities

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Funds under settlement process	622,214	830,778	597,732	812,175
Education funds	51,418	51,418	51,418	51,418
Construction expenses	12,088	22,510	12,088	13,262
Others	247,329	283,791	240,688	281,347
Total	933,049	1,188,497	901,926	1,158,202

27. Share capital

Name of shareholders	As at 31 December 2015		Increase during the year	Decrease during the year	As at 31 December 2016	
	Amount invested	Percentage (%)			Amount invested	Percentage (%)
ANZ Banking (Group) Co., Ltd. ^(Note 1)	1,000,000	20.00	-	-	1,000,000	20.00
Shanghai State-owned Assets management Co., Ltd.	500,000	10.00	-	-	500,000	10.00
China Pacific Life Insurance Co., Ltd.	350,000	7.00	-	-	350,000	7.00
Shanghai International (Group) Co., Ltd.	300,921	6.02	-	-	300,921	6.02
Shenzhen Lenovo Science and Technology Park Co., Ltd.	286,554	5.73	-	-	286,554	5.73
Others	2,562,525	51.25	-	-	2,562,525	51.25
Total	5,000,000	100.00	-	-	5,000,000	100.00

Note 1: On 4 January 2017, ANZ Banking (Group) Co., Ltd. announced that it has reached agreement with China COSCO Shipping Co., Ltd. and Shanghai Sino-Poland Enterprise Management Development Co., Ltd. on selling its 20% stake in the Bank.

28. Capital reserve

Item	Group and Bank							
	2016				2015			
	Opening balance	Increase during the year	Decrease during the year	Closing balance	Opening balance	Increase during the year	Decrease during the year	Closing balance
Capital surplus	8,110,992	-	-	8,110,992	8,110,992	-	-	8,110,992
Others	66	-	-	66	66	-	-	66
Total	8,111,058	-	-	8,111,058	8,111,058	-	-	8,111,058

29. Other comprehensive income

(1) Items in other comprehensive income

Item	Group					
	Year ended 31 December 2016			Year ended 31 December 2015		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
1. Other comprehensive income items which will not be reclassified to profit and loss						
Changes in remeasurement of defined benefit plan	-	-	-	(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	(766,759)	191,689	(575,070)	384,911	(96,227)	288,684
Total	(766,759)	191,689	(575,070)	378,219	(94,554)	283,665
Of which: Other comprehensive income attributable to the Bank's shareholders	(772,729)	193,182	(579,547)	378,219	(94,554)	283,665
Other comprehensive income attributable to non-controlling interests	5,970	(1,493)	4,477	-	-	-

Item	Bank					
	Year ended 31 December 2016			Year ended 31 December 2015		
	Before tax amount	Tax benefit (expense)	Net of tax amount	Before tax amount	Tax benefit (expense)	Net of tax amount
1. Other comprehensive income items which will not be reclassified to profit and loss						
Changes in remeasurement of defined benefit plan	-	-	-	(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	(778,779)	194,694	(584,085)	384,911	(96,227)	288,684
Total	(778,779)	194,694	(584,085)	378,219	(94,554)	283,665

(2) Movement of other comprehensive income

Item	Group							
	2016				2015			
	Opening balance	Increase/ (decrease) during the year	Transfer out	Closing balance	Opening balance	Increase/ (decrease) during the year	Transfer out	Closing balance
Changes in remeasurement of defined benefit plan	(5,019)	-	-	(5,019)	-	(5,019)	-	(5,019)
Changes in fair value of available-for-sale financial assets	782,144	(575,070)	-	207,074	493,460	288,684	-	782,144
Total	777,125	(575,070)	-	202,055	493,460	283,665	-	777,125
Of which: Other comprehensive income attributable to the Bank's shareholders	777,125	(579,547)	-	197,578	493,460	283,665	-	777,125
Other comprehensive income attributable to non-controlling interests	-	4,477	-	4,477	-	-	-	-

Item	Bank							
	2016				2015			
	Opening balance	Increase/ (decrease) during the year	Transfer out	Closing balance	Opening balance	Increase/ (decrease) during the year	Transfer out	Closing balance
Changes in remeasurement of defined benefit pension plans	(5,019)	-	-	(5,019)	-	(5,019)	-	(5,019)
Changes in fair value of available-for-sale financial assets	782,144	(584,085)	-	198,059	493,460	288,684	-	782,144
Total	777,125	(584,085)	-	193,040	493,460	283,665	-	777,125

30. Surplus reserve

Item	Group							
	2016				2015			
	Opening balance	Increase during the year	Decease during the year	Closing balance	Opening balance	Increase during the year	Decease during the year	Closing balance
Statutory reserve	2,724,825	562,381	-	3,287,206	2,233,003	491,822	-	2,724,825
Discretionary reserve	6,216,786	1,203,472	-	7,420,258	5,197,040	1,019,746	-	6,216,786
Total	8,941,611	1,765,853	-	10,707,464	7,430,043	1,511,568	-	8,941,611

Item	Bank							
	2016				2015			
	Opening balance	Increase during the year	Decease during the year	Closing balance	Opening balance	Increase during the year	Decease during the year	Closing balance
Statutory reserve	2,681,353	546,608	-	3,227,961	2,210,899	470,454	-	2,681,353
Discretionary reserve	6,208,744	1,186,616	-	7,395,360	5,193,975	1,014,769	-	6,208,744
Total	8,890,097	1,733,224	-	10,623,321	7,404,874	1,485,223	-	8,890,097

In accordance with the Company Law and the Company's Articles of Association, the Bank should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Bank can cease appropriation when the statutory reserve accumulated to more than 50% of the registered capital. The statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. According to the resolution of the General Meeting of Shareholders on 28 April 2016, the Bank appropriated 10% of net profit of 2015, amounting to RMB546,608 thousand for the year 2016 (2015: RMB470,454 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 2016, the Bank appropriated, RMB1,186,616 thousand as discretionary reserve (2015: RMB1,014,769 thousand).

31. General Reserve

Item	Group							
	2016				2015			
	Opening balance	Increase during the year	Decease during the year	Closing balance	Opening balance	Increase during the year	Decease during the year	Closing balance
General Reserve	5,184,169	1,343,798	-	6,527,967	4,001,040	1,183,129	-	5,184,169

Item	Bank							
	2016				2015			
	Opening balance	Increase during the year	Decease during the year	Closing balance	Opening balance	Increase during the year	Decease during the year	Closing balance
General Reserve	5,070,355	1,286,228	-	6,356,583	3,968,461	1,101,894	-	5,070,355

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.

32. Retained earnings

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Opening balance	13,886,013	11,847,190	13,699,004	11,720,039
Add: Net profit attributable to the Bank’s shareholders	5,902,491	5,633,520	5,849,763	5,466,082
Less: Appropriation to statutory reserve	562,381	491,822	546,608	470,454
Appropriation to discretionary reserve	1,203,472	1,019,746	1,186,616	1,014,769
Appropriation to general reserve	1,343,798	1,183,129	1,286,228	1,101,894
Dividends paid	1,000,000	900,000	1,000,000	900,000
Closing balance	15,678,853	13,886,013	15,529,315	13,699,004

In accordance with the resolution at the general meeting of shareholders dated on 28 April 2016, the Bank declares a cash dividend in the amount of RMB 1,000,000 thousand (2015: RMB900,000 thousand).

In accordance with the resolution at the Board of Directors’ meeting dated on 30 March 2017, the directors proposed the following appropriations to the Bank’s net profit of 2016.

In accordance with the 2016 annual after-tax profit legal statements, the Bank made statutory reserve of RMB584,976 thousand, made discretionary reserve of RMB1,331,266 thousand and made general reserve of RMB1,631,679 thousand. The Bank distributed cash dividend of RMB10 (included tax) per common stock, with a total of RMB1,150,000 thousand (included tax). The plan is subject to a final review by the annual general meeting.

33. Net interest income

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Interest income				
- Due from banks and other financial institutions	284,504	409,323	127,859	319,548
- Deposits with central bank	1,200,344	1,091,540	1,159,196	1,053,792
- Placement with other banks and financial assets purchased under resale agreement	2,104,823	1,520,226	2,104,823	1,520,226
- Loans and advances to customers				
of which: corporate loans and advances	9,358,156	11,060,340	8,759,334	10,421,707
individual loans	3,195,064	2,299,726	2,683,735	1,819,027
discount bills	2,818,102	3,647,586	2,817,984	3,647,126
- Investment securities and others	4,338,312	3,835,464	4,338,312	3,835,464
Sub-total	23,299,305	23,864,205	21,991,243	22,616,890
Interest expense				
- Borrowings from central bank	(89,873)	(76,460)	(76,769)	(40,383)
- Due to banks and other financial institutions	(1,578,262)	(1,099,573)	(1,709,611)	(1,261,508)
- Placements from banks and other financial institutions and assets sold under repurchase agreement	(1,109,105)	(783,357)	(1,109,105)	(783,357)
- Customer deposits	(9,331,550)	(9,466,120)	(8,950,563)	(9,146,487)
- Debt securities issued	(510,782)	(600,024)	(510,782)	(600,024)
- Others	(58,925)	(153,692)	(58,924)	(153,692)
Sub-total	(12,678,497)	(12,179,226)	(12,415,754)	(11,985,451)
Net interest income	10,620,808	11,684,979	9,575,489	10,631,439
Of which: unwinding of discount	137,737	119,746	117,327	119,746

34. Net fee and commission income

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Fee and commission income				
Agency services	1,300,780	700,821	1,297,236	697,591
Bank card services	332,900	195,567	332,800	195,376
Consultancy and advisory services	319,969	180,500	319,906	180,435
Electronic banking services	223,999	213,229	223,836	212,988
Settlement and clearing services	221,722	189,547	221,312	189,101
Guarantee and commitment services	23,993	19,189	23,979	19,188
Asset trusteeship	2,941	3,702	2,941	3,702
Others	71,156	32,437	170,211	137,822
Sub-total	2,497,460	1,534,992	2,592,221	1,636,203
Fee and commission expense				
Fund collecting commissioning services	(69,983)	(56,284)	(63,511)	(51,044)
Settlement and clearing services	(61,458)	(60,248)	(61,458)	(60,191)
Others	(33,172)	(19,176)	(25,107)	(16,843)
Sub-total	(164,613)	(135,708)	(150,076)	(128,078)
Net fee and commission income	2,332,847	1,399,284	2,442,145	1,508,125

35. Investment income

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Financial asset at fair value through profit or loss and derivative instruments	(53,729)	(47,961)	(53,729)	(47,961)
Available-for-sale financial assets	2,216,269	1,815,110	2,164,662	1,794,643
Investments classified as loans and receivables	131,451	233,918	131,451	233,918
Long-term equity investments	117,366	71,289	151,791	78,939
Precious metals	25,408	(16,419)	25,408	(16,419)
Total	2,436,765	2,055,937	2,419,583	2,043,120

36. Taxes and levies

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Business tax	269,054	859,214	254,667	825,179
Urban construction tax and education surcharge	100,067	84,081	96,185	80,500
Others	49,679	8,406	48,191	8,288
Total	418,800	951,701	399,043	913,967

37. General and administrative expenses

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Staff costs	3,504,634	3,254,187	3,293,020	3,068,357
Office and administrative expense	1,057,384	985,040	964,231	873,296
Depreciation of fixed assets	578,447	590,538	548,893	563,925
Electronic equipment operating expenses	291,706	240,902	270,661	223,749
Rental expenses	210,429	207,001	178,031	176,994
Amortisation of intangible assets	75,304	72,723	75,225	72,661
Deposit insurance expenses	75,296	11,543	71,290	11,011
Amortisation of long-term prepaid expenses	73,229	68,781	47,461	47,467
Total	5,866,429	5,430,715	5,448,812	5,037,460

38. Impairment losses on assets

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Loans and advances to customers	2,090,324	1,776,265	1,727,928	1,480,946
Investments classified as loans and receivables	72,136	6,997	72,136	6,997
Available-for-sale financial assets	2,000	-	2,000	-
Total	2,164,460	1,783,262	1,802,064	1,487,943

39. Non-operating income

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Proceeds from security companies	96,568	11,546	96,568	11,546
- Wuhan Security Co., Ltd.	37,282	-	37,282	-
- Fuyou Security Co., Ltd.	37,474	-	37,474	-
- Nanfang Security Co., Ltd.	21,812	6,629	21,812	6,629
- Xinhua Security Co., Ltd.	-	4,917	-	4,917
Government grants	58,380	212,016		
Gain on disposal of fixed assets	49,349	29,740	49,339	29,740
Gain on recovery of non-performing assets transferred to Shanghai Municipal Government ^(Note)	1,889	10,523	1,889	10,523
Gain on disposal of long-term unclaimed deposits	1,123	1,709	1,123	1,709
Others	42,082	17,503	41,777	17,211
Total	249,391	283,037	190,696	70,729

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 MOF, 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 RMB1,889 thousand for the year ended 31 December 2016 (Year ended 31 December 2015: RMB10,523 thousand).

40. Non-operating expense

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Donations	17,278	8,989	17,068	8,496
Losses on physical inspection and disposal of fixed assets	1,657	2,999	1,631	2,996
Others	5,528	140,848	5,329	140,649
Total	24,463	152,836	24,028	152,141

41. Income tax expense

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax	1,793,157	1,563,580	1,668,431	1,396,362
Deferred income tax	(429,293)	(145,267)	(388,804)	(78,458)
Total	1,363,864	1,418,313	1,279,627	1,317,904

Reconciliation between income tax expenses and accounting profit:

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
Profit before tax	7,340,354	7,225,753	7,129,390	6,783,986
Tax calculated at applicable tax rate	1,832,173	1,797,573	1,782,348	1,695,996
Tax effect arising from income not subject to tax	(503,508)	(431,805)	(503,473)	(428,371)
Tax effect of expenses not deductible for tax purposes	9,297	8,815	8,479	7,432
Tax effect of deductible loss of unrecognised deferred income tax assets or deductible temporary difference	23,344	-		
Differences arising from tax filing	2,558	43,730	(7,727)	42,847
Income tax expense	1,363,864	1,418,313	1,279,627	1,317,904

42. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Item	Group		Bank	
	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2015
I. Reconciliation of net profit to cash flows from operating activities:				
Net profit	5,976,490	5,807,440	5,849,763	5,466,082
Adjustment: Impairment loss on assets	2,164,460	1,783,262	1,802,064	1,487,943
Depreciation of fixed assets	578,447	590,538	548,893	563,925
Amortisation of intangible assets	75,304	72,723	75,225	72,661
Amortisation of long-term prepaid expenses	73,229	68,781	47,461	47,467
Loss/(gain) on disposal of fixed assets, intangible asset and foreclosed assets	(47,692)	(26,741)	(47,708)	(26,744)
Loss/(gain) on changes in fair value	22,913	(191,778)	22,913	(191,778)
Interest income from investment securities	(4,338,312)	(3,835,464)	(4,338,312)	(3,835,464)
Investment income	(2,436,765)	(2,055,937)	(2,419,583)	(2,043,120)
Interest expenses for debt securities issued	510,782	600,024	510,782	600,024
Decrease in deferred income tax assets	(429,293)	(145,267)	(388,804)	(78,458)
Decrease in operating receivable	(52,865,065)	(44,890,883)	(51,793,061)	(42,404,351)
Increase in operating payable	104,691,577	100,500,089	99,070,580	97,634,650
Net cash provided from operating activities	53,976,075	58,276,787	48,940,213	57,292,837
II. Net increase in cash and cash equivalents				
Cash and cash equivalents at the end of the year	18,352,849	14,792,585	9,717,587	10,403,531
Less: cash and cash equivalents at the beginning of the year	14,792,585	16,528,698	10,403,531	12,536,098
Net increase/(decrease) in cash and cash equivalents	3,560,264	(1,736,113)	(685,944)	(2,132,567)

(2) Cash and cash equivalents

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Cash	1,984,261	2,645,578	1,901,606	2,548,874
Balances with central bank	7,346,250	7,248,245	5,433,378	5,506,449
Due from banks and other financial institutions (formerly known as within three months of maturity date)	9,022,338	4,898,762	2,382,603	2,348,208
Total	18,352,849	14,792,585	9,717,587	10,403,531

43. Collaterals

(1) Assets pledged

Certain assets are pledged as collateral under repurchase agreements with other Banks and financial institutions. For repurchase agreements pledged by discounts bills or repurchase agreement conducted out of PBOC platform pledged by securities, acceptors are entitled to sell or to re-pledge related assets again but for repurchase agreement conducted through PBOC platform, acceptors are not entitled to sell or re-pledge the underlying assets.

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Investment securities	31,720,133	22,039,489
Bills	3,068,637	209,170
Total	34,788,770	22,248,659

(2) Collateral accepted

The Group did not receive debt securities, bills, loans and other assets as collateral in connection with the purchase of assets under resale agreements, there was no collateral that can be resold or re-pledged as at 31 December 2016 (Group and Bank as at 31 December 2015: RMB740,721 thousand). The Group and the Bank did not resell or re-pledge any collateral accepted as at 31 December 2016 (Group and Bank as at 31 December 2015: Nil).

44. 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 2016 amounted to RMB 1,585,100 thousand on the transfer day (As of December 31 2015: RMB1,585,100 thousand). As of December 31 2016, the book value of the asset-backed securities held by the Bank is RMB 16,985 thousand (As of December 31, 2015: RMB 79,461 thousand).

In the above procedure of transferring financial assets, because the issue price is same as the carrying amounts of the transferred financial assets' book value, the Bank does not recognise profit or loss in these financial assets transferred process, the Bank will charge a service fee as a loan provider during the follow-up. As of 31 December 2016, each tranche of asset-backed securities held by the Bank is no more than 5% of the duration scale 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 derecognised.

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

(2) Financial assets sold under repurchase agreements

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

As at 31 December 2016 and 2015, 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. 20).

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 2016				As at 31 December 2015			
	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 amounts of transferred assets	2,706,396	29,013,737	3,068,637	34,788,770	3,778,416	18,261,073	209,170	22,248,659
Carrying amounts of associated liabilities	2,710,000	28,939,530	3,068,637	34,718,167	3,673,800	18,020,600	209,170	21,903,570

45. Interests in structured entities

(1) Consolidated structured entities

The Group has consolidated certain structured entities which mainly are wealth management products. When assessing whether to consolidate structured entities, the Bank reviews all facts and circumstances to determine whether the Bank, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties,

remuneration to which it is entitled and exposure to variability of returns. For those wealth management products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2016 the wealth management products managed and consolidated by the Group amounted to RMB21,160,063 thousand (As at 31 December 2015: RMB13,842,494 thousand). The financial impact of any individual wealth management products on the Group's financial performance is not significant. Interests held by other interest holders are included in Customer deposits.

(2) Unconsolidated structured entities

The Group involves with structured entities through investments in structured entities or sponsors structured entities that provide specialised investment opportunities to investors. Structured entities generally finance the purchase of assets by issuing units of the products. The Group did not control those structured entities and thus these structured entities were not consolidated.

Those structured entities sponsored by the Group are wealth management products. The Group earned commission income by providing management services to the investors of those structured entities, which was not material to the Group. Meanwhile, the Group involved in certain structured entities sponsored by the Group or other institutions through investments.

The following table summarises the scale of these unconsolidated structured entities sponsored by the Group and Bank:

Item	Group and Bank		
	As at 31 December 2016	As at 31 December 2015	Type of income
Wealth management products	70,661,277	45,261,224	Commission income

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

Item	Group						Major income type
	As at 31 December 2016			As at 31 December 2015			
	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	
Trusts and asset management products	15,818,783	-	13,784,981	8,552,671	-	9,600,786	Investment income and interest income
Wealth management products	58,099,272	-	-	37,819,070	-	-	Investment income
Securities investment funds	7,891,440	-	-	-	-	-	Investment income
Asset-backed securities	-	1,834,683	-	-	479,461	-	Interest income
Total	81,809,495	1,834,683	13,784,981	46,371,741	479,461	9,600,786	

Item	Bank						Major income type
	As at 31 December 2016			As at 31 December 2015			
	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	
Trusts and asset management products	15,172,754	-	13,784,981	8,552,671	-	9,600,786	Investment income and interest income
Wealth management products	58,099,272	-	-	37,819,070	-	-	Investment income
Securities investment funds	7,891,440	-	-	-	-	-	Investment income
Asset-backed securities	-	1,834,683	-	-	479,461	-	Interest income
Total	81,163,466	1,834,683	13,784,981	46,371,741	479,461	9,600,786	

IX. 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 2016:

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 major transactions with related parties were loans and deposits, and they were all conducted under normal commercial terms.

(1) Interest income

Type of related party	Group		Bank	
	2016	2015	2016	2015
Subsidiaries			236	-
Associates	35,817	6,700	35,817	6,700
Other related parties	7,645	7,015	7,645	7,015
Total	43,462	13,715	43,698	13,715

(2) Interest expense

Type of related party	Bank	
	2016	2015
Subsidiaries	131,614	172,130
Total	131,614	172,130

(3) Fee and commission income

Type of related party	Bank	
	2016	2015
Subsidiaries	99,251	105,503
Total	99,251	105,503

(4) Key management personnel cost

Item	Group and Bank	
	2016	2015
Salary and bonus	4,350	3,972
Total	4,350	3,972

3. Major balances with related parties

(1) Due from banks and other financial institutions

Type of related party	Bank	
	As at 31 December 2016	As at 31 December 2015
Subsidiaries	30,000	-
Total	30,000	-

(2) Placements with financial institutions

Type of related party	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Associates	2,000,000	590,000
Total	2,000,000	590,000

(3) Loans and advances to customers

Type of related party	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Other related parties	187,040	124,432
Total	187,040	124,432

(4) Due to banks and other financial institutions

Type of related party	Bank	
	As at 31 December 2016	As at 31 December 2015
Subsidiaries	5,505,980	5,489,588
Total	5,505,980	5,489,588

X. CONTINGENT LIABILITIES

1. Legal proceedings

There was no significant legal proceeding outstanding against the Group as at 31 December 2016 (As at in 31 December 2015: Nil).

XI. COMMITMENTS

1. Credit-related commitments

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Loan commitments	19,242,491	13,545,074
Acceptances	9,200,709	7,772,282
Letters of guarantee	4,786,432	3,318,761
Letters of credit	1,263,950	1,302,031
Total	34,493,582	25,938,148

2. Capital commitments

Item	Group and Bank	
	As at 31 December 2016	As at 31 December 2015
Authorised but not contracted for	207,901	208,044
Contracted but not provided for	413,701	407,720
Total	621,602	615,764

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 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Within 1 year	193,997	190,351	165,524	160,576
Beyond 1 year and not more than 5 years	547,813	596,162	452,579	509,529
More than 5 years	172,318	251,605	130,704	207,928
Total	914,128	1,038,118	748,807	878,033

4. Commitments on security underwriting and bond acceptance

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

The Bank's redemption commitments, representing the principal value of the bonds underwritten and sold by the Bank, amounted to RMB3,028,894 thousand as at 31 December 2016 as at 31 December 2015: RMB2,831,452 thousand).

XII. FIDUCIARY ACTIVITIES

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Entrusted loans	138,291,585	98,249,829	137,164,544	96,965,818

XIII. OTHER SIGNIFICANT EVENTS

1. Segment Reporting

The major products and services provided by each segment reporting of the Group are corporate banking, personal banking, capital business and other business.

Corporate banking refers to banking services provided to corporate clients, including corporate deposits, corporate loans, trade-related products and settlement, agency, entrust and others.

Personal banking refers to banking services provided to individual clients, including personal deposits, personal loans, bank cards, settlement, agency and others.

Capital business includes money market transactions, repurchase transactions, bond investments, interest rate and precious metals derivatives trading, asset liability management and others.

Other business refers to those cannot form a separate segment or services cannot be allocated on a reasonable basis.

Item	Group				Total
	2016				
	Corporate banking business	Personal banking business	Treasury business	Other business	
I. Operating income	10,269,198	4,361,786	2,712,253	(1,754,487)	15,588,750
Net interest income	9,239,117	3,516,489	(123,863)	(2,010,935)	10,620,808
Of which: external net interest income	6,899,202	(2,441,575)	5,250,641	912,540	10,620,808
internal net interest income	2,339,915	5,958,064	(5,374,504)	(2,923,475)	-
Net fee and commission income	939,035	840,797	541,367	11,648	2,332,847
Investment income	9,705	-	2,232,262	194,798	2,436,765
Gain/(loss) from changes in fair value	9,077	-	(31,990)	-	(22,913)
Exchange gain/(loss)	71,851	4,500	94,477	29,330	200,158
Other operating income	413	-	-	20,672	21,085
II. Operating expense	(4,698,548)	(2,172,326)	(597,834)	(1,004,616)	(8,473,324)
Taxes and levies	(246,351)	(94,206)	(65,406)	(12,837)	(418,800)
General and administrative expenses	(2,498,716)	(1,867,999)	(530,428)	(969,286)	(5,866,429)
Impairment losses charged	(1,952,339)	(210,121)	(2,000)	-	(2,164,460)
Other operating expense	(1,142)	-	-	(22,493)	(23,635)
III. Operating income	5,570,650	2,189,460	2,114,419	(2,759,103)	7,115,426
Add: non-operating income	-	-	-	249,391	249,391
Less: non-operating expenses	-	-	-	(24,463)	(24,463)
Profit before tax	5,570,650	2,189,460	2,114,419	(2,534,175)	7,340,354
Total assets	256,806,119	85,978,366	274,294,489	93,801,584	710,880,558
Total liabilities	(322,618,018)	(243,956,013)	(74,648,492)	(21,964,370)	(663,186,893)

Item	Group				Total
	2015				
	Corporate banking business	Personal banking business	Treasury business	Other business	
I. Operating income	8,704,681	3,719,477	2,638,176	222,323	15,284,657
Net interest income	8,137,739	3,034,829	417,539	94,872	11,684,979
Of which: external net interest income	8,530,146	(3,681,354)	6,221,089	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	(23,133)	-	1,996,919	82,151	2,055,937
Gain / (loss) from changes in fair value	610	-	191,168	-	191,778
Exchange gain/(loss)	50,117	2,090	(151,048)	21,956	(76,885)
Other operating income	15,737	-	-	13,827	29,564
II. Operating expense	(4,452,089)	(1,991,812)	(474,950)	(1,270,254)	(8,189,105)
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 charged	(1,556,498)	(219,768)	-	(6,996)	(1,783,262)
Other operating expense	(22,538)	-	-	(889)	(23,427)
III. Operating income	4,252,592	1,727,665	2,163,226	(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	4,252,592	1,727,665	2,163,226	(917,730)	7,225,753
Total assets	247,012,187	48,573,949	214,156,010	77,271,398	587,013,544
Total liabilities	(250,040,874)	(212,045,137)	(71,237,959)	(10,363,097)	(543,687,067)

2. Financial risk management

2.1 Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the inherent risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

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

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

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

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

2.2 Credit risk

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

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

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

2.2.1 Credit risk assessment

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

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

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

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

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

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

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

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

(2) Debt securities

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

(3) Placements with banks and other financial institutions

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

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

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

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

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

2.2.2 Risk limit control and mitigation measures

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

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

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

Some other specific control and mitigation measures are as follows:

(1) Collateral

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

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

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

Collateral	Maximum loan-to-value ratio (%)
Time deposit	90.00
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 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Credit risk exposures relating to balance sheet items:				
Cash and balances with central bank	86,726,469	71,054,780	82,166,236	67,073,644
Due from banks and other financial institutions	11,308,560	12,363,962	3,898,824	8,148,208
Placement with banks and other financial institutions	32,192,925	20,096,283	32,192,925	20,096,283
Financial assets at fair value through profit or loss	3,273,212	1,757,094	3,273,212	1,757,094
Derivative financial assets	668,898	225,390	668,898	225,390
Financial assets purchased under resale agreements	5,570,413	16,693,625	5,570,413	16,693,625
Interest receivables	2,620,252	2,536,722	2,551,101	2,481,135
Loans and advances to customers	328,430,370	289,035,448	313,608,010	275,378,164
Available-for-sale financial assets	119,588,504	94,295,011	118,176,484	93,623,917
Held-to-maturity investments	94,326,945	56,809,691	94,326,945	56,809,691
Investments classified as loans and receivables	13,911,674	9,711,855	13,911,674	9,711,855
Other financial assets	127,850	192,345	94,050	169,963
Sub-total	698,746,072	574,772,206	670,438,772	552,168,969
Credit risk exposures relating to off-balance-sheet items:				
Loan commitments	19,242,491	13,545,074	19,242,491	13,545,074
Acceptances	9,200,709	7,772,282	9,200,709	7,772,282
Letters of guarantee	4,786,432	3,318,761	4,786,432	3,318,761
Letters of credit	1,263,950	1,302,031	1,263,950	1,302,031
Sub-total	34,493,582	25,938,148	34,493,582	25,938,148
Total	733,239,654	600,710,354	704,932,354	578,107,117

The tables above represent the maximum exposure to credit risk before collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported on the balance sheet.

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

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Neither past due nor impaired	49,071,898	49,153,870	41,662,162	44,938,116

2.2.6 Loans and advances to customers

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Neither past due nor impaired	332,393,698	291,403,701	317,846,461	277,740,936
Past due but not impaired	1,336,784	1,826,476	798,658	1,480,794
Impaired	4,370,574	4,095,566	3,661,284	3,687,061
Total	338,101,056	297,325,743	322,306,403	282,908,791
Less: allowance for impairment	(9,670,686)	(8,290,295)	(8,698,393)	(7,530,627)
Carrying amounts	328,430,370	289,035,448	313,608,010	275,378,164

(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 2016			As at 31 December 2015		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	243,747,971	85,013,321	328,761,292	240,476,978	47,974,842	288,451,820
Special mention	3,374,120	258,286	3,632,406	2,734,701	217,180	2,951,881
Total	247,122,091	85,271,607	332,393,698	243,211,679	48,192,022	291,403,701

Item	Bank					
	As at 31 December 2016			As at 31 December 2015		
	Corporate	Individual	Total	Corporate	Individual	Total
Pass	236,344,253	78,516,836	314,861,089	233,462,114	41,880,311	275,342,425
Special mention	2,919,279	66,093	2,985,372	2,316,522	81,989	2,398,511
Total	239,263,532	78,582,929	317,846,461	235,778,636	41,962,300	277,740,936

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

Item	Group				
	As at 31 December 2016				
	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 90 days past due	Total
Corporate	229,287	206,328	65,279	567,831	1,068,725
Individual	70,580	70,454	25,986	101,039	268,059
Total	299,867	276,782	91,265	668,870	1,336,784

Group					
2015					
Item	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 90 days past due	Total
Corporate	494,810	348,878	29,645	762,862	1,636,195
Individual	50,247	29,891	29,898	80,245	190,281
Total	545,057	378,769	59,543	843,107	1,826,476

Bank					
2016					
Item	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 90 days past due	Total
Corporate	94,580	132,847	40,961	476,603	744,991
Individual	31,114	17,635	4,318	600	53,667
Total	125,694	150,482	45,279	477,203	798,658

Bank					
2015					
Item	Less than 30 days past due	31 to 60 days past due	61 days to 90 days past due	More than 90 days past due	Total
Corporate	454,084	300,129	8,338	677,596	1,440,147
Individual	19,607	8,530	12,510	-	40,647
Total	473,691	308,659	20,848	677,596	1,480,794

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

(c) Loans and advances to customers impaired

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Corporate	3,809,536	3,653,957	3,287,513	3,285,469
Individual	561,038	441,609	373,771	401,592
Total	4,370,574	4,095,566	3,661,284	3,687,061

(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 2016, the restructured loans held by the Group amounted to RMB 286,080 thousand (As at 31 December 2015: RMB 159,617 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 2016				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	Total
AAA- to AAA+	268,753	7,369,918	9,445,840	-	17,084,511
AA- to AA+	199,900	5,551,439	2,864,139	-	8,615,478
A- and below	9,392	277,762	19,956	-	307,110
Unrated:					
Treasury bonds and government bonds	-	7,469,293	50,262,260	126,693	57,858,246
Bonds issued by policy banks	9,897	6,708,639	17,026,442	-	23,744,978
Interbank negotiable certificates of deposit ^(Note 1)	2,785,270	10,301,474	14,453,705	-	27,540,449
Financial institutions bonds ^(Note 2)	-	100,484	254,603	-	355,087
Wealth management products issued by other banks ^(Note 3)	-	58,099,272	-	-	58,099,272
Trusts and asset management plans ^(Note 4)	-	15,818,783	-	13,784,981	29,603,764
Securities investment fund	-	7,891,440	-	-	7,891,440
Total	3,273,212	119,588,504	94,326,945	13,911,674	231,100,335

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- and below	-	-	-	-	-
Unrated:					
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 ^(Note 1)	621,180	9,567,791	29,970	-	10,218,941
Financial institutions bonds ^(Note 2)	-	-	200,000	-	200,000
Wealth management products issued by other banks ^(Note 3)	-	37,819,070	-	-	37,819,070
Trusts and asset management plans ^(Note 4)	-	8,552,671	-	9,600,786	18,153,457
Total	1,757,094	94,295,011	56,809,691	9,711,855	162,573,651

Item	Bank				Total
	As at 31 December 2016				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investments classified as loans and receivables	
AAA- to AAA+	268,753	6,796,409	9,445,840	-	16,511,002
AA- to AA+	199,900	5,358,957	2,864,139	-	8,422,996
A- and below	9,392	277,762	19,956	-	307,110
Unrated:					
Treasury bonds and government bonds	-	7,469,293	50,262,260	126,693	57,858,246
Bonds issued by policy banks	9,897	6,708,639	17,026,442	-	23,744,978
Interbank negotiable certificates of deposit ^(Note 1)	2,785,270	10,301,474	14,453,705	-	27,540,449
Financial institutions bonds ^(Note 2)	-	100,484	254,603	-	355,087
Wealth management products issued by other banks ^(Note 3)	-	58,099,272	-	-	58,099,272
Trusts and asset management plans ^(Note 4)	-	15,172,754	-	13,784,981	28,957,735
Securities investment fund	-	7,891,440	-	-	7,891,440
Total	3,273,212	118,176,484	94,326,945	13,911,674	229,688,315

Item	Bank				Total
	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	
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- and below	-	-	-	-	-
Unrated:					
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 ^(Note 1)	621,180	9,567,791	29,970	-	10,218,941
Financial institutions bonds ^(Note 2)	-	-	200,000	-	200,000
Wealth management products issued by other banks ^(Note 3)	-	37,819,070	-	-	37,819,070
Trusts and asset management plans ^(Note 4)	-	8,552,671	-	9,600,786	18,153,457
Total	1,757,094	93,623,917	56,809,691	9,711,855	161,902,557

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

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

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

Note 4: As at 31 December 2016, there was no trusts and asset management plan will be, purchased by domestic commercial banks with the balance of outstanding principal and interest receivable when the product reaches maturity or trust loan defaults in accordance with the relevant agreement (As at 31 December 2015: RMB300,000 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 asset and liability information system of the Group can manage market risk effectively.

2.3.1 Measurement

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

2.3.2 Foreign exchange risk

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

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

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

Item	Group			
	As at 31 December 2016			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	86,248,024	442,112	36,333	86,726,469
Due from banks and other financial institutions	10,073,423	1,144,872	90,265	11,308,560
Placements with banks and other financial institutions	27,153,000	5,039,925	-	32,192,925
Financial assets at fair value through profit or loss	3,273,212	-	-	3,273,212
Derivative financial assets	147,047	302,981	218,870	668,898
Financial assets purchased under resale agreements	5,570,413	-	-	5,570,413
Loans and advances to customers	325,909,890	2,479,580	40,900	328,430,370
Available-for-sale financial assets	120,789,471	-	-	120,789,471
Held-to-maturity investments	94,326,945	-	-	94,326,945
Investments classified as loans and receivables	13,911,674	-	-	13,911,674
Other assets	13,653,284	28,255	82	13,681,621
Total assets	701,056,383	9,437,725	386,450	710,880,558
Liabilities				
Borrowings from central bank	(1,043,500)	-	-	(1,043,500)
Due to banks and other financial institutions	(32,358,152)	(62,505)	-	(32,420,657)
Placements from banks and other financial institutions	(410,000)	(7,112,512)	(19,606)	(7,542,118)
Derivative financial liabilities	(305,962)	(12,840)	(165,616)	(484,418)
Financial assets sold under repurchase agreements	(34,718,167)	-	-	(34,718,167)
Customer deposits	(546,158,316)	(7,331,360)	(285,015)	(553,774,691)
Debt securities issued	(18,272,810)	-	-	(18,272,810)
Other liabilities	(14,330,872)	(591,310)	(8,350)	(14,930,532)
Total liabilities	(647,597,779)	(15,110,527)	(478,587)	(663,186,893)
Net value	53,458,604	(5,672,802)	(92,137)	47,693,665
Financial guarantee and credit-related commitments	31,830,115	1,626,390	1,037,077	34,493,582

Item	Group			
	As at 31 December 2015			
	RMB	USD	Others	Total
Assets				
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 customer	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
Total assets	582,479,809	4,136,340	397,395	587,013,544
Liabilities				
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)
Customer deposits	(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)
Total liabilities	(537,542,823)	(5,908,922)	(235,322)	(543,687,067)
Net value	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	Bank			
	As at 31 December 2016			
	RMB	USD	Others	Total
Assets				
Cash and balances with central bank	81,687,791	442,112	36,333	82,166,236
Due from banks and other financial institutions	2,663,687	1,144,872	90,265	3,898,824
Placements with banks and other financial institutions	27,153,000	5,039,925	-	32,192,925
Financial assets at fair value through profit or loss	3,273,212	-	-	3,273,212
Derivative financial assets	147,047	302,981	218,870	668,898
Financial assets purchased under resale agreements	5,570,413	-	-	5,570,413
Loans and advances to customers	311,087,530	2,479,580	40,900	313,608,010
Available-for-sale financial assets	119,377,451	-	-	119,377,451
Held-to-maturity investments	94,326,945	-	-	94,326,945
Investments classified as loans and receivables	13,911,674	-	-	13,911,674
Other assets	14,234,227	28,255	82	14,262,564
Total assets	673,432,977	9,437,725	386,450	683,257,152
Liabilities				
Borrowings from central bank	(600,000)	-	-	(600,000)
Due to banks and other financial institutions	(37,862,739)	(62,505)	-	(37,925,244)
Placements from banks and other financial institutions	(410,000)	(7,112,512)	(19,606)	(7,542,118)
Derivative financial liabilities	(305,962)	(12,840)	(165,616)	(484,418)
Financial assets sold under repurchase agreements	(34,718,167)	-	-	(34,718,167)
Customer deposits	(515,734,747)	(7,331,360)	(285,015)	(523,351,122)
Debt securities issued	(18,272,810)	-	-	(18,272,810)
Other liabilities	(13,950,296)	(591,310)	(8,350)	(14,549,956)
Total liabilities	(621,854,721)	(15,110,527)	(478,587)	(637,443,835)
Net value	51,578,256	(5,672,802)	(92,137)	45,813,317
Financial guarantee and credit-related commitments	31,830,115	1,626,390	1,037,077	34,493,582

Item	Bank			
	As at 31 December 2015			
	RMB	USD	Others	Total
Assets				
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
Total assets	560,578,912	4,136,340	397,395	565,112,647
Liabilities				
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)
Financial assets sold under repurchase agreements	(2,783)	(31,777)	(8,109)	(42,669)
Derivative financial liabilities	(21,903,570)	-	-	(21,903,570)
Customer deposits	(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)
Total liabilities	(517,420,764)	(5,908,922)	(235,322)	(523,565,008)
Net value	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

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 2016	Year ended 31 December 2015
5% appreciation of RMB	(195,765)	(59,685)
5% depreciation of RMB	195,765	59,685

The Group makes following assumptions in performing the above analysis:

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

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

2.3.3 Interest rate risk

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

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

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

The Group shortens the re-pricing time lag and duration of investments, in order to reduce the interest rate exposure. At the same time, The Group pays close attention to interest rate movements, performs the scenario analysis and adjusts interest rate of loans and deposits as appropriate.

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

Item	Group					
	As at 31 December 2016					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central bank	84,272,884	-	-	-	2,453,585	86,726,469
Due from banks and other financial institutions	9,897,820	1,410,740	-	-	-	11,308,560
Placements with banks and other financial institutions	12,360,455	18,034,180	1,798,290	-	-	32,192,925
Financial assets at fair value through profit or loss	2,761,917	351,596	159,699	-	-	3,273,212
Derivative financial assets	-	-	-	-	668,898	668,898
Financial assets purchased under resale agreements	5,570,413	-	-	-	-	5,570,413
Loans and advances to customers	107,464,106	205,359,225	12,682,927	2,924,112	-	328,430,370
Available-for-sale financial assets	33,603,413	65,348,053	15,161,402	5,475,636	1,200,967	120,789,471
Held-to-maturity investments	5,366,667	19,336,431	39,515,739	30,108,108	-	94,326,945
Investments classified as loans and receivables	2,866,464	2,873,303	8,171,907	-	-	13,911,674
Other assets	-	-	-	-	13,681,621	13,681,621
Total assets	264,164,139	312,713,528	77,489,964	38,507,856	18,005,071	710,880,558
Liabilities						
Borrowings from central bank	(90,000)	(953,500)	-	-	-	(1,043,500)
Due to banks and other financial institutions	(32,420,657)	-	-	-	-	(32,420,657)
Placements with banks and other financial institutions	(6,730,611)	(811,507)	-	-	-	(7,542,118)
Derivative financial liabilities	-	-	-	-	(484,418)	(484,418)
Financial assets sold under repurchase agreements	(34,235,254)	(482,913)	-	-	-	(34,718,167)
Customer deposits	(326,121,168)	(128,608,284)	(99,045,239)	-	-	(553,774,691)
Debt securities issued	(11,370,027)	(3,902,783)	-	(3,000,000)	-	(18,272,810)
Other liabilities	-	-	-	-	(14,930,532)	(14,930,532)
Total liabilities	(410,967,717)	(134,758,987)	(99,045,239)	(3,000,000)	(15,414,950)	(663,186,893)
Total interest sensitivity gap	(146,803,578)	177,954,541	(21,555,275)	35,507,856	2,590,121	47,693,665

Item	Group					
	As at 31 December 2015					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central bank	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 from 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)
Customer deposits	(259,918,194)	(96,300,368)	(94,149,767)	-	-	(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)	(94,149,767)	-	(13,935,720)	(543,687,067)
Total interest sensitivity gap	(121,927,233)	166,066,154	(31,098,269)	26,055,668	4,230,157	43,326,477

Item	Bank					Total
	As at 31 December 2016					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	
Assets						
Cash and balances with central bank	79,795,911	-	-	-	2,370,325	82,166,236
Due from banks and other financial institutions	3,260,084	638,740	-	-	-	3,898,824
Placements with banks and other financial institutions	12,360,455	18,034,180	1,798,290	-	-	32,192,925
Financial assets at fair value through profit or loss	2,761,917	351,596	159,699	-	-	3,273,212
Derivative financial assets	-	-	-	-	668,898	668,898
Financial assets purchased under resale agreements	5,570,413	-	-	-	-	5,570,413
Loans and advances to customers	104,563,811	196,892,174	10,132,232	2,019,793	-	313,608,010
Available-for-sale financial assets	33,267,182	64,734,902	14,700,362	5,474,038	1,200,967	119,377,451
Held-to-maturity investments	5,366,667	19,336,431	39,515,739	30,108,108	-	94,326,945
Investments classified as loans and receivables	2,866,464	2,873,303	8,171,907	-	-	13,911,674
Other assets	-	-	-	-	14,262,564	14,262,564
Total assets	249,812,904	302,861,326	74,478,229	37,601,939	18,502,754	683,257,152
Liabilities						
Borrowings from central bank	-	(600,000)	-	-	-	(600,000)
Due to banks and other financial institutions	(36,655,244)	(1,020,000)	(250,000)	-	-	(37,925,244)
Placements from banks and other financial institutions	(6,730,611)	(811,507)	-	-	-	(7,542,118)
Derivative financial liabilities	-	-	-	-	(484,418)	(484,418)
Financial assets sold under repurchase agreements	(34,235,254)	(482,913)	-	-	-	(34,718,167)
Customer deposits	(303,657,186)	(124,481,510)	(95,212,426)	-	-	(523,351,122)
Debt securities issued	(11,370,027)	(3,902,783)	-	(3,000,000)	-	(18,272,810)
Other liabilities	-	-	-	-	(14,549,956)	(14,549,956)
Total liabilities	(392,648,322)	(131,298,713)	(95,462,426)	(3,000,000)	(15,034,374)	(637,443,835)
Total interest sensitivity gap	(142,835,418)	171,562,613	(20,984,197)	34,601,939	3,468,380	45,813,317

Item	Bank					
	As at 31 December 2015					
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central bank	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
Total assets	203,260,540	257,375,414	60,314,895	25,468,565	18,693,233	565,112,647
Liabilities						
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 from 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)
Customer deposits	(241,268,363)	(92,586,275)	(92,020,517)	-	-	(425,875,155)
Debt securities issued	(3,968,322)	-	-	-	-	(3,968,322)
Other liabilities	-	-	-	-	(13,572,691)	(13,572,691)
Total liabilities	(320,865,768)	(97,043,363)	(92,040,517)	-	(13,615,360)	(523,565,008)
Total interest sensitivity gap	(117,605,228)	160,332,051	(31,725,622)	25,468,565	5,077,873	41,547,639

The tables below illustrate the impact on net interest income in the coming accounting year from the balance sheet dates of the Group, which comes from the assumption of a 100-basis-point parallel shift of yield curve for each currency .

Item	Group			
	Year ended 31 December 2016		Year ended 31 December 2015	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points parallel shift in all yield curves	1,237,670	(471,819)	985,076	(836,386)
-100 basis points parallel shift in all yield curves	(1,237,670)	643,807	(985,076)	977,097

Item	Bank			
	Year ended 31 December 2016		Year ended 31 December 2015	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points parallel shift in all yield curves	1,121,655	(466,607)	894,209	(826,732)
-100 basis points parallel shift in all yield curves	(1,121,655)	638,475	(894,209)	967,270

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

- There is no significant change in business operations after balance sheet date;
- The impacts on interest-earning assets and interest-bearing liabilities are the same;
- All interest re-priced assets and liabilities are re-priced in the middle of each specified time period;
- Customers' responses to interest rate movement are not considered;
- Impact of interest rate movement on market prices of assets and liabilities are not considered;
- Impact of interest rate movement on off-balance sheet items are not considered; and
- The necessary actions to be taken by the Bank in response to the interest rate movement are not considered.

Due to these limitations above, the actual impact of interest rate fluctuation may vary from the analysis above.

2.4 Liquidity risk

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and other payment calls. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group is required to maintain certain percentage of RMB and foreign currency customer deposits with the PBOC, which are restricted for the Group's daily operation. (Note VIII.1)

The matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Group. It is unusual for Banks ever to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The Group provides guarantees and issues letters of credit based on a third party as creditworthiness and deposit amount. Liquidity requirements to support calls under guarantees and letters of credit are considerably less than the amounts under commitments because the Group does not generally expect the third party to draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The Group sets up detailed operating rules for liquidity risk management and rules for liquidity pressure test, so as to improve liquidity risk management. The Asset and Liability Management Committee is in charge of liquidity risk management from the senior management level. The Planning and Finance Department takes the lead role of liquidity risk management. Its daily work includes the management of big amount forecast and excess reserves, calculation, monitoring, and control of liquidity regulation index, matching assets with liabilities, as well as management of sudden risks of liquidity emergency and pressure test.

2.4.1 Non-derivative financial instruments cash flows

The tables below present the cash flows receivables and payable under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

Group								
As at 31 December 2016								
Item	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial assets								
Cash and balances with central bank	77,395,958	9,370,175	-	-	-	-	-	86,766,133
Due from banks and other financial institutions	-	2,765,690	2,871,009	4,289,545	1,439,481	-	-	11,365,725
Placements with banks and other financial institutions	-	-	4,912,878	7,710,078	18,647,692	1,959,961	-	33,230,609
Financial assets at fair value through profit or loss	-	-	1,529,353	1,243,225	366,392	172,419	-	3,311,389
Financial assets purchased under resale agreements	-	-	5,574,750	-	-	-	-	5,574,750
Loans and advances to customers	5,652,936	-	18,290,510	12,734,226	120,285,888	83,632,547	100,451,130	341,047,237
Available-for-sale financial assets	1,200,967	-	7,651,485	17,056,271	67,554,710	26,799,206	5,945,620	126,208,259
Held-to-maturity investments	-	-	378,558	2,235,833	21,974,210	50,419,286	34,954,120	109,962,007
Investments classified as loans and receivables	-	-	1,778,450	1,256,555	3,235,654	9,222,839	-	15,493,498
Other financial assets	-	-	127,850	-	-	-	-	127,850
Total financial assets (contractual maturity dates)	84,249,861	12,135,865	43,114,843	46,525,733	233,504,027	172,206,258	141,350,870	733,087,457
Financial liabilities								
Borrowings from central bank	-	-	(20,004)	(70,019)	(973,399)	-	-	(1,063,422)
Due to banks and other financial institutions	-	(11,063,748)	(18,539,628)	(2,955,495)	-	-	-	(32,558,871)
Placements from banks and other financial institutions	-	-	(2,061,701)	(4,699,269)	(823,479)	-	-	(7,584,449)
Financial assets sold under repurchase agreements	-	-	(33,497,235)	(796,953)	(496,658)	-	-	(34,790,846)
Customer deposits	-	(242,459,118)	(49,246,459)	(49,302,391)	(113,599,908)	(99,881,190)	-	(554,489,066)
Debt securities issued	-	-	(4,430,000)	(6,990,000)	(3,950,000)	-	(3,000,000)	(18,370,000)
Other financial liabilities	-	-	(268,565)	-	-	-	-	(268,565)
Total financial liabilities (contractual maturity dates)	-	(253,522,866)	(108,063,592)	(64,814,127)	(119,843,444)	(99,881,190)	(3,000,000)	(649,125,219)
Net value	84,249,861	(241,387,001)	(64,948,749)	(18,288,394)	113,660,583	72,325,068	138,350,870	83,962,238

Item	Group							
	As at 31 December 2015							
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial assets								
Cash and balances with central bank	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	5,867,367	-	12,444,413	22,220,112	100,028,448	142,864,420	54,506,088	337,930,848
Available-for-sale financial assets	1,324,546	-	7,581,519	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)	70,094,355	10,986,513	41,115,542	44,024,877	185,611,273	208,063,473	79,208,199	639,104,232
Financial liabilities								
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)
Customer deposits	-	(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 value	70,094,355	(182,492,511)	(52,231,769)	(4,239,783)	92,722,679	97,846,684	79,208,199	100,907,854

Bank								
As at 31 December 2016								
Item	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial assets								
Cash and balances with central bank	74,831,252	7,374,649	-	-	-	-	-	82,205,901
Due from banks and other financial institutions	-	2,300,353	388,264	581,157	646,914	-	-	3,916,688
Placements with banks and other financial institutions	-	-	4,912,878	7,710,078	18,647,692	1,959,961	-	33,230,609
Financial assets at fair value through profit or loss	-	-	1,529,353	1,243,225	366,392	172,419	-	3,311,389
Financial assets purchased under resale agreements	-	-	5,574,750	-	-	-	-	5,574,750
Loans and advances to customers	4,427,227	-	17,274,092	11,241,545	110,996,370	80,465,907	98,871,675	323,276,816
Available-for-sale financial assets	1,200,967	-	7,435,741	16,933,315	66,920,810	26,332,225	5,943,694	124,766,752
Held-to-maturity investments	-	-	378,558	2,235,833	21,974,210	50,419,286	34,954,120	109,962,007
Investments classified as loans and receivables	-	-	1,778,450	1,256,555	3,235,654	9,222,839	-	15,493,498
Other financial assets	-	-	94,050	-	-	-	-	94,050
Total financial assets (contractual maturity dates)	80,459,446	9,675,002	39,366,136	41,201,708	222,788,042	168,572,637	139,769,489	701,832,460
Financial liabilities								
Borrowings from central bank	-	-	-	-	(619,825)	-	-	(619,825)
Due to banks and other financial institutions	-	(12,556,335)	(20,037,802)	(4,219,448)	(1,056,598)	(274,333)	-	(38,144,516)
Placements from banks and other financial institutions	-	-	(2,061,701)	(4,699,269)	(823,479)	-	-	(7,584,449)
Financial assets sold under repurchase agreements	-	-	(33,497,235)	(796,953)	(496,658)	-	-	(34,790,846)
Customer deposits	-	(222,303,071)	(48,466,988)	(47,512,097)	(109,532,222)	(95,536,744)	-	(523,351,122)
Debt securities issued	-	-	(4,430,000)	(6,990,000)	(3,950,000)	-	(3,000,000)	(18,370,000)
Other financial liabilities	-	-	(262,189)	-	-	-	-	(262,189)
Total financial liabilities (contractual maturity dates)	-	(234,859,406)	(108,755,915)	(64,217,767)	(116,478,782)	(95,811,077)	(3,000,000)	(623,122,947)
Net value	80,459,446	(225,184,404)	(69,389,779)	(23,016,059)	106,309,260	72,761,560	136,769,489	78,709,513

Item	Bank							
	As at 31 December 2015							
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Financial assets								
Cash and balances with central bank	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	5,128,035	-	12,349,322	20,571,882	91,130,039	140,200,898	53,692,075	323,072,251
Available-for-sale financial assets	1,324,546	-	7,581,519	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)	65,470,902	10,429,777	39,091,612	41,149,109	176,018,197	205,388,831	78,394,186	615,942,614
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)
Customer deposits	-	(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 value	65,470,902	(168,812,384)	(55,977,417)	(5,848,073)	84,655,064	100,167,659	78,394,186	98,049,937

2.4.2 Derivative financial instruments cash flows

(i) Derivative financial instruments settled on a net basis

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

Group and Bank						
As at 31 December 2016						
Item	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Interest rate derivatives	198	(1,849)	(4,304)	8,658	-	2,703
Precious metals derivatives	2,130	(100)	(1,920)	-	-	110
Total	2,328	(1,949)	(6,224)	8,658	-	2,813

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

(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 2016						
Item	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
Exchange rate derivatives						
-Cash inflow	7,338,069	15,583,740	11,274,023	-	-	34,195,832
-Cash outflow	(7,276,943)	(15,445,906)	(11,292,432)	-	-	(34,015,281)
Total	61,126	137,834	(18,409)	-	-	180,551

Group and Bank						
As at 31 December 2015						
Item	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 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)
Total	62,863	29,894	28,932	-	-	121,689

2.4.3 Off-balance-sheet items

Group				
As at 31 December 2016				
Item	Less than 1 year	1-5 years	More than 5 years	Total
Loan commitments	4,418,858	5,522,155	9,301,478	19,242,491
Acceptances	9,200,709	-	-	9,200,709
Letters of guarantee	2,251,678	2,534,754	-	4,786,432
Letters of credit	1,263,950	-	-	1,263,950
Operating lease commitments	193,997	547,813	172,318	914,128
Capital commitments	346,362	275,240	-	621,602
Total	17,675,554	8,879,962	9,473,796	36,029,312

Group				
As at 31 December 2015				
Item	Less than 1 year	1-5 years	More than 5 years	Total
Loan 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
Total	14,668,525	7,925,996	4,997,509	27,592,030

Bank				
As at 31 December 2016				
Item	Less than 1 year	1-5 years	More than 5 years	Total
Loan commitments	4,418,858	5,522,155	9,301,478	19,242,491
Acceptances	9,200,709	-	-	9,200,709
Letters of guarantee	2,251,678	2,534,754	-	4,786,432
Letters of credit	1,263,950	-	-	1,263,950
Operating lease commitments	165,524	452,579	130,704	748,807
Capital commitments	346,362	275,240	-	621,602
Total	17,647,081	8,784,728	9,432,182	35,863,991

Bank				
As at 31 December 2015				
Item	Less than 1 year	1-5 years	More than 5 years	Total
Loan 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
Total	14,638,750	7,839,363	4,953,832	27,431,945

3.1 Assets and liabilities measured at fair value

3.1.1 Fair value hierarchy of assets and liabilities measured at fair value

Item	Group			Total
	As at 31 December 2016			
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	3,273,212	-	3,273,212
Available-for-sale financial assets				
-Debt securities	-	37,781,009	-	37,781,009
-Equity investments	529,129	-	660,000	1,189,129
-Trusts and asset management plans	-	-	15,818,783	15,818,783
-Wealth management products issued by other banks	-	-	58,099,272	58,099,272
-Securities investment funds	7,891,440	-	-	7,891,440
Derivatives financial assets				
- Exchange rate derivatives	-	498,606	-	498,606
- Interest rate derivatives	-	163,344	-	163,344
- Precious metal	-	6,948	-	6,948
Total financial assets	8,420,569	41,723,119	74,578,055	124,721,743
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(316,255)	-	(316,255)
- Interest rate derivatives	-	(161,323)	-	(161,323)
- Precious metal	-	(6,840)	-	(6,840)
Total financial liabilities	-	(484,418)	-	(484,418)

Item	Group			Total
	As at 31 December 2015			
	Level 1	Level 2	Level 3	
Financial assets				
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
-Wealth management products issued by other banks	-	-	37,819,070	37,819,070
Derivatives financial assets				
- Exchange rate derivatives	-	204,451	-	204,451
- Interest rate derivatives	-	2,783	-	2,783
- Precious metal	-	18,156	-	18,156
Total financial assets	667,415	49,905,754	47,017,034	97,590,203
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(39,757)	-	(39,757)
- Interest rate derivatives	-	(2,912)	-	(2,912)
Total financial liabilities	-	(42,669)	-	(42,669)

Item	Bank			
	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
-Debt securities	-	3,273,212	-	3,273,212
Available-for-sale financial assets				
-Debt securities	-	37,015,018	-	37,015,018
-Equity investments	529,129	-	660,000	1,189,129
-Trusts and asset management plans	-	-	15,172,754	15,172,754
-Wealth management products issued by other banks	-	-	58,099,272	58,099,272
-Securities investment funds	7,891,440	-	-	7,891,440
Derivatives financial assets				
- Exchange rate derivatives	-	498,606	-	498,606
- Interest rate derivatives	-	163,344	-	163,344
- Precious metal	-	6,948	-	6,948
Total financial assets	8,420,569	40,957,128	73,932,026	123,309,723
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(316,255)	-	(316,255)
- Interest rate derivatives	-	(161,323)	-	(161,323)
- Precious metal	-	(6,840)	-	(6,840)
Total financial liabilities	-	(484,418)	-	(484,418)

Item	Bank			
	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
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
-Wealth management products issued by other banks	-	-	37,819,070	37,819,070
Derivatives financial assets				
- Exchange rate derivatives	-	204,451	-	204,451
- Interest rate derivatives	-	2,783	-	2,783
- Precious metal	-	18,156	-	18,156
Total financial assets	667,415	49,234,660	47,017,034	96,919,109
Financial liabilities				
Derivatives financial liabilities				
- Exchange rate derivatives	-	(39,757)	-	(39,757)
- Interest rate derivatives	-	(2,912)	-	(2,912)
Total financial liabilities	-	(42,669)	-	(42,669)

There were no transfers between Level 1 and 2 during the current and prior years.

3.1.2 Reconciliation of level 3 items

Group				
Item	Available-for-sale financial assets			Total
	Equity instruments	Wealth management products issued by other banks	Trusts and asset management plans	
Balance as at 1 January 2016	645,293	37,819,070	8,552,671	47,017,034
Total gain or loss recognised in				
- Profit or loss	(7,717)	887,330	1,116,439	1,996,052
- Other comprehensive income	22,424	249,272	218,641	490,337
Purchase/transfer in	-	57,850,000	14,244,546	72,094,546
Disposal/transfer out	-	(38,706,400)	(8,313,514)	(47,019,914)
Balance as at 31 December 2016	660,000	58,099,272	15,818,783	74,578,055

Group				
Item	Available-for-sale financial assets			Total
	Equity instruments	Wealth management products issued by other banks	Trusts and asset management plans	
Balance as at 1 January 2016	645,293	14,005,677	3,467,028	18,117,998
Total gain or loss recognised in				
- Profit or loss	-	188,362	534,264	722,626
- Other comprehensive income	-	-	-	-
Purchase/transfer in	-	37,819,070	7,995,382	45,814,452
Disposal/transfer out	-	(14,194,039)	(3,444,003)	(17,638,042)
Balance as at 31 December 2016	645,293	37,819,070	8,552,671	47,017,034

Bank				
Item	Available-for-sale financial assets			Total
	Equity instruments	Wealth management products issued by other banks	Trusts and asset management plans	
Balance as at 1 January 2016	645,293	37,819,070	8,552,671	47,017,034
Total gain or loss recognised in				
- Profit or loss	(7,717)	887,330	1,124,576	2,004,189
- Other comprehensive income	22,424	249,272	210,504	482,200
Purchase/transfer in	-	57,850,000	13,598,517	71,448,517
Disposal/transfer out	-	(38,706,400)	(8,313,514)	(47,019,914)
Balance as at 31 December 2016	660,000	58,099,272	15,172,754	73,932,026

Item	Bank			
	Available-for-sale financial assets			
	Equity instruments	Wealth management products issued by other banks	Trusts and asset management plans	Total
Balance as at 1 January 2016	645,293	14,005,677	3,467,028	18,117,998
Total gain or loss recognised in				
- Profit or loss	-	188,362	534,264	722,626
- Other comprehensive income	-	-	-	-
Purchase/transfer in	-	37,819,070	7,995,382	45,814,452
Disposal/transfer out	-	(14,194,039)	(3,444,003)	(17,638,042)
Balance as at 31 December 2016	645,293	37,819,070	8,552,671	47,017,034

3.2 Assets and liabilities not measured at fair value

Assets and liabilities that are not measured at fair value include, among which the difference between carrying value and fair value are small includes: cash and balances with central bank, due from banks and other financial institutions, placements from banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers, investments classified as loans and receivables, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements and Customer deposits.

Except for the financial assets as follows, other assets and liabilities not measured at fair value are excluded from the table below.

Held-to-maturity investments

Fair value of held-to-maturity investment is based on quoted market price. If a quoted market price is not available, discounted cash flow mode can be used for the held-to-maturity investment. In certain circumstances, the Group uses prices of products with similar credit risks, maturity date and rate of return.

Debt securities issued

Fair value of debt securities issued is primarily base on quoted market price. If quoted market price is not available, the fair value is determined using discounted cash flow model with reference to the yield of similar bonds which have the similar remaining terms through maturities.

3.2.1 Financial instruments with significant differences between carrying value and fair value

Item	Group and Bank			
	As at 31 December 2016		As at 31 December 2015	
	Fair value	Carrying amounts	Fair value	Carrying amounts
Financial assets				
Held-to-maturity investments	94,169,315	94,326,945	58,253,202	56,809,691
Financial liabilities				
Debt securities issued	18,067,504	18,272,810	3,904,865	3,968,322

Fair value of the aforementioned assets and liabilities is 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 tables below summarise the capital adequacy ratio of the Group and Bank as at 31 December 2016 and 31 December 2015:

Item	Group		Bank	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
Net Core Tier 1 Capital	46,938,833	42,655,234	43,991,033	39,752,441
Net Tier 1 Capital	46,938,833	42,655,234	43,991,033	39,752,441
Net Capital	55,105,874	46,965,629	51,990,074	43,596,003
Risk-weighted assets	444,671,865	375,578,470	429,282,034	358,339,717
Core Tier 1 Capital Adquency Ratio (%)	10.56	11.36	10.25	11.09
Tier 1 Capital Adquency Ratio (%)	10.56	11.36	10.25	11.09
Capital Adquency Ratio (%)	12.39	12.50	12.11	12.17

XIV. RECLASSIFICATION OF COMPARATIVE FIGURES

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

XV. FINANCIAL STATEMENTS APPROVED

The financial statements were approved by the Board of Directors on 30 March 2017.

*** END OF FINANCIAL STATEMENTS***