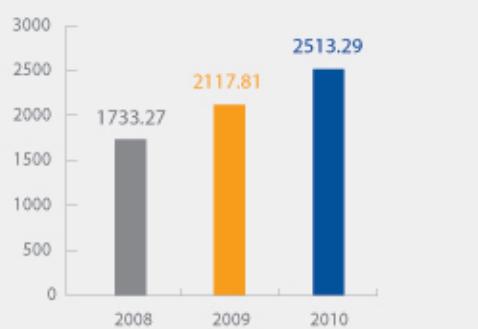
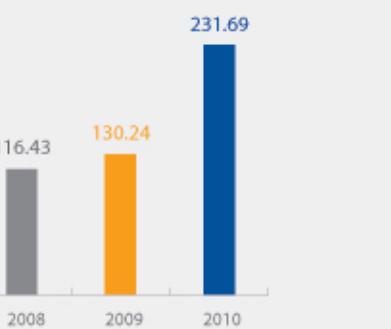


According to the British magazine "The Banker", in the order of Tier 1 Capital, Shanghai Rural Commercial Bank ranked 339 among the world's 1,000 largest banks and listed in world's top 500 banks, and ranked 19 in all short-listed banks in China in 2010.

● Total Assets in the Last Three Years
(100,000,000 Yuan)



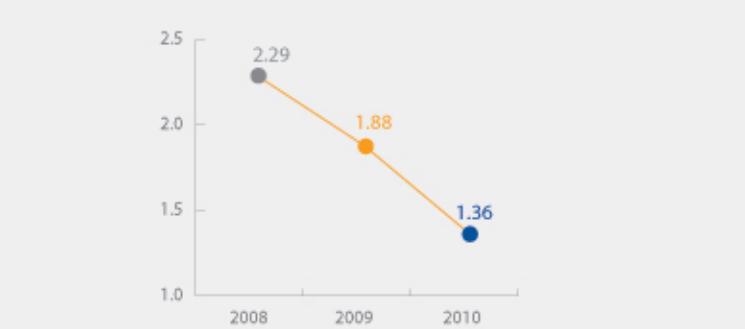
● Shareholders Equity
(100,000,000 Yuan)



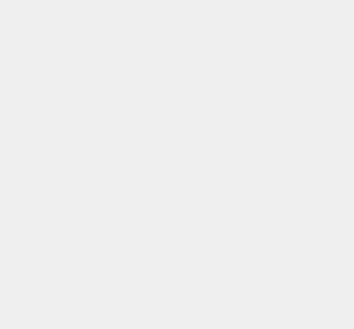
● Deposit and Loan Balances in the Last Three Years
(100,000,000 Yuan)



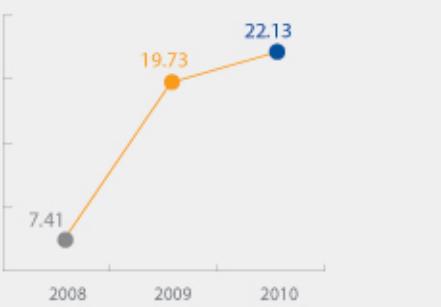
● Non-performing Loan Balance
in the Last Three Years
(100,000,000 Yuan)



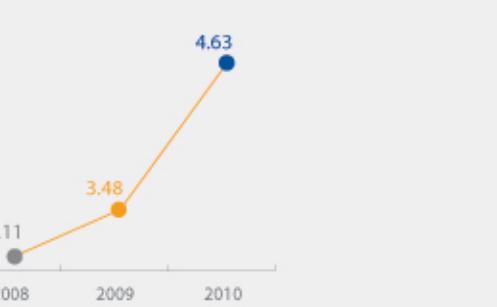
● NPL ratio in the Last Three Years (%)



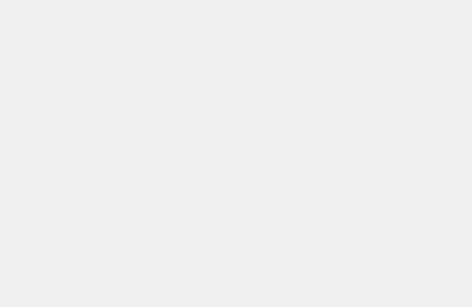
● Net Profit in the Last Three Years
(100,000,000 Yuan)



● Net Asset Value Per Share
(Yuan/share)



● Capital Adequacy Ratio (%)







Build a pragmatic and innovative workforce that relentlessly pursues knowledge and makes progresses
Build a convenient bank to provide considerate and intimate services to the public

Strengthen our position in rural areas and expand the business in urban region; based in Shanghai to radiate to surrounding cities



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 several and joint responsibility for the authenticity and accuracy of its contents.
- The text of the 2010 Annual Report of Shanghai Rural Commercial Bank Co., Ltd. has been reviewed and passed at the eighth meeting of the second board of directors and the eighth meeting of the second board of supervisors.
- The 2010 Annual Report has been audited by Price Waterhouse Coopers, who has issued an unqualified opinion on it.
- This Report is issued in English and Chinese and the Chinese text shall prevail in the event of any inconsistency.

Board of Directors
Shanghai Rural Commercial Bank Co., Ltd.
March 31, 2011

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:
Shanghai Rural Commercial Bank
Legal English Name of the Company:
Shanghai Rural Commercial Bank Co., Ltd.
Abbreviated English Name of the Company: SRCB

● **Legal Representative of the Company:** Hu Pingxi

● **Secretary of the Board:** Liu Yongfen
Tel: 0086-21-38576709
Fax: 0086-21-50105085
E-mail: liuyf@srcb.com
Address: Office of the Board, 23F, No.8 Middle Yincheng Rd., Pudong New District, Shanghai, China

● **Registered Address:**
No.981 Pudong Avenue, Pudong New District, Shanghai, China

Business Address: 15-27F, No.8 Middle Yincheng Road, Pudong New District, Shanghai, China.
Zip code: 200120
Company website: <http://www.srcb.com>
Company E-mail: webmaster@srcb.com

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

Internet websites for publishing Company's annual report:
<http://www.srcb.com>
Location of the Annual report: Office of the Board of Directors

● **Other relevant information**

Date of initial registration: August 23, 2005
Corporate business license number: 310000000088142
Tax registration certificate number: HU310043779347314
Corporate code: 77934731-4
Appointed auditor:
PricewaterhouseCoopers Zhong Tian CPAs Co.,Ltd.
Address of the accounting firm: 11F, PricewaterhouseCoopers Center, No 202 Hubin Rd, Shanghai, China



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Events of 2010

January

On January 5, the Bank Cross-Region Development Leadership Team was officially established.
On January 9, OLS first phase officially started.
From 27 to 28 January, the Bank held its annual working meeting.

February

On February 1, SRCB held a ceremony for Qing Lian Wealth credit card's initial launch in Chong Ming area.
On February 10, The Bank hit a record for **daily business of 4 million transactions**, while the system's property, security and stability were all sound.
On February 12, The Bank was granted "2009 Best Corporate Social Responsibility Prize".
On February 27, the Bank commenced a lantern festival banking promotion activity under the unified slogan "Welcome Expo 2010 Shanghai, SRCB together with you" within the city.

March

From 5th to 14th, Mr. Hu Pingxi, the chairman of the Board of Directors and Party Secretary, attended the Third Session of the Eleventh National People's Congress as a deputy.
On March 11, the Bank made public offer of "**Xin Yi**" financing plan **2010 the first batch RMB wealth management product**, our first corporate customer wealth product.
On March 23, Yangpu National Innovative Pilot Downtown Investment and Loan League was officially established which was initiated by the Bank, together with Yangpu District Government, Shanghai Venture Capital Co., Ltd. and Shanghai Re-guarantee Co., Ltd.
On March 27, the Bank held the 2010 Party Construction working meeting and Motivation Meeting for World Financial Services.



April

On April 9, the Bank held the motivational meeting for promotion of comprehensive reform of human resource management in all-round way.
Grand opening ceremonies were held in Zhabei Branch, Yangpu Branch and Hongkou Branch on April 8, 12 and 15 respectively, which marked a completeness of **the distribution layout of "A branch for each district"**.

On April 10, SRCB made overall upgrade of its E-banking service and became **the first bank to launch a Branch network e-map service for Shanghai area**.

On April 23, the 2009 Annual General Meeting of SRCB was held

May

The Bank was granted by CUP the "2009 CUP Credit Card Promotion Prize for Regional Banking Institutions".
On May 13, the Bank held an acknowledgement meeting for distinguished guests at the Australian Pavilion in Shanghai World Expo with the themed slogan "Meet World Expo, meet SRCB and meet our future".
On May 18, our new generation financial convenience store in Tianping Xuhui District officially opened.
By May 31, balance of **all foreign exchange deposit reached RMB 200.874 billion**, exceeding RMB 200 billion for the first time.

June

On June 1, **Mobile phone access channel to our portal website was launched**.
On June 19, the Bank was granted "2010 Excellent Corporate Social Responsibility Prize".
On June 27, the Second Session of the Second Staff Representatives Meeting was held and SRCB Interim Measures for Staff Hierarchy Management, SRCB Interim Measures for Remuneration Management and Interim Measures for Appraisement and Appointment of Business Line Staff were considered and approved.
On June 28, our **E-commerce billing system** successfully got on-line.



July	<p>On July 16, the Bank executed the first private equity investment institution capital custody agreement with Shanghai InfuFortune Co., Ltd. and Shanghai Incufortune Co., Ltd.</p> <p>From July 21 to 22, the Bank held its midyear working meeting in Songjiang District.</p> <p>On July 23, the Third Staff Sport Games of SRCB officially kicked off.</p>
August	<p>On August 16, the Bank got approved by the PBOC Shanghai Branch for establishment of a fund-issue intermediary pool, which officially started on August 30, 2010.</p> <p>On August 25, the Bank held its acknowledgement meeting for fifth birthday of SRCB at Gran Melia Hotel.</p> <p>On August 28, CDRCB Dujiangyan Qingchengshan Branch Office Building was officially completed and started its business, which is supported and constructed by our Bank.</p>
September	<p>On September 7, our Jiangshan Branch was granted "National Excellent Rural Cooperative Institution Prize for Service of "Farmer, Countryside and Agriculture" and Support of SMEs.</p> <p>On September 8, our Xinlianxin, combination product of saving and deposit made its debut.</p> <p>On September 17, the Bank held its cadre meeting, at which Mr. Hu Pingxi, the chairman of the Board declared on behalf of the Board the decision that the vice president of the headquarter bank was appointed in a market way, marking the successful completeness of work of VP appointment.</p> <p>On September 15, the Bank executed the framework agreement for client presentation and forward settlement and sale exchange with ANZ Banking Group.</p> <p>From September 13 to 16, the Bank held the cooperation and exchange activity within rural credit cooperative system across China.</p> <p>On September 26, the Bank was granted Shanghai's second-level advanced unit for recording work.</p> <p>The "SRCB Cup" 2009-2010 Shanghai top 10 economic figures appraisement and selection, solely named by the Bank, started on September 30.</p>



October	<p>In mid-October, the Bank officially started evaluation work of the first batch of good-faith SMEs.</p>
	<p>On October 27, the Bank held its first interim General Meeting in 2010, which considered and approved three resolutions, namely, oriented contribution of share capital plan and increase of registered capital, adjustment of shareholder and director seats and alteration of quorum of supervisors in Articles of Association.</p>

	<p>On October 28, the Bank executed all-round strategic cooperation agreement with 99Bill Co., Ltd.</p>
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November	<p>On November 3, the Bank set up the Promotion Implementation Team for New Basel Agreement.</p>
	<p>On November 9, the Bank and ICBC Shanghai Branch held the ceremony for execution of "Bank-Bank Platform Cooperation" agreement.</p>

	<p>On November 10, China Banking Regulatory Commission officially gave recording notice to the Bank, "The layout application is approved in principle that SRCB proposes to establish different branches in Jiashan County Zhejiang, Xiangtan County Hunan and Kunshan City Jiangsu".</p>
	<p>On November 18, the Bank executed the all-round strategic cooperation agreement with Alibaba, which marked the completeness of execution of all-round strategic cooperation agreement with the three biggest network payment suppliers.</p>

	<p>On November 24, the Bank started the first forward exchange settlement and sale business under the cooperation with ANZ Banking Group.</p>
	<p>On November 26, the Bank officially established the Preparation Team for Construction of Xiangtan Branch, a cross-region operation different institution.</p>

	<p>By late November, RMB saving deposit balance of the Bank exceeded RMB 100 billion.</p>
	<p>On December 10, the Bank held the ceremony of first grant of good-faith SMEs and execution of Bank-enterprise Cooperation Agreement. 180 SMEs were granted medals of good-faith enterprises at the ceremony.</p>

December	<p>On December 15, the Bank was granted 2010 "Best E-banking Security Prize" for e-banking of regional commercial banks.</p>
	<p>On December 28, the Bank officially offered to public personal physical gold intermediary business.</p>

	<p>On December 29, the Bank executed strategic cooperation agreement with Shanghai Centaline Strategic Management Limited.</p>
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Hu Pingxi
Party Secretary and Chairman

Board Chairman's Oration

In 2010, Shanghai Rural Commercial Bank carefully implemented all macroeconomic policies and regulatory requirements. All staff of the Bank, based on the two main focus areas of Development and Risk Management, made a concerted effort and cooperated closely to solve all difficulties and have delivered a bumper crop this year. We focused on the combination of traditional business and emerging business and achieved initial success in business transformation with steady growth in traditional business, a quick start in new businesses and a rising proportion of SME and intermediary business. In the meanwhile, scale of business increased substantially, asset quality continued to improve, profitability strengthened significantly, annual operating indicators exceeded their targets and operating results raised to a new level. As of the end of 2010, total assets were RMB251.3 billion, representing an increase of RMB39.5 billion compared with last year, demonstrating a growth rate of 18.65%. Outstanding deposits were RMB211 billion, up by RMB32.1 billion over last year, demonstrating a growth rate of 17.94%. Outstanding loans were RMB141.2 billion, up by RMB22.7 billion over last year, demonstrating a growth rate of 19.16%. Non-performing loan ratio (per PBOC's five risk grading categorisation) was 1.36%, down by 0.52 percent over the previous year. The coverage ratio of non-performing loans to provisions for those loans reached 154%, an increase of 50 percent over the previous year. Pre-Provision Operating Profit was RMB3.573 billion, up by RMB0.809 billion, demonstrating a growth rate of 29.27%.

What is more gratifying is that we created vast capacity for a new round of development under the support of various sections of society and with our untiring efforts: the successful capital increase, the introduction of three high-quality new shareholders, increase in the capital adequacy ratio to 17.23% after raising capital and providing the capital required for long-term development; the completed replacement of legacy land assets and vigorous recovery of bad debts to completely eliminate historical burdens and further reinforce financial stability. Market-oriented executive recruitment to optimize team structure and enrich leadership strength; the achievement of "one branch in each district" to increase visibility of the brand in the city centre of Shanghai, and the establishment of 30 financial convenience stores to provide differentiated positioning and special operations, open when customers are off work and at convenient locations; and approved to establish cross-city branches as the first step towards inter-regional development.

Hereby, we would like to express our heartfelt gratitude to all social sectors and clients who gave support to development of our Bank!

Looking forward to 2011, the macroeconomic situation is becoming increasingly complex. The monetary policy, which was loose to steady, has been returned to neutral and we expect will remain in a cycle of interest rate increases. The monetary situation is becoming tight; the exchange rate will be more flexible and the trend of RMB internationalization is very clear; financing channels will be more diversified and the proportion of direct financing will increase enormously; credit will tend more towards agricultural enterprises and SMEs, especially science and technology SMEs and emerging strategic industries; and market-based interest rates will be introduced. Shanghai has proposed the innovation-driven and economic transition after World Expo to vigorously promote "Two Centres" construction and achieve firstly modernization, which brings us new opportunities and challenges as a locally incorporated bank whose head office is in Shanghai. In the new year, we will grasp seriously the development and changes in the macroeconomic situation, further promote the developed strategy of convenient banking, adhere to two mainlines of development and anti-risk, focus on the structural adjustment and transformation of development ways, actively integrate into the "Two Centres" (Shanghai international financial centre and international shipping centre), focus on the "Two Businesses" (advanced manufacturing industry and modern services industry), serve to the "Two Developments" (high-tech industrialization and urban-rural integration) and expand the "Two Mediums" (small and medium enterprises and medium Business) to seek combined development of foreign currency business and public and private business, to enhance the proportion of businesses for SMEs and intermediary, to make a good job to establishment of across-city branches and to continue to improve operating performance. We will also further perfect the corporate governance, strengthen the risk management and the prevention and control of cases overall, implement fully the new generation of banking systems and the establishment of Zhangjiang business processing centre, optimize the structure for talented workforce to provide solid support and protection for future development.

We hope that all sectors of the community and the clients will continue to show concern and support the development of Shanghai Rural Commercial Bank. We will also truly enhance business performance, proactively manage all types of risk, and fulfill our social responsibility to generate better returns to shareholders and all sectors of the community.

Chairman:

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Shen Huiqi
Chairman of Supervisory Board



Hou Funing
Deputy Party Secretary, Vice Chairman and President

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Bank President's Oration

2010 is the starting year for implementing the three-year development strategy of Shanghai Rural Commercial Bank Co., Ltd. Facing a complicated and volatile economic situation and operating environment, we have fully completed all operational and management tasks by leading with a view towards scientific development and carrying out the strategies of macro regulation and control to speed up business development.

Profitability has been greatly improved and the risk management capability is constantly improving. The annual pre-provision operating profit was RMB3.573 billion, up 29% over 2009. The NPL provisioning coverage ratio reached 154% and increased by 56% compared with the beginning of the year. The share capital increase has been successfully implemented and bolstered capital adequacy to 17.23%, 5.28% higher than at the beginning of the year.

Rapid growth in business scale was achieved and market access and business innovation improved greatly. The balance of deposits reached RMB211 billion, up RMB32.1 billion over the beginning of the year. The balance of loans was RMB141.2 billion, up RMB22.7 billion over the beginning of the year. The average daily volume of investments in money market reached RMB68.6 billion and has increased by 7.3 billion compared with 2009. Revenue of intermediary business has substantially increased and new businesses enjoyed a good momentum. We actively offer services to small-and-medium-sized enterprises by promoting a "Xinrong Financial Growth Plan" for the purpose of issuing financial products and exploring joint investment and loans to support the development of high-tech enterprises. We also have physical gold sales and signed a master agreement for participation in the nationwide credit transfer platform and joined the Shanghai Clearing House. Furthermore, we have established a strategic partnership with Alibaba and many other third-party payment agents.

Outlet layout has been developed on a full scale and financial services have been improved. The successful formation of Luwan, Hongkou, Zhabei and Yangpu branches resulted in "one district one branch" and the preparatory work of branches in places outside Shanghai has been conducted well. Thirty financial convenience stores have been established based on the principle of serving the community. We finished the tasks of Expo Financial Services and achieved the goal of "zero error in payment systems, zero complaints in teller services, zero security incidents and one hundred percent satisfaction with concierge services.

The bank's risk management capability was continuously enhanced and the operational foundation is sounder. Non-performing loans decreased in both balance at RMB1.914 billion, a decrease of RMB 3.2 billion from the beginning of the year; and rate at 1.36%, 0.52% lower than that at the beginning of the year. Non-performing assets recovery received remarkable results by obtaining a final win on the Nongkai treasury case.

A comprehensive risk management mechanism has been started to strengthen the prevention and control of cases and fully implement the system of appointing the Risk Director and Accounting Director. A new generation of the banking system was also officially launched. The head office centralised cash centre was put into operation.

2011 is the first year of the "Twelfth Five-year" plan. Shanghai Rural Commercial Bank will be operated based on the theme of scientific development, the main focus of quickening business transformation and the support of risk management and business operations platform to promote all businesses in a comprehensive, coordinated and sustainable way. The new three-year development strategy has been deepened and widened.

We will persist in innovation, transformation and development, closely focus on changing economic development and actively seize the major opportunity of "Twelfth Five Year". We hold exactly the trend of Shanghai's industry development, and actively participate in the development of advanced manufacturing, modern services and strategic new industries for the purpose of promoting strategic adjustment in the bank's business and customer structure. We shall make full use of Shanghai as an international financial centre to establish favourable conditions and actively participate in various financial markets to further expand our business. We will focus on the trend towards urbanization and actively participate in the construction of new cities, towns, countryside and large communities and strongly support the development of modern agriculture. We will continue the development strategy of convenient banking and speed up the rollout of urban institutions by promoting the construction of financial convenience stores, and building our financial services brand within local communities. What is more, we will seize the opportunity for integrated development of the Yangtze River Delta and accelerate to make preparations for branches in different places to achieve cross-regional expansion.

We will accelerate development and make efforts to improve management quality to the benchmark of advanced and listed banks. We will speed up market access and business innovation, promote capital market debt financing instruments underwriting, third-party custody, trustee funds, derivatives trading, treasury agents and other business access; perfect the bank's business platform and speed up the development of e-commerce, bank-corporate express, cash management and consultant services; leverage interaction between local and foreign currency business to rapidly grow trade financing and international settlement business.

The bank's comprehensive risk management mechanism will be improved and progress towards the New Basel Capital Agreement will be started. We will, following the "five lines of defence", develop the long-term mechanism of case control to further enhance the level of case prevention. We will also meticulously organize the establishment of a new generation banking system and the Zhangjiang Data Centre to create a specialized, comprehensive core banking system. We will enhance accounting management to improve the capabilities of financial management and information disclosure to conform to the listing standards. We will further reform the performance review system and gradually establish market-oriented incentive and restraint mechanisms.

We will further promote the strategic cooperation with ANZ Bank to learn advanced management concepts, management experience and product technology and actively carry out foreign exchange, international trade, credit cards and other businesses through borrowing a ladder to ascend and borrowing a ship to launch out, for the purpose of achieving complementary advantages and mutual benefit where all win.

Facing the complicated economic situation and severe market competition, we will, under the leadership and guidance of the municipal government, municipal finance committees, city financial services and financial regulatory authorities and the care and support of all social sectors, adhere to innovative development, accelerate business transformation and further promote the new three-year development strategy to reap the new harvest of reform and development!

President:



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Shen Xunfang

Deputy Party Secretary, Party Secretary of the Discipline Committee and Director



Wang Guanrong

Vice President



Li Jin

Vice President



Shen Xingbao

Vice President



Ye Guorong

Vice President



Jin Jianhua

Vice President



Shi Meiliang

Vice President

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A wide-angle photograph of the Shanghai skyline at night, viewed from across the Huangpu River. The Oriental Pearl Tower is prominent on the left, its illuminated spire reaching high into the dark sky. The Bund area is visible in the foreground, with its characteristic buildings and landmarks. The city's skyscrapers are brightly lit, reflecting off the water. The overall atmosphere is one of a bustling, modern metropolis.

Dedicated to scientific development in the coming three years

Adhere to the operation principle of "law compliance, prudent operation, farsighted planning, active innovation and characteristics cultivation"

Research the post-expo development; connect with the 12th five year plan

Integrate into the international financial center and shipping center in Shanghai

Focus on the advanced manufacturing industry and service industry

Serve the high-tech industrialization and urban and rural integration

Expand the business scope of small and medium-sized enterprises and intermediary business



Summary of Accounting Data and Financial Indicators

I. Key financial data during the report period

Item	Unit: RMB 1,000	
	The Group	The Bank
Gross profit	2,726,096	2,713,407
Net profit attributable to shareholders	2,219,629	2,213,162
Net profit attributable to shareholders after deducting non-recurring profits and losses	1,909,433	1,905,849
Operating profit	2,312,501	2,303,656
Investment income (Note 1)	1,406,897	1,403,069
Net non-operating income	413,595	409,751
Net cash provided by operating activities	672,949	527,511
Net increase in cash and cash equivalents	5,771,806	5,719,025

Note 1: Investment income includes interest income from bond investments and financial products, investment income from trading financial assets, available-for-sale financial assets, receivables and long-term equity investment, the same as below.

II. Major accounting data and financial indicators over the previous three years by the end of the reporting period (Note 2)

Item	Unit: RMB 1,000				
	The Group	The Bank	2010	2009	2008
Operating income (Note 3)	10,025,936	8,167,713	10,001,838	8,158,413	8,612,457
Net profit attributable to shareholders	2,219,629	1,971,205	2,213,162	1,973,483	740,805
Total assets	252,100,924	212,115,474	251,329,289	211,780,806	173,327,345
Bank balance	211,834,300	179,234,051	210,993,639	178,868,758	147,043,235
Loan balance	141,742,075	118,777,789	141,212,789	118,538,894	92,732,082
Owners' equity attributable to shareholders	23,172,783	13,022,069	23,168,594	13,024,347	11,643,112
Fully diluted earnings per share attributable to shareholders (yuan)	0.44	0.53	0.44	0.53	0.20
Weighted-average earnings per share attributable to shareholders (yuan)	0.51	0.53	0.51	0.53	0.20
Earnings per share attributable to shareholders after deducting non-recurring profits and losses (yuan)	0.44	0.50	0.44	0.50	0.02
Net assets attributable to shareholders (yuan)	4.63	3.48	4.63	3.48	3.11
Net cash per share provided by operating activities (yuan)	0.13	1.57	0.11	1.55	1.60
Income-to-cost ratio (%)	44.01%	43.74%	44.00%	43.59%	35.95%
Weighted-average return on net assets (%)	12.23%	16.23%	12.23%	16.28%	6.50%
Weighted-average return on net assets after deducting non-recurring profits and losses (%)	10.55%	15.39%	10.53%	15.45%	0.67%

Note 2: Accounting Standards for Business Enterprises issued by the Ministry of Finance on February 15, 2006 has performed since January 1, 2009. The 2009 financial statement is the first annual financial statement prepared in accordance with this Standard. The 2010 and 2009 accounting data and financial indicators of the Group and the Bank are prepared according to the Accounting Standards for Business Enterprises 2006; while the 2008 accounting data and financial indicators continued to use those contained in the 2008 Annual Report of Shanghai Rural Commercial Bank Co., Ltd. which prepared under the Administration and Implementation Measures on Finance for Rural Credit Association, the same as below.

Note 3: Operating income includes interest income, fee and commission income, investment income, profit and loss from fair value changes, exchange gains and losses and other operating income, the same as below.

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III. Provision for impairment of assets over the previous three years by the end of the reporting period (Note 4)

Item	Unit: RMB 1,000				
	The Group		The Bank		
	2010	2009	2010	2009	2008
Beginning balance	2,730,732	2,512,480	2,728,343	2,512,480	1,398,633
Accrued from profit or loss of the year during the reporting period	862,381	278,247	860,039	275,858	3,000,000
Other transfers during the reporting period	5,942	48,537	5,942	48,537	393,772
Recovery during the reporting period	3,456	19,371	3,456	19,371	18,899
Roll-out during the reporting period	55,959	-	55,959	-	-
Cancellation after verification during the reporting period	145,816	127,903	145,816	127,903	3,335,425
Ending balance	3,400,736	2,730,732	3,396,005	2,728,343	1,475,879

Note 4: Provision for impairment of assets include loan loss reserves, bad debts, provision for long-term equity investments, provision for receivables investment, provision for mortgage assets and provision for available-for-sale financial asset.

IV. Supplemental financial data over the previous three years by the end of the reporting period

Item	Unit: RMB 1,000				
	The Group		The Bank		
	2010	2009	2010	2009	2008
Total liabilities	228,875,114	199,046,593	228,160,695	198,756,459	161,684,233
Bank balance	211,834,300	179,234,051	210,993,639	178,868,758	147,043,235
Total interbank borrowing	100,000	-	100,000	-	-
Loan balance	141,742,075	118,777,789	141,212,789	118,538,894	92,732,082
Including: Corporate loans	111,606,765	94,774,261	111,247,285	94,575,311	71,904,565
Discount	14,951,512	11,118,925	14,895,214	11,118,925	9,488,946
Personal loan	15,183,798	12,884,603	15,070,290	12,844,658	11,338,571

V. Supplementary statement for income statement over the previous three years by the end of the reporting period

Item	Unit: RMB 1,000				
	The Group		The Bank		
	2010	2009	2010	2009	2008
Operating profit	2,312,501	2,347,683	2,303,656	2,353,149	88,672
Net profit attributable to shareholders	2,219,629	1,971,205	2,213,162	1,973,483	740,805
Net profit attributable to shareholders after deducting non-recurring profits and losses	1,909,433	1,869,174	1,905,849	1,872,202	76,556

VI. Supplemental financial data indicators over the previous three years by the end of the reporting period

Item	Standard value	Unit: RMB 1,000		
		The Group		The Bank
		2010	2009	2008
Capital adequacy ratio	≥8%	17.23%	11.95%	11.80%
Core capital adequacy ratio	≥4%	15.19%	10.21%	12.02%
Liquidity ratio: RMB	≥35%	41.26%	44.65%	61.08%
Foreign currency		134.98%	127.91%	205.79%
Deposit-to-loan ratio: RMB	≤75%	66.99%	66.36%	63.06%
Foreign currency		66.00%	14.48%	50.18%
Lending-borrowing ratio: Borrowing ratio		2.54%	3.64%	2.55%
Lending ratio		4.72%	5.87%	4.74%
International commercial loans ratio		-	0.00%	-
Non-performing loan ratio	≤5%	1.35%	1.88%	1.36%
Interest collection ratio		100.15%	100.03%	100.15%
Percentage of loans to the largest customer	≤10%	4.00%	7.00%	4.00%
Percentage of loans to top ten customers	≤100%	32.23%	50.13%	32.23%

VII. Capital structure and its changes by the end of the reporting period

Item	Unit: RMB 1,000		
	The Bank		
	December 31, 2010	December 31, 2009	December 31, 2008
Net assets	24,509,121	13,583,288	10,858,445
Core net assets	21,605,162	11,608,731	11,061,147
Total weighted risky assets	142,231,303	113,699,568	92,048,502
Capital adequacy ratio	17.23%	11.95%	11.80%

VIII. Changes in stockholder equity during the reporting period

Item	Unit: RMB 1,000					
	Paid-in capital	Capital reserve	Surplus reserves	General provisions	Undistributed profit	Total shareholder's equity
Beginning amount	3,745,686	1,563,574	873,708	2,625,540	4,215,839	13,024,347
Increase in the period	1,254,314	7,013,883	2,864,544	-	2,213,162	13,345,903
Decrease in the period.	-	-	-	-	3,201,656	3,201,656
Ending amount	5,000,000	8,577,457	3,738,252	2,625,540	3,227,345	23,168,594

Company Profile	Events of 2010	Leader's Oration	Summary of Accounting Data and Financial Indicators
Changes in Share Capital and Shareholders	Corporate Governance Structure	Shareholders' Meeting	Report of the Board of Directors
Directors, Supervisors, Senior Management and Employees	Report of the Supervisory Committee	Report of the Report of the	Significant Events
Financial Reports and Documents Available for Inspection	Financial Reports and Documents Available for Inspection	Report of the	

Changes in Share Capital and Shareholders



I. Changes in share capital

(I) Capital structure table

Type of shareholder	Number of shares	In share Proportion in the total shares
Corporate shares	4,218,760,699	84.375%
Natural person share	781,032,000	15.621%
Package share *	207,301	0.004%
Total shares	5,000,000,000	100%

* Package share: Any capital stock which cannot be confirmed its original rural credit cooperatives shall be converted into package share of rural commercial bank hereby under the Banking Bureau (2004) No.61 Document to further process after identification of its shareholder.

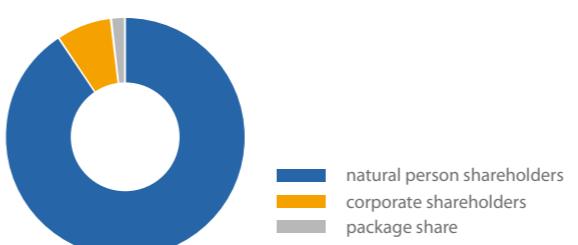
(II) Issue of shares

During the reporting period, the Bank has issued 1.254 billion new shares to four existing shareholders including Australia and New Zealand Banking Group Limited, Shanghai International Group Co., Ltd., Shanghai State-Owned Assets Operation Co., Ltd. and Shanghai Dragon Investment Co., Ltd. and four new institutional investors including Shenzhen Lenovo Science and Technology Park Co., Ltd., Rizhao Steel Holding Group Co., Ltd., China Pacific Life Insurance Co., Ltd. and Shanghai Qingpu District Supply and Marketing Cooperatives by issue price of 6.48 yuan per share. The number of shares has increased from 3.745 billion to 5 billion.

II. Shareholders

(I) Number of shareholders and their shareholdings

As at the end of reporting period, the Bank had a total of 24,685 shareholders, of which 220 were corporate shareholders and 24,464 natural person shareholders, as well as 1 package share.



Company Profile	Events of 2010	Leader's Oration	Summary of Accounting Data and Financial Indicators	Changes in Share Capital and Shareholders	Directors, Supervisors, Senior Management and Employees	Corporate Governance Structure	Introduction to General Shareholders' Meeting	Report of the Board of Directors	Report of the Supervisory Committee	Report of the Significant Events	Financial Reports and Documents Available for Inspection
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Top ten shareholders and their shareholdings and changes by the end of reporting period:

No.	Name of shareholder	Property of shareholders	Shareholding ratio	Unit: 10,000 Shares	
				Total number of shares	Increases and decreases during the reporting period
1	Australia and New Zealand Banking Group Limited	Foreign legal person share	20.00%	100,000	25,460.85
2	Shanghai International Group Co., Ltd.	State-owned legal person shares	8.01%	40,046.07	10,046.07
3	Shanghai State-Owned Assets Operation Co., Ltd.	State-owned legal person shares	8.01%	40,046.07	10,046.07
4	Shanghai Dragon Investment Co., Ltd.	State-owned legal person shares	6.00%	30,000	-
5	Shenzhen Lianxiang Science and Technology Park Co., Ltd.	General legal person shares	5.73%	28,655.39	28,655.39
6	Rizhao Steel Holding Group Co., Ltd.	General legal person shares	4.90%	24,500	24,500
7	Shanghai International Group Assets Management Co., Ltd	State-owned legal person shares	4.00%	20,023.04	5,023.04
8	Shanghai Greenland (Group) Co., Ltd.	State-owned legal person shares	4.00%	20,000	-
9	China Pacific Life Insurance Co., Ltd.	State-owned legal person shares	4.00%	20,000	20,000
10	Shanghai Jin Jiang International Investment Management Co., Ltd.	State-owned legal person shares	3.00%	15,000	-
Total			67.65%	338,270.57	123731.42

Associated relationship between above shareholders and locked-up shares held by shareholders:

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

During the reporting period, no shares held by the top ten shareholders are frozen.

(II) Summary of shareholders with 5% shares

1. Australia and New Zealand Banking Group Limited (the ANZ) holds 20% of the total shares of the Bank. ANZ was established in 1835. The ANZ's head office is in Melbourne Australia. It is one of the largest banks in Australia and also amongst the top ten listed companies on the Australian Stock Exchange. Its wholly owned ANZ National Bank Limited is the largest bank in New Zealand. As of September 30, 2010, ANZ's total assets are 531.7 billion Australian dollars with 1,394 worldwide branches and representative offices. ANZ has a solid foundation in Australia, New Zealand and the Asia Pacific region as the provider of a comprehensive range of financial products and services for more than 5,700,000 retail customers, more than 300,000 corporate customers and over 12,000 large companies.

2. Shanghai International Group Co., Ltd. holds nearly 8.01% shares of the Bank. It is a state-owned company which was established in April 2000 with registered capital of RMB 10.56 billion. The company has three major functions of investment holding, capital management and state-

owned asset management, under the authorization of the Shanghai Municipal People's Government, mainly by finance, supplemented by non-finance, including financial research and social and economic consulting services.

3. Shanghai State-owned Asset Management Limited holds nearly 8.01% shares of the Bank. It was established in October 1999 as a wholly owned subsidiary of Shanghai International Group with registered capital of RMB5 billion. It is a comprehensive investment and asset management company which is market-oriented and open-class, mainly involved in equity management, capital operation, equity investment, and asset management.

4. Shanghai Dragon Investment Co., Ltd. holds 6.00% of the shares of the Bank. It is a state-owned company which was established in November 2002 with registered capital of RMB3 billion and is mainly engaged in investment and consulting services. Its investments involve industrial investment, real estate and its relevant industries, urban infrastructure investments, and consulting services, which include investment consulting, financial consulting, corporate mergers and restructuring, and corporate finance consulting.

5. Shenzhen Lenovo Science and Technology Park Co., Ltd. holds almost 5.73% of the shares of the Bank. It is a company which was established in April 2001 with the main business of property leasing, property management and property intelligence research.



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Directors, Supervisors, Senior Management and Employees



I. Board of Directors and Supervisors and Senior Management

Title	Name	Gender	Date of Birth	Date of Attendance	Gaining Salary(√)	Number of Shares
Members of the Board of Directors						
Chairman	Hu Pingxi	Male	1953	2009.9.8-2012.9.7	√	500,000
Vice Chairman	Hou Funing	Male	1964	2009.9.8-2012.9.7	√	500,000
Workers' Director	Shen Xunfang	Male	1958	2009.9.8-2012.9.7	√	500,000
Director of Shareholder	Robert John Edgar	Male	1946	2009.9.8-2012.9.7		
Director of Shareholder	Alistair Marshall Bulloch	Male	1957	2009.9.8-2012.9.7		
Director of Shareholder	Wan Jianhua	Male	1956	2009.9.8-2012.9.7		
Director of Shareholder	Shi Derong	Male	1948	2009.9.8-2012.9.7		
Director of Shareholder	Shou Weiguang	Male	1963	2010.4.23-2012.9.7		
Director of Shareholder	Zhang Yuliang	Male	1956	2009.9.8-2012.9.7		
Director of Shareholder	Chen Wenjun	Female	1955	2009.9.8-2012.9.7		
Director of Shareholder	Liu Yipeng	Male	1968	2009.9.8-2012.9.7		
Independent Director	Shi Jiliang	Male	1945	2009.9.8-2012.9.7		
Independent Director	Wu Daqi	Male	1954	2009.9.8-2012.9.7		
Independent Director	Su Zhong	Male	1948	2009.9.8-2012.9.7		100,000
Independent Director	Yu Yinghui	Male	1948	2009.9.8-2012.9.7		
Independent Director	Liu Hongzhong	Male	1965	2009.9.8-2012.9.7		
Independent Director	Wu Jian	Male	1968	2009.9.8-2012.9.7		
Secretary of the Board of Directors	Liu Yongfen	Male	1965	2009.9.8-2012.9.7	√	300,000
Members of the Board of Supervisors						
Chief Supervisor	Shen Huiqi	Male	1950	2009.9.8-2012.9.7	√	500,000
Supervisor of Shareholder	Wu Zhenlai	Male	1950	2009.9.8-2012.9.7		50,000
Supervisor of Shareholder	Zhang Lei	Male	1971	2009.9.8-2012.9.7		
Supervisor of Shareholder	Lu Changsheng	Male	1959	2009.9.8-2012.9.7		30,000
Workers' Supervisor	Lou Jinjiang	Male	1951	2009.9.8-2012.9.7	√	500,000
Workers' Supervisor	Feng Baolong	Male	1951	2009.9.8-2012.9.7	√	150,000
Workers' Supervisor	Zhang Zuyu	Male	1957	2009.9.8-2012.9.7	√	100,000
External Supervisor	Wu Xing	Male	1945	2009.9.8-2012.9.7		
External Supervisor	Jiang Hong	Male	1950	2009.9.8-2012.9.7		
Senior Management						
President	Hou Funing	Male	1964	2009.9.8-2012.9.7	√	500,000
Vice President	Shen Xingbao	Male	1958	2009.9.8-2012.9.7	√	500,000
Vice President	Ye Guorong	Male	1957	2009.9.8-2012.9.7	√	500,000
Vice President	Wang Guangrong	Male	1963	2010.9.9-2012.9.7	√	300,000
Vice President	Li Jin	Male	1963	2010.9.9-2012.9.7	√	300,000
Vice President	Jin Jianhua	Male	1965	2010.9.9-2012.9.7	√	300,000
Vice President	Shi Meiliang	Male	1963	2010.9.9-2012.9.7	√	300,000
Chief Risk Officer	Wu Guohua	Male	1964	2010.9.9-2012.9.7	√	500,000
Chief Information Officer	Zhou Hengchang	Male	1965	2009.9.8-2012.9.7	√	500,000
Chief Lending Officer	Wang Ming	Male	1957	2009.9.8-2012.9.7	√	150,000

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Profile of the Board of Directors and Supervisors and Senior Management

(I) Members of the Board of Directors

1. Directors

Hu Pingxi, male, born in October 1953, with a master's degree in finance, is a senior economist. Mr. Hu is currently the Secretary of the Party Committee and Chairman of Shanghai Rural Commercial Bank. Mr. Hu has served as Vice President of People's Bank of China Zhejiang Branch and Deputy Director of the State Administration of Foreign Exchange Zhejiang Branch, Secretary of Party Leadership Group and President of People's Bank of China Fujian Branch and Director of the State Administration of Foreign Exchange Fujian Branch, Secretary of the Party Committee and Chairman of People's Bank of China Wuhan Branch and Director of the State Administration of Foreign Exchange Hubei Branch, Secretary of the Party Committee and Chairman of People's Bank of China Shanghai Branch and Director of the State Administration of Foreign Exchange Shanghai Branch, Deputy Secretary of Party Committee and Associate Director of People's Bank of China Shanghai Headquarters and Director of the Trade Union Committee.

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

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

Robert John Edgar, male, born in May 1946, has a Doctorate Degree. Mr. Edgar is currently a Director of Shanghai Rural Commercial Bank, Bank of Tianjin, AMMB Group, Nufarm Australia, Transurban, Asciano, Linfox Armagard, and Prince Henry's Medical Research. Mr. Edgar has served as Deputy CEO of ANZ, Senior Managing Director, Group Chief Operating Officer, Managing Director of Corporate Banking Department, Managing Director of Corporate and Institutional Department, Managing Director of Corporate Financial Services Sector, Group Strategy Manager and Chief Economist of ANZ Banking Group.

Alistair Marshall Bulloch, male, born in November 1957 has an Honor's Degree. Mr. Bulloch is currently Managing Director and Senior Advisor Asia, Pacific, Europe and America of the Australia and New Zealand Banking Group, Director of Shanghai Rural Commercial Bank, Director of Bank of Tianjin, Director of India ANZ Capital Private Company, Director of ANZBEL U.K. Director of ANZ Chongqing Liangping Branch, and Director of ANZ Bank (China) Company Limited. Mr. Bulloch previously worked for Standard Chartered Bank in Ireland, Dubai, Doha, Hong Kong, Shanghai and Beijing and as Director of Wholesale Banking at South Korea Standard Chartered Bank, Customer Relations Director of Standard Chartered Bank China and Taiwan, General Manager of Standard Chartered Bank Hong Kong and CEO of ANZ North East Asia.

Wan Jianhua, male, born in January 1956, is a Master Degree Candidate and a Senior Economist. Mr. Wan is currently a Deputy Secretary of Party Committee, Vice Chairman and General Manager of Shanghai International Group, Director of Shanghai Rural Commercial Bank, Independent Director of Great Wall Fund Management Company, Director of Tonglian Payment Services Network Co., Ltd. Mr. Wan has served as Deputy Director and Director of Fund Management Department of People's Bank of China Head Office, Vice President, Deputy Secretary of Party Committee, Standing Vice President of China Merchants Bank and Secretary of Party Committee, Vice Director and President of China Union Pay Co., Ltd.

Shi Derong, male, born in November 1948, is a Doctorate. Mr. Shi is currently Secretary of Party Committee, Chairman of Shanghai Guosheng (Group) Co., Ltd., Chairman of Shanghai Lingguang Industry Co., Ltd., Director of Shanghai Rural Commercial Bank, Director of Commercial Aircraft Corporation of China, Director of AVIC Commercial Aircraft Engine Co., Ltd. Mr. Shi has served as Deputy Secretary of CPC Shanghai Luwan District, Secretary of the Party Leadership Group and Managing Director of Shanghai Civil Affairs Bureau, Secretary of Party Committee and President of Shanghai Dragon Investment Co., Ltd.

Shou Weiguang, male, born in October 1963, with Doctorate and is a Senior Economist. Mr. Shou is currently Secretary of Party Committee, Vice Chairman and President of Shanghai State-owned Assets Management Co., Ltd. and Director of Shanghai Rural Commercial Bank. Mr. Shou has served as Deputy Secretary of the Shanghai Finance Bureau Sixth Branch, Deputy Director of Personnel of Shanghai International Trust and Investment Corporation, Office Manager of Party Committee and Personnel Manager of Shanghai International Group Co., Ltd. Office, Deputy General Manager and Cadre Personnel Manager of Shanghai International Group Co., Ltd., Vice Chairman and Vice Station-master of Post-doctoral Workstation of Shanghai International Group Co., Ltd.

Zhang Yuliang, male, born in December 1956, with bachelor degree and is a senior economist. Mr. Zhang is currently Secretary of the Party Committee, Chairman and President of Shanghai Greenland (Group) Co., Ltd., and Director of Shanghai Rural Commercial Bank. Mr. Zhang has served as the Principal Staff of the Comprehensive Planning Department and Deputy Director of the Housing Department of Shanghai Municipal Agricultural Commission, Secretary of the Party Committee and General Manager of Shanghai Greenland Development Corporation.

Chen Wenjun, female, born in November 1955, with Master's Degree and is a Senior Accountant. Mrs. Chen is currently Director and Senior Vice Director of Jin Jiang International (Group) Limited, and Director of Shanghai Rural Commercial Bank. Mrs. Chen has served as Vice President, Director and Assistant to the President, Chief Financial Officer of Jinjiang (Group) Co., Ltd.

Liu Yipeng, male, born in September 1968, with a Master of Business Administration and is an Economist. Mr. Liu is currently General Manager of Shanghai International Group Asset Management Co., Ltd., Director of Shanghai Rural Commercial Bank, Chairman of Shanghai Olympic Club, Director of Longjiang Bank Co., Ltd., Supervisor of Tonglian Payment Services Network Co., Ltd. Mr. Liu has served as Chief, Assistant Manager, Deputy manager of Investment Bank Department of Shanghai International Trust and Investment Co., Ltd., General Manager, Executive Director of Shanghai International Group Asset Management Co., Ltd.

Shi Jiliang, male, born in February 1945, with bachelor's degree and is a Senior Economist. Mr. Shi is currently Independent Director of Shanghai Rural Commercial Bank, Chairman of the Education Development Fund Board of Central University of Finance. Mr. Shi has served as President of the People's Bank of China Tianjin Branch, President of Agricultural Bank of China, Vice President of People's Bank of China, Vice Chairman of China Banking Regulatory Commission, Supervisory Board Chairman and External Supervisor of China Merchants Bank.

Wu Daqi, male, born in June 1954, with bachelor's degree, is a professor, certified public accountant, and Deputy to the Thirteenth people's congress of Shanghai. Mr. Wu is currently Vice President and Leader of the Accounting Academy of Shanghai Finance University, special auditor of Shanghai, Vice Chairman of Shanghai High School Accounting Education and Research Work Committee, Central Committee Member of Chinese Democratic League and Director of Shanghai Work Councils, Chairman of Shanghai Pudong New District Committee, Vice President of Shanghai Institute of Finance & Law, Member of Finance Committee of China Accounting Society, Director of Shanghai Accounting Society, Honorary Chairman of Shanghai Pudong New District Accounting Society, Independent Director of Shanghai Rural Commercial Bank, Independent Directors of Orient International Venture Co., Ltd, Independent Director of China Shipping Container Lines Co., Ltd., Director of Shanghai Industrial Development Co., Ltd. Mr. Wu has served as teaching assistant of Shanghai University, trainee solicitors, Associate Professor and Associate Director of Shanghai University of Electric Power, Vice president, Professor and Master Degree Candidate Instructor of Shanghai Electric Power.

Su Zhong, male, born in February 1948, with Master's Degree, is an on-job postgraduate and Senior Economist. Mr. Su is currently Independent Director of Shanghai Rural Commercial Bank. Mr. Su has served as Deputy Director of Foreign Investment Office of Construction Bank Shanghai Branch, Vice President of China Investment Bank Shanghai Branch, President of Secretary of the Party Leadership Group, President and Secretary of Party Committee of China Development Bank Shanghai Branch, Secretary of Party Committee and Chairman of Volkswagen Insurance Company, Chief Supervisor of Shanghai An Xin Agriculture Insurance Company.

Yu Yinghui, male, born in November 1948, graduated from junior college education and is a Senior Economist. Mr. Yu is currently Independent Director of Shanghai Rural Commercial Bank. Mr. Yu has served as Chief of Planning-Credit Department of People's Bank of China Bazhou Branch, Deputy Director of Survey and Statistics Department of People's Bank of China Xinjiang Branch, Vice President of People's Bank of China Urumqi Branch, Deputy Director of the Institute of Finance and Director of Monetary, Gold and Silver Department of People's Bank of China Shanghai Branch, Deputy Director of Financial Services First Section of People's Bank of China Shanghai Headquarters (Deputy Director Level).

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Liu Hongzhong, male, born in June 1965, has earned a Doctorate Degree. Mr. Liu is currently Head and Professor of International Finance and Head of the International Finance Research Centre of Fudan University, Independent Director of Shanghai Rural Commercial Bank, Independent Director of Southwest Futures Brokerage Co., Ltd. Mr. Liu has served as Associate Professor and Associate Director of International Finance Department of Fudan University, and external supervisor of Shanghai Rural Commercial Bank.

Wu Jian, male, born in March 1968, with Master's Degree and is a lawyer. Mr. Wu is currently a senior partner of Shanghai Duanhedian Law Firm, Standing Director of Shanghai Lawyers Association, and Independent Director of Shanghai Rural Commercial Bank. Mr. Liu has served as Legal Advisor to McDonald's Asia Co., Ltd, Assistant Economist of the Price Bureau of Shanghai Planning Commission, and Prices Editor of East China Commodity Price Newspaper.

2. Secretary of the Board of Directors

Liu Yongfen, male, born in October 1965, with Master's Degree and is an Economist. Mr. Liu is currently Secretary, Office Manager and Office Manager of the Party Committee for the Board of Directors of Shanghai Rural Commercial Bank. Mr. Liu has served as Director of Foreign Affairs Management Department of the People's Bank of China Shanghai Branch, Director of Foreign Exchange Management Department of the People's Bank of China Shanghai Headquarter.

(II) Supervisors

Shen Huiqi, male, born in October 1950, has earned a bachelor's degree. Mr. Shen is currently Party Building Inspector and Chief Supervisor of Shanghai Rural Commercial Bank. Mr. Shen has served as Member of the Standing Committee and Vice Warden of Shanghai Jiading District, Vice Secretary and Warden of Shanghai Fengxian District

Wu Zhenhai, male, born in September 1950, graduated from junior college. Mr. Wu is currently Chairman of Shanghai Xin Shan Properties Co., Ltd., Supervisor of Shanghai Rural Commercial Bank. Mr. Wu has served as Manager of Shanghai Wenhua Architectural Design Firm

Zhang Lei, male, born in May 1971, has earned a Master's Degree. Mr. Zhang is currently Deputy Director of Assets Operation Department and Vice Office Manager of Orient International (Holdings) Co., Ltd., and Supervisor of Shanghai Rural Commercial Bank. Mr. Zhang has served as Office Manager Assistant and League Secretary of Orient International (Holdings) Co., Ltd.

Lu Changsheng, male, born in July 1959, graduated from junior college. Mr. Lu is currently Manager of Security Consulting Services Branch of Shanghai Qingpu Asset Management Co., Ltd. and Manager of Shanghai Qingpu Reservation of Oil Management Co., Ltd., Supervisor of Shanghai Rural Commercial Bank. Mr. Lu has served as Manager of Shanghai Qingpu Grain and Oil Industrial Food Co., Ltd.

Lou Jinjiang, male, born in August 1951, graduated from junior college. Mr. Lou is currently Deputy Secretary of the Discipline Inspection Commission and Supervisor of Shanghai Rural Commercial Bank. Mr. Lou has served as Deputy Director of Publicity and Education Department of Shanghai Finance Bureau, Deputy Director of Organization Department and Deputy Director of Publicity Department of Shanghai Municipal Economic Committee.

Feng Baolong, male, born in April 1951, graduated from junior college and is an Economist. Mr. Feng is currently Vice President of Shanghai Rural Commercial Bank Pudong Branch, and Supervisor of Shanghai Rural Commercial Bank. Mr. Feng has served as Deputy Director of Pudong Rural Credit Cooperative.

Zhang Zuyu, male, born in December 1957, graduated from junior college and being an Economist. Mr. Zhang is currently Sales Manager of Shanghai Rural Commercial Bank Jinshan Branch, and Supervisor of Shanghai Rural Commercial Bank. Mr. Zhang has served as Director of Jinshan Zhangyan Rural Credit Cooperative, President of Zhangyan Branch and Manager of the Ministry of Supervision in Jinshan Branch of Shanghai Rural Commercial Bank.

Wu Xinnan, male, born in June 1945, graduated from junior college and is a Senior Economist. Mr. Wu is currently External Supervisor of Shanghai Rural Commercial Bank. Mr. Wu has served as Vice President of Industrial and Commercial Bank of China Anhui Branch, Commissioner of Wuhan Office of Monitoring and Auditing Bureau of Industrial and Commercial Bank of China, General Manager Monitoring and Auditing Bureau of Industrial and Commercial Bank of China, Director of Internal Audit Bureau of Industrial and Commercial Bank of China, Independent Director of Shanghai Rural Commercial Bank.

Jiang Hong, male, born in February 1950, with Doctorate Degree and is a Professor and Doctorial Tutor. Mr. Jiang is currently Head and Doctorial Tutor of the Professor Committee of Public Economics and Management Commission, Head of the Public Policy Research Center of Shanghai Finance University, and External Supervisor of Shanghai Rural Commercial Bank. Mr. Jiang has served as Deputy Director of the Finance Department and President of the College of Public Management Department of the Shanghai Finance University.

(III) Senior Management

Hou Funing, (Details can be found in the Members of the Board of Directors).

Shen Xingbao, male, born in August 1958, with Master's Degree, and senior party member. Mr. Shen is currently Vice President of Shanghai Rural Commercial Bank. Mr. Shen has served as Secretary of the Party Leadership Group and Director of Yangpu District former Environmental Protection Agency, Party Secretary and General Manager of Yangpu Management Department of Bank of Shanghai, General Manager of Bank of Shanghai SME Service Centre, Office Manager of Bank of Shanghai, Deputy Secretary of the Party Committee and Secretary of the Discipline Inspection Commission of Volkswagen Insurance Co., Ltd., Deputy Director of the Shanghai Rural Credit Cooperative Union, and Director of Shanghai Rural Commercial Bank.

Ye Guorong, male, born in November 1957, with a Master of Business Administration, holds an Accreditation on Registered Accountant. Mr. Ye is currently Vice President of Shanghai Rural Commercial Bank. Mr. Ye has served as President of Huanlong Branch, President of the main branch in Zhabei District of Bank of Shanghai, and General Manager of the Settlement Department of Bank of Shanghai.

Wang Guanrong, male, born in January 1963, with a Master of Business Administration, is an Accountant. Mr. Wang is currently Vice President of Shanghai Rural Commercial Bank. Mr. Wang has served as Director of the Payment System Department of the Payment and Settlement Office, Director of the Payment System Management of Payment and Settlement Department and Deputy Director of Payment and Settlement Department in the People's Bank of China.

Li Jin, male, born in June 1963, with bachelor's degree, is a Senior Economist. Mr. Li is currently Vice President of Shanghai Rural Commercial Bank. Mr. Li has served as Director of the Regulatory Commission Shanghai Bureau Cooperation Division of Bank of China, Director of the Supervision Department of a Rural Commercial Bank, Director of the Supervision Department of a State-owned Bank, Director of the Supervision Department of Bank of Communications, and Supervisor of Bank of Communications (Deputy Inspector).

Jin Jianhua, male, born in January 1965, with Doctorate Degree and is an Economist. Mr. Jin is currently Vice President of Shanghai Rural Commercial Bank. Mr. Jin has served as President of Bank of Shanghai Fumin Branch, President of Bank of Shanghai Waitan Branch, Financial Institution Deputy Director, Director (on secondment) of Shanghai Financial Services Office, and Assistant to the President of Shanghai Rural Commercial Bank.

Shi Meiliang, male, born in June 1963, has earned a master's degree. Mr. Shi is currently Vice President of Shanghai Rural Commercial Bank. Mr. Shi has served as Minister of the Shanghai Municipal Region Office, Rights and Interest Department of the Communist Youth League, Office Manager of the Shanghai Rural Credit Cooperative Union, Head of Changning Credit Cooperative Union, and President of Shanghai Rural Commercial Bank Changning Branch and Putuo Branch.

Wu Guohua, male, born in February 1964, with Master's Degree, is an Economist. Mr. Wu is currently Chief Risk Officer of Shanghai Rural Commercial Bank. Mr. Wu has served as Sales General Manager of Minsheng Bank Shanghai Branch, Assistant Director of Shanghai Rural Credit Cooperative Union, and Assistant to the President of Shanghai Rural Commercial Bank.

Zhou Hengchang, male, born in October 1965, with Master's Degree and is a Senior Engineer. Mr. Zhou is currently Chief Information Officer and Information Management Department Manager of Shanghai Rural Commercial Bank. Mr. Zhou has served as Deputy Director of Business Applications Division of the Information Technology Department of the Bank of Communications, and Assistant General Manager of the Software Development Centre in Bank of Communications.

Wang Ming, male, born in October 1957, with bachelor's degree, is an Economist. Mr. Wang is currently Chief Credit Office and Credit Approval Department General Manager of Shanghai Rural Commercial Bank. Mr. Wang has served as President of Shanghai Rural Commercial Bank Songjiang Branch, Risk Management Department Manager of Shanghai Rural Commercial Bank.

Company Profile	Events of 2010	Leader's Oration	Summary of Accounting Data and Financial Indicators	Changes in Share Capital and Shareholders	Directors, Supervisors, Senior Management and Employees	Corporate Governance Structure	Introduction to General Shareholders' Meeting	Report of the Board of Directors	Report of the Supervisory Committee	Report of the Significant Events	Financial Reports and Documents Available for Inspection
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III. Changes in the Board of Directors and Supervisors and Senior Management

Mr. Yuan Ping of the Second Board of Directors was approved to be resigned from Director of the Bank due to job change on January 2010. At 2009 Shareholders Meeting convened on April 23, 2010, Mr. Yuan Ping's resignation was approved and Mr. Shou Weiguang, who was required to apply for qualification from China Banking Regulatory Commission, was newly appointed as Director of the Bank according to the nomination of the Shanghai State-Owned Assets Operation Co., Ltd. The term of Shou Weiguang's appointment is from the date of appointment to the end of the Second Board of Directors.

There were no changes in the members of the Board of Superiors.

The Bank has started market-oriented employment mechanisms since August 2010 in order to implement the state-owned assets and state-owned enterprise reform of Shanghai Municipal Government by organizing a competitive process to select vice presidents for Operations, Risk Management, Financial Market and Marketing from both inside and outside the Bank in order to improve the leadership strength. At the second Ad-hoc Meeting of the Board of Directors for 2010 convened on September 9, Mr. Wang Guanrong, Li Jin, Jin Jianhua and Shi Meiliang were elected as the Vice Presidents of Shanghai Rural Commercial Bank and Mr. Jin Jianhua was dismissed as Assistant President of Shanghai Rural Commercial Bank; Mr. Wu Guohua was elected as Chief Risk Officer and was dismissed as Assistant President of Shanghai Rural Commercial Bank.

IV. Annual Salary and Incentive Mechanism

The Bank pays the Non-executive Directors and Supervisors under the provisions of "Duties and Salaries of Directors and Supervisors" in the Administrative Measures of Directors and the Performance Assessment Methods for Directors and Supervisors combined with the responsibilities, professional knowledge, engaged time required and the average allowance of listed finance companies.

The salary of Non-executive Directors and Supervisors includes annual allowance and duty allowance to subsidize their Board and Committee meeting costs. Among them, the annual allowance standard for Independent Directors and External Supervisors is RMB120,000 after-tax, and the annual allowance for Directors of Shareholders and Supervisors of Shareholders is RMB60,000 after-tax. The salary standards above are reviewed and approved at General Meeting of Shareholders.

The salaries paid to the Directors, Supervisors and Senior Management shall be approved by the salary and nomination committee according to the results of performance evaluation, and be submitted to the Board of Directors for approval and implementation. During the reporting period, the salaries and benefits paid to Directors and Senior Management totalled to RMB15.665 million after-tax.



V. Employees

At the end of the reporting period, the Bank had 4,982 employees, including 894 managers, 3,984 business people and 104 others.

There are 203 Postgraduate's degree holders, accounting for 4.08%; and 3,687 university and college degree holders, accounting for 74.01%; the remaining 1,092 had secondary education or below, accounting for 21.91%.



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Corporate Governance Structure

I. Corporate Governance

During the reporting period, in compliance with the stipulations of the Company Law of the People's Republic of China, Guidelines on Due Diligence of Joint-stock Commercial Bank's Board, Interim Provisions on the Management of Rural Commercial Banks and other relevant regulations, the Bank further improved the structure of corporate governance and optimized its governance mechanism, further strengthened strategic management, capital management, risk management, incentive and restraint mechanisms, human resources management and its information disclosure system by taking the advanced listed banks as a benchmark and learning from and absorbing the experience of more mature banks. This was for the purpose of balancing and coordinating amongst decision-making bodies, implementing agencies and supervisory organs, ensuring sustainable development, protecting the interest of depositors and other stakeholders, generating returns for shareholders and creating value for society.

During the reporting period, the Bank made and amended relevant systems on a timely basis and framed a healthy and complete governance structure under the regulations issued by relevant regulatory authorities according to its actual situation. The Bank amended some contents of its Articles of Association to clearly align the direction of development, detail boundaries of responsibilities, reflect the structure of authority and responsibility for "Three meetings and one layer", and consistent with the actual situation after share capital increase of the Bank and to ensure the effective performance of duties. The Bank amended the Performance Assessment Methods for Directors to meet due diligence standards and to establish a performance evaluation system for Directors. The Bank made the Administrative Measures for Directors to strengthen the self-restraint of Directors and promote the Directors' diligence and duty. The Bank made the Administration of Authorization for Directors to balance and coordinate its internal management structure. The Bank made the 2010-2012 Risk Management Strategy to establish clear objectives, principles, quality objectives, organizational structure, basic policies, systems, assessment and supervision, and inspection of Risk Management. The Bank amended the Operational Risk Management Policy to introduce the concept of comprehensive risk management, clarify responsibilities of Operational Risk Management and simplify the operational risk reporting path. The Bank amended the Administrative Measures of Regulations to perfect assessment mechanisms and improves the system. The Bank amended the Interim Measures on Management of Foreign Donors to form a multi-level donor authorization management system in order to establish clear duties and powers. The Bank amended the Management Approach for Related Transactions to clear the responsibilities of various departments and the approval process and reporting entity for related transactions. The Bank carded 28 guidelines for corporate governance from the China Banking Regulatory Commission, gradually implemented the various regulatory guidelines and improved the effective duties performed by each body of corporate governance.

(I) Shareholders and Shareholders' General Meeting

During the reporting period, the Bank held the 2009 Annual Shareholders' General Meeting and an Extraordinary General Meeting, at which 12 resolutions were approved. The procedure of announcement, convening, holding and voting were in conformity with the Company Law, Articles of Association and other relevant regulations and confirmed by Jun He Law Firm on a legal opinion letter. Opinions and recommendations of shareholders were listened to actively at the Shareholders' General Meeting to ensure the right to know, right of participation and right to vote of the shareholders for the purpose of creating a good environment and participating fully in decision-making, as well as exercising equality for all shareholders.

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(II) Shareholders and the Bank

The share distribution of the Bank is in accordance with relevant banking supervisory rules and regulations. None of top five shareholders of the Bank coerced the Board of Directors, directly or indirectly, to interfere with business activities and decision-making of the Bank. The Bank and the top five shareholders are in complete independence in personnel, assets, financials, and business. The Board of Directors and Supervisors and internal institutions are operated independently.

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

The Second Board of Directors consisted of 17 directors, including 2 Executive Directors, 1 Worker's Director, 8 Directors of Shareholders and 6 Independent Directors. The number and the composition of the Board of Directors were in conformity with relevant laws and regulations. During the reporting period, all Directors devoted significant time and effort to determine the business development strategy, developing annual financial budgets and profit distribution plan, improving risk management, internal controls and capital adequacy management, supervising effective performance of senior management, ensuring the truth, completeness and accuracy of financial reports, and deepening the assessment of the evaluation function. Under such circumstances, not only operating results were improved steadily, but also other strategically significant tasks were completed, including the capital increase, market-oriented recruitment and risk framework adjustments, in order to play to policy-making function, effectively protect the legitimate interests of shareholders, protect and maintain the interests of depositors and other stakeholders, and effectively carry out their fiduciary responsibilities.

The Board of Directors and its Committees performed their duties to ensure that the Board of Directors may take into account various suggestions and comments and make appropriate decisions upon obtaining adequate information. During the reporting period, the Board of Directors held 7 board meetings, and reviewed and debriefed 53 proposals which referred to business plans, financial budgets, profit distribution plans, capital increase, establishment of remote branches, investment and equity participation, appointment of executives and other market-oriented strategy, capital and operation management and other important issues.

The Board of Directors fully and accurately grasped the economic and financial situation and market changes around the Bank's development strategy to continue to promote the safety of assets, capital increase, selection and appointment of executives, institutional arrangement, business transformation and other major strategic tasks. They strengthened risk management to effectively raise the ability of resisting risks, improved corporate governance and steadily strengthened decision-making functions,

as well as deepened the contents of functions and fully played the role of decision support by special committees, improved the incentive and restraint mechanisms to accelerate improvements in management and, effectively protected and promoted the sustainable development of the Bank.

The Board of Directors has 5 special Committees which were the Strategy Committee, Risk Management Committee, Audit Committee, Remuneration and Nomination Committee, and the Related Transactions Control Committee. During the reporting period, these special Committees held 16 meetings, and reviewed and debriefed 61 proposals. The special committees, per their respective duties, focused on the "Practical Effect", deeply examined contents of functions, explored the point of penetration and destination for effective performance of duties, played the role of professional evaluators to provide constructive advices and assisted the Board of Directors in performing its duties effectively and making scientific decision. All members of special Committees actively participated in meetings, expressed their views independently, researched deeply and performed their duties well.

The Bank has 1 Secretary of the Board who was responsible for external information disclosure and Board routine work.

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

The Second Board of Supervisors consisted of 9 supervisors, including 4 in-line supervisors (including 3 worker's supervisors), 3 supervisors from shareholders, 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 in good condition and actively participated in and attended all meetings and activities, and issued independent views. Their level of performance of duties met regulatory requirements to make positive contributions on the scientific development and establishment of a modern enterprise system.

The Board of Supervisors organized and convened Board of Supervisors meetings and Special Committee meetings to carefully review proposals, organized supervisors to carry out research activities, special inspections, supervision and evaluation and financial monitoring, and feedback survey results and problems and suggestions found in inspections to the Board of Directors and Senior Management, upon conscientiously performing their supervision responsibilities. During the reporting period, the Bank held 5 Board of Supervisors meetings and approved 15 proposals. The Board of Supervisors consisted of 2 special Committees, including Audit Committee and Nomination Committee, which held 4 meetings and approved 8 proposals.

(V) Senior Management and Special Committees

Senior management consists of 1 President, 6 Vice Presidents, 1 Chief Risk Officer, 1 Chief Information Officer and 1 Chief Credit Officer. During the reporting period, the Senior Management actively adapted to the macro-economic situation and changes in the financial environment, and implemented the macro-control policy of the Central Government. Furthermore, based on the commencement of new three-year development plan, the senior management further defined and strengthened their own responsibilities, guided and led the Bank to carry out actively and effectively all operational and management activities, completed the overall operating tasks and indicators under the authority of the Board of Directors to achieve quick and steady growth and make a good start on executing the new three-year plan.

The senior management established a decision-making system for major issues, which consisted of the six special Committees and which are Asset and Liability Management Committee, Credit Approval Committee, Internal Control and Risk Management Committee, Marketing Advance Committee, Risk Assets Resolution Committee and Information Technology Management Committee. During the reporting period, the six Special Committees held 37 meetings and reported and reviewed 220 proposals.

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(VI) Information Disclosure and Transparency

Strictly in accordance with the laws and regulations and the requirements of the Articles of Association, the Bank disclosed all material information in a credible, normative timely and accurate manner, to ensure that all shareholders obtained fair and timely information.

According to the requirements of information disclosure management and segregation of duties in the Administrative Regulations on Information Disclosure, the Bank completed 2 disclosures in periodic reports which were the 2009 Annual Report and the 2009 Annual Social Responsibility Report during the reporting period. The Board of Directors, in accordance with the regulatory requirements improved the comprehensiveness and effectiveness of information disclosure, and strengthened analysis and reflection on data, indicators, trends and changes. Furthermore, the Board of Directors carefully prepared the periodic reports, proofread the financial data and took final responsibility for the authenticity, completeness and accuracy of the financial reports.

The Bank disclosed 4 temporary announcements which were 2009 dividends, 2009 shareholders meeting, 2010 first extraordinary general meeting of shareholders and the change of major shareholders.

II. Performance of Duties in Independent Directors, External Supervisors

(I) Performance of duties in Independent Directors

The Second Board of Directors consisted of 6 supervisors, meeting the requirement that members must be more than one-third of the Board. The independent directors, whose specialties cover Accounting, finance and law, enjoy high reputations at home and abroad. 5 special committees of the Board of Directors have independent Directors as Chairman and the number of independent Directors in each special committee accounted for more than half of the number of Committee Members.

During the reporting period, the independent Directors fulfilled their obligations of integrity and diligence taking into account the responsibilities of all shareholders to protect all interests of the Bank, including the legal interests of small and medium shareholders and played an active role in decisions made by the Board of Directors in a scientific and objective manner.

1. Attendance of Independent Directors of Board meetings

The Second Board of Directors held 7 meetings and all independent directors attended personally except that 4 Directors who were absent authorized others to vote. The attendance rate of independent Directors in board meetings was 100%, and the personal attendance rate was 90%. Independent Directors at the Board meetings actively spoke and provided many valuable comments and suggestions. Details of independent Directors' meetings attendance was as follows:

Name	Number of Attendance Required	Personal Attendance	Delegate Attendance	Absence
Shi Jiliang	7	5	2	-
Wu Daqi	7	6	1	-
Su Zhong	7	7	-	-
Yu Yinghui	7	6	1	-
Liu Hongzhong	7	7	-	-
Wu Jian	7	6	1	-

2. Objection Brought up by Independent Directors in Relation to Issues Involved with the Bank

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

(II) Performance Duties of External Supervisors

The Second Board of Supervisors had 2 External Supervisors. During the reporting period, the Second Board of Supervisors held 5 meetings. The External Supervisors actively participated in the meetings and delegated other supervisors to vote if they could not attend personally. The External Supervisor actively proffered independent opinions at the meetings, and fulfilled obligations of integrity and diligence taking responsibilities for all shareholders to safeguard the interests of the Bank and the legal interests of stakeholders by playing an active role in the supervision function implemented by the Board of Supervisors.

III) Independence of the Bank in Asset, Staff, Finance, Organization, Business Relative to Controlling Shareholders

The Bank does not have any controlling shareholder. The Bank and the large shareholders are completely independent in five aspects of business, staff, asset, organization and finance. The Bank has independent and complete business and the ability to make its own management decisions. The Board of Directors, the Board of Supervisors and the internal organization operate independently.

IV) Decision-making System of the Bank

The shareholders' General Meeting is the highest institution of the Bank and assumes responsibility to decide on important matters. On their behalf, the Board of Directors is the decision-making body of the Bank responsible for, reviewing and playing a central role. The Board of Supervisors is the body which undertakes a role of supervisor and appraiser. The President who is appointed by the Board of Directors, on behalf of senior management and under the authorization of the Board of Directors, is responsible for all business management, effective implementation and all resolutions made by the Board of Directors, and consciously accept the supervision of the Board of supervisors. A system of "single legal person, unified calculation, classified management and authorized operation" has been adopted.

The branches are non-independent accounting units whose businesses and management activities are based on the authorization of head office and who are responsible to the head office.

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(V) Assessment and Incentive of the Senior Management

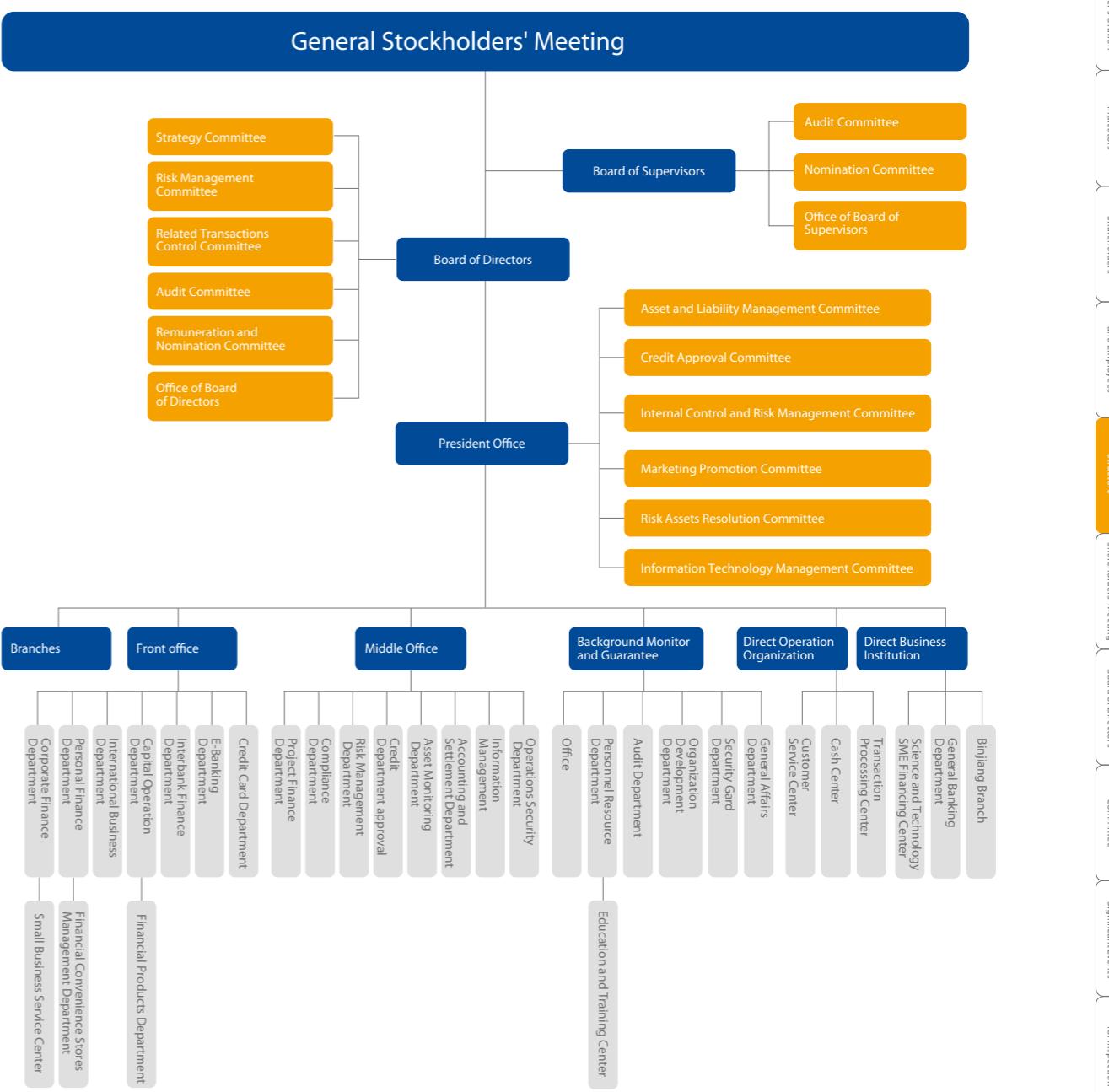
Senior management's performance was assessed by the Directors of the Board and the Board of Supervisors. The Remuneration and Nomination Committee of the Board, is responsible for this specific work. The Board of Supervisors issues a report on the performance of senior management each year.

During the reporting period, the Remuneration and Nomination Committee of the Board issued an assessment comment on work and performance of the Chairman and the senior management during 2009. Their Proposal on 2009 Annual Performance appraisal for the Chairman and the Members of Senior Management was reviewed and approved by the Board of Directors.

During the reporting period, the Bank actively improved the incentive and restraint system of market-oriented recruitment and executives and business targets and the evaluation system were clearly listed in the recruitment agreement to increase the assessment efforts. The Board also actively studied a common method to evaluate executives based on incorporate with the market-oriented and non-market recruitment of executives in order to perfect the assessment system.



(VI) Organizational Chart



Company Profile	Events of 2010	Leader's Oration	Summary of Accounting Data and Financial Indicators	Changes in Share Capital and Shareholders	Directors, Supervisors, Senior Management and Employees	Corporate Governance Structure	Introduction to General Shareholders' Meeting	Report of the Board of Directors	Report of the Supervisory Committee	Report of the Significant Events	Financial Reports and Documents Available for Inspection
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Introduction to General Shareholders' Meeting



I. Annual General Shareholders' Meeting

On April 23, 2010, the 2009 Annual General Shareholders' Meeting was held at 16F, No.18 Yincheng Middle Rd, Shanghai. There were 73 shareholders and their agents, whose shareholding represented 2.3826 billion shares, accounting for 63.6095% of total shares. The Meeting was held according to the requirements of the Company Law of the People's Republic of China, the Articles of Association and other relevant laws and regulations. Certain members of the Board of Directors, Supervisory Board and non-directors from senior management attended the Meeting.

The Meeting reviewed and approved proposals which covered: 2009 Financial Performance and 2010 Financial Budget, Profit Distribution, 2009 Annual Work Report of the Board of Directors, 2009 Annual Work Report of the Board of, Allowance Standard for Directors and Supervisors, "Administrative Measures for Directors", "Assessment Means for Directors", Appointment of Mr. Shou Weiguang as a Director, and Supplemental Agreements for Shareholder Agreement Between the Shanghai Rural Commercial Bank Co., Ltd. and ANZ. The Meeting also heard the 2009 Annual Audit Report of Shanghai Rural Commercial Bank Co., Ltd., 2009 Related Parties Transactions Report, Report of Performance of Duties by Directors, and the Report on Implementation of the 2008 Regulatory Opinion of CBRC and Corrective Actions.

II. Extraordinary Shareholders' Meeting

On October 27, 2010, 1st Extraordinary Stockholders General Meeting for 2010 was held at 16F, No.18 Yincheng Middle Rd, Shanghai. There were 73 shareholders and their agents, representing 2.5945 billion shares and accounting for 69.2650% of total shares. The Meeting was held according to the requirements of the Company Law of the People's Republic of China, the Articles of Association and other relevant laws and regulations. Certain members of the Board of Directors, Supervisory Board and non-directors from senior management attended the Meeting.

The Meeting reviewed and approved proposals which covered: Orient Recruitment Project and Increase of Registered Capital, Appointment of Directors and Shareholders, and Revision of the Required Number of Members of the Supervisory Board in the Articles of Shanghai Rural Commercial Bank Co., Ltd.



Report of the Board of Directors

Discussion and Analysis of Management

I. Overall Operation during the Reporting Period

(I) Income from Main Business, Profit from Main Business, Net Profit, Increase in Cash and Cash Equivalents

Item	Unit: 1000 RMB		
	Reporting period	Same period of last year	Increase and decrease
Operating revenue	10,001,838	8,158,413	22.60%
Operating profit	2,303,656	2,353,149	-2.10%
Net profit attributable to shareholders of parent company	2,213,162	1,973,483	12.14%
Increase in cash and cash equivalents	5,719,025	-744,111	-

(II) Comparison of Total Assets and Shareholders' Equity

Item	Unit: 1000 RMB					
	Reporting period	Same period of last year	Increase and decrease	Reporting period	Same period of last year	Increase and decrease
Total assets	252,100,924	212,115,474	18.85%	251,329,289	211,780,806	18.67%
Owners' equity attributable to the shareholders of parent company	23,172,783	13,022,069	77.95%	23,168,594	13,024,347	77.89%

II. Operation of the Company

(I) Business Scope of the Company

Public deposit taking, issuing short-term, medium-term and long-term loans, offshore and local settlements, acceptance and discounting of bills, acting as agent to issue and cash, underwriting of government bonds, purchase and sales of government bonds and financial bonds, inter-bank lending / borrowing, bank card services, foreign currency deposit, loans and remittance, international settlement, inter-bank lending / borrowing in foreign currency, credit information, advisory and witness service, acting as agent to make collections and payment and other agents service, safe deposit box service, and other services approved by China Banking Regulatory Commission including settlement and sale of foreign exchange.

(II) Review on the Operation of the Company

1. Main Operating indices

Within the reporting period, confronted with complex and changeable economic situations and operational environment, the Company has insisted on a scientific outlook on development, firmly implemented macro-control policies,

and speeded up business development and completed various operation and management tasks.

- As at the end of the reporting period, the total amount of the assets of the Company reached RMB251.329 billion, RMB39.548 billion up over last year, with a growth rate of 18.67%.

- The balance of all deposits was RMB210.994 billion, with an increase of RMB32.125 billion, up 17.96% over last year.

- The balance of all loans was RMB141.213 billion, RMB22.674 billion up, and by 19.13% higher than last year.

- Subject to the PBOC five-category asset classification rules, by the end of the reporting period, the balance of non-performing loans (the latter three categories) of the Company was RMB1.914 billion, RMB0.32 billion lower and 14.32% below last year. The ratio of non-performing loans was 1.36%, down by 0.52% over last year.

- In accordance with the statistics of the China Banking Regulatory Commission, at the end of the reporting period, the net Tier 1 capital and net capital of the Company were RMB21.610 billion and RMB24.762 billion respectively and the Tier 1 capital adequacy ratio and the capital adequacy ratio reached at 15.19% and 17.23% respectively, up 5.05% and 5.36% over last year.

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- The Company made a pre-provision operating profit, net profit after taxation and net profit after deducting non-recurring profit and loss of RMB3.573 billion, RMB2.213 billion and RMB1.906 billion with an increase of RMB0.809 billion, RMB0.24 billion and RMB0.034 billion respectively; each 29.28%, 12.16% and 1.82% higher than last year.

2. Operation of All Business

Development of Corporate Finance

During the reporting period, the Company effectively deepened its business transformation and made structural adjustments, focused on optimizing the structure of assets, liabilities and intermediary business, and improved the proportion of income from intermediary business in a comprehensive manner. The bank firmly attached great importance to deposits, enhanced the marketing of liabilities business and maintained stable growth of liabilities, achieving annual growth of 18.1%, retained growth, adjusted structure, conducted dynamic management of loan size and realized stable and orderly increase in customer loans with a growth rate of 25.6%. The Bank also improved its service level for "agriculture, rural areas and peasants" and gave their priority to the issuance of loans for these segments so that growth was not lower than that of all loans and the increase and proportion not lower than over last year in accordance with requirements of the China Banking Regulatory Commission. We forged closer relationship with other financial institutions, broadened operations, enhanced syndicated loan marketing and greatly increased income from financial intermediary business with annual growth of 250.76%. We reinforced the linkage between home currency and foreign currency opportunities significantly and developed trade financing business with an annual growth rate of 372.1%. We strictly controlled the scale of loan growth, conducted differential treatment and gave guidelines according to different categories/issues, vigorously promoted business for medium and small sized enterprises, held the "First Forum on Credit of Medium and Small Sized Enterprises", carried out financial marketing activities in specific zones, built a financing guarantee platform for small sized enterprises, optimized business processes, further promoted financial services for small sized enterprises and made sure the business for small sized enterprises was not limited because of credit size, with the balance of credit granted for small-sized enterprises rising by 22.78%. The growth of credit available to small business was not lower than that of all loans and the increase was not lower than last year in accordance with China Banking Regulatory Commission requirements. With regard to product development, the Company achieved innovation in guarantee types, revised and perfected real estate mortgage

based lending for small sized enterprises (Xinrong Financing), which resulted in a good response from the market, launched innovative products such as property-backed SME loans, deposit-backed loans for small-sized enterprises, equity-pledge loans for listed companies, mortgage loan for vessel purchases, etc. and became more supportive to the development of business.

Development of Retail Business

During the reporting period, RMB personal deposit exceeded RMB100 billion and the increase of FCY personal deposit was up to RMB15.05 billion. The net increase of outstanding balance of personal loans was RMB2.15 billion. The Company developed personal intermediary business in several ways including cooperation with 12 funds companies, being commissioned to sell 205 fund and insurances products with sales of RMB1.19 billion, issuing 82 products to raise RMB6.26 billion, and sales of RMB1.25 in treasury bonds. POS fund settlements reached RMB12.3 billion, with sales increase of 95.08% and personal settlement and sales of foreign exchange reached USD15,457,000. The Company adhered to product innovation, launching the "Xinlianxin" RMB seven-day-call deposit, foreign currency 7-day-call deposit, personal comprehensive credit line, economical housing personal mortgage loan and personal physical gold agent service. The Company focused on convenient banking and carried forward the construction of financial convenience stores, together with development of personal business step by step. We opened 30 financial convenience stores and issued and introduced 11 special financing products for those stores, with cumulative sales volume of RMB0.369 billion. Our second-hand housing expressway purchase-and-sales platform covered 15 branches, and the Bank granted net new loans of RMB0.828 billion and supervised total loans of RMB5.12 billion, ranking the first amongst all banks in Shanghai.

Development of Investment Operations

Within the reporting period, the Company conducted in-depth research on changes in the macro economy and regulatory policies and realized the steady development of investment operations by adjusting the structure and period and actively broadening transaction channels. Annual transaction volume reached RMB3,600 billion and all bonds underwritten totalled RMB58.090 billion. Both the settlement volume of market bonds and the transaction volume of bonds both ranked front row among all banks in the country. The Company carried out bilateral quotes in a continuous and active way and promoted price making on market fluctuation, optimized the asset allocation of bank funds, increased the investment proportion

of treasury bonds and bonds with high credit rating and seized the investment opportunity caused by market fluctuation. We further improved the design and operation of credit products and issued 173 credit products. We further expended the types of products, launched credit asset financing products and fulfilled expected earnings for all products at maturity, and maintaining excellent issuance and operations.

Development of International Business

Foreign currency services of the bank achieved stable growth in the first half of the year and accelerated in the second half. Since June, the monthly settlement volume was over USD0.2 billion and passed USD0.3 billion in December. The annual volume of international settlements was USD2.6 billion, with year-on-year growth of nearly 74%, ranking second amongst the 15 Chinese banks in Shanghai. The bank dealt international business with over 500 correspondent banks distributed in 67 countries and regions over the five continents.

Taking the opportunity of serving Expo 2010 Shanghai, the Company sped up the roll-out of outlets providing foreign currency services, with 56 outlets providing foreign currency services for individuals by year end. We also developed and launched a featured personal payment product "ANZ-SRCB Expressway" together with ANZ Bank, that is, 24-hour transfer of AUD, carried out research and analysis on customers' demand and product applicability and improved trade financing products by optimizing processes, appointing product managers and document service handler at certain branches and improved the efficiency and services quality of daily services and problem solving.

Development of E-banking Service

At the end of the reporting period, the registered users of corporate e-bank reached 21,555, with an increase of 12,425 over last year, up 135.01%. Registered users of personal e-banking reached 24,230, 20,023 more than that of last year, up 475.27%. The registered users of corporate telephone banking reached 62,015, a rise of 10,722 over the beginning of the year, up 20.87%. 91 new ATMs and 53 new multi-media self-help terminals were put into use, bringing the total ATM and terminal number respectively up to 712 and 325. The average daily clicks broke 1,482,000, 685,000 more than the previous year and up 85%. There were 24,549,400 capital transactions, amounting to RMB440.157 billion.

The Company has finished the integration of its e-banking platform and consolidated the operational process, management mode and operation mechanism of corporate, personal and credit card e-banking. We introduced featured

products such as e-financing service, bank-corporate express, etc. especially for SME and agricultural customers, rural areas and farmers. Furthermore, the Company enhanced its machine management, established the operation guarantee system and realized the safe and stable operation of self-help machines during the period of Expo 2010 Shanghai. We also strengthened website construction, constructed a website in English and improved our network marketing and service capability. We deepened the construction of systems, reinforced supervisory management and promoted the construction of the long term mechanism of case investigation and prevention, and we started the construction of an e-commerce on-line payment system and a risk control system.

Development of Credit Card Service

By the end of the reporting period, the Company has issued 50,820 new credit cards, with transaction amount increasing RMB1.579 billion. Operating revenues of RMB16,803,300, card application rejection ratio at the end of the year was 1.66% and credit card activation ratio was 42.1%. During the reporting period, the Company developed and launched Xinju Card, Qinglian Wealth Card and Public Service Card, etc. across the bank, put emphasis on the improvement of revenue from intermediary business and profitability, introduced a new credit card instalment product and completed a survey on the feasibility of Xinrong Card. The business unit raised income whilst cutting expenditure, gradually improved and determined a financial model for credit cards and located break-even point. The business focused strongly on overall strategic cooperation with third-party payment providers such as Alibaba, Tencent and 99Bill, and signed a strategic cooperation agreement and co-branded credit card agreement with Alibaba, finished the test and introduction of smart card service for credit card and marked a good beginning of overall strategic cooperation.



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Intermediary Business

During the reporting period, the Company realized quite rapid growth of intermediary business, with annual commission revenue growing to RMB470,620,000, up 75% over last year. Revenues from agency commission were RMB265,620,000, a rise of 80% over the previous year. Revenues from settlement and liquidation commission reached RMB106,290,000, up 22% over the last year and financial consultant fees were RMB93,850,000, up 230% over the last year's. Revenues from financing service commission were RMB1,930,000, a growth rate of 25%. Annual net revenues from intermediary business were RMB280,000,000, up 50% over the previous year. Intermediary business of consultant service developed remarkably, realizing revenue of RMB0.1 billion. The amount from insurance agencies was nearly RMB1.2 billion.

The Company issued 173 financing products and raised funds of RMB32.9 billion. 50,000 credit cards were issued and credit card transactions grew to RMB1.58 billion. Revenues from e-banking were RMB72,000,000. We increased 12,000 registered users of corporate e-banking, 2,000 registered users of personal e-banking, 91 ATMs, 1542 POS and 53 multi-media self-help terminals during the year. The volume of international settlement was USD2.6 billion.

Structural Development

During the reporting period, the Company established 14 new outlets, among which, the opening of Luwan Branch and Wujiaochang Branch marked the fulfilment of outlet expansion plan to achieve one branch in each district of Shanghai. 21 outlets were relocated, 3 outlets upgraded, 1 outlet downgraded and 7 outlets closed. The Company renovated 60 outlets over the year and improved the sales service and safety of these outlets. By the end of the reporting period, total outlets were 327.

IT Construction

The Company carried out IT control continuously, enhanced the management of information, improved the construction of information technology systems, deepened the management of information technology projects and upgraded the overall capability of information systems, reinforced the construction of information systems, progressed the construction of the new generation of bank system step by step, supported the development of financial convenience stores vigorously, promoted service innovation by technical means, and managed the development of projects such as corporate service bus, data warehouse system, customer relationship management system, video streaming platform, etc. to meet the development needs

of our bank. We intensified technical support, consolidated the existing operating platform, took measures to prevent hidden risks and solve longstanding problems, relocated the business recovery centre, successfully fulfilled the tasks for 2010 Expo Shanghai, and improved the stability of the information system, production safety and service awareness. We reinforced capability to provide operating guarantees for service development, enhanced the management of information technological risk and information safety, carried out the recognition and assessment of information technological risk, raised the awareness of all staff to information safety and promoted the capability to prevent and control information technological risk.

Risk Management

Above all, the Company has formulated the Policies on Credit Orientation and Credit Risk 2010 based on economical situations home and abroad and national financial policies, thus defining the basis requirements of the Company's credit orientation and risk policies. Second, the Company has started the construction of comprehensive risk management system per the 'Planning for Construction of All Round Risk Management System' of the Company, completed the adjustment of the organizational structure of risk management at Head Office level and started the adjustment of the organizational structure of risk management at the regional and county branches. Third, having received the notice about strictly carrying out "three measures and one guidance" from the Shanghai Bureau, Banking Regulatory Commission, the whole Company further reinforced credit management, took measures to control credit risk, consolidated the foundation for the risk control and management of fixed assets, liquid fund loans and project financing service, and formulated and released relevant auxiliary systems of the Company based on the regulations of supervisory authorities. Fourth, in accordance with the unified arrangement of Shanghai Bureau, Banking Regulatory Commission, the Company has reviewed every loan granted through government financing platform and actively worked to mitigate the related credit risks. Fifth, pursuant to the requirements of national macro controls, the Company has adjusted policies concerning real estate credit management, framed 'Several Opinions on Enhancing Management over Real Estate Credit Risk' for corporate real estate and brought forward risk mitigation measures for four categories of real estate credit services, namely real estate development loans, operating property loans, land reserve loans and real estate mortgage loans. Sixthly, the Company implemented its development strategy, that is, "reinforcing the position in suburbs and expanding services in cities by being based in Shanghai and extending to surrounding cities" and enacted the Regulations on Management of Remote Loans of

SRCB. Seventh, the Company formulated Policies on Market Risk Control of SRCB and kept improving the rules and regulation about market risk. Eighth, the Company has revised the Policies on Operational risk Control of SRCB and constructed the preliminary responsibility system of operational risk control throughout different levels, and the key risk indicator system for operational risk.

Internal Control Management

First of all, the Company has further moved forward the reform of 'vertical management system' for audit, established and implemented the assessment method for the persons in charge of the audit departments of Pudong Branches and other branches in suburbs, improved the business operation relationship between the audit terms at branches and the audit department at Head Office, promoted the implementation of the audit plan for suburban branches and audit effectiveness, and maintained the audit term under proper management. Second, the Company made innovation with regard to audit content and manner, evaluated the effectiveness of internal management over business with higher risk, put forward internal management advice on credit notes, large amount of centralized purchase, e-banking, information technological safety, etc. and urged the improvement of the management manner of internal control, made full use of information data collected from system or other channels, conducted regular risk supervision over credit cards, corporate and personal credits, etc. and constructed the audit information system platform, carried out economic responsibility audit over relevant senior management staff who resigned, and post-leaving audit for key positions. In the meantime, we further improved the audit process for post-leaving. Third, the Company intensified internal control management evaluation and assessment, further stressed the pertinency and effectiveness of evaluation sampling in a manner combined with the self-evaluation by branches themselves and selective evaluation by the Head Office. By drawing lessons from the current check and supervision resources and information results, we made use of the daily supervisory data from the abnormal transaction warning supervision system and materials such as daily examination results, information safety supervision reports provided by account officers of branches. We modified the internal control assessment indicator system and contents, enlarged assessment indicators such as the report system management over the input and output of large amount of funds, proportion management over medium and long term loans, etc. and increased the assessment scores of indicators of case prevention. Fourth, the Company has enhanced prevention and control management over cases, given prominence to regular management requirements, distinguished examinations on key business and usual business,

put emphasis on the subsequent follow up of inspection results and the effectiveness of rectification. Fifth, the Company has the Board of Supervisors to play its role in supervision evaluation during the implementation of internal control.

Compliance Management

First, the Company brought into full play the "interface" functions of compliance supervision, actively carried out the feedback of supervision opinions, made rectification, corrected errors, did a good job of forwarding, explaining and implementing supervisory regulations and requirements and regulated the process of reporting on the management of supervisory information. Second, the Company has reinforced the prior recognition and concurrent assessment of compliance risk, fulfilled the effective support of compliance for business, promoted the supervision communication and business access for various types of new products and services, and actively brought forward matters such as the organization of remote branches, private placement, financial convenience stores, etc. Third, the Company conducted compliance training in multiple forms for different levels of staff, organized the 3rd Compliance Quiz Show throughout the bank, and thus led to good results in case prevention and compliance training. Fourth, the Company improved processes and newly added a supervision and correction module in the GRC process documentation system. Fifth, the Company intensified regulation management and system construction, kept perfecting law and compliance risk management mechanism and formulated the Measures on Intellectual Property Right, Basic Regulations on Internal Control, Compliant Operation Rules (Revision of 2010) and the Application Manual for Compliance Staff in Commercial Banks (3rd Version).

Development of Talent Workforce

The Company employed new Vice-presidents, conducted management in the form of endorsement contracts, reinforced the HQ operational team and improved the organizational leadership structure. We further regulated cadre and personnel administration, improved the procedure of selecting and appointing cadre and implemented the appointment system, service-development orientation, introduced 88 specialized staff and improved recruitment quality and efficiency. Based on strategic development, we implemented the key points of training and conducted 1,140 sessions of various types of education training through a variety of channels covering 29,844 staff from different BUs all over the bank, enhanced the development of the e-learning platform, started the construction of stimulated banks and practically improved training relevance and effectiveness. There were 74 e-courses, involving 110 class hours and 4,985 staff.

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Construction of Corporate Culture

During the reporting period, the Company was dedicated to the construction of harmonious corporate culture and the promotion of social harmony. First, the Company explored a working mode combining mental and physical health management. Physical activities for staff included the 3rd Staff Sports Meeting and a series of sports contests integrated with competition, interests and innovation with a view to enhancing the attraction and influence of sports activities. Second, having seized the opportunity of the opening promotion for financial convenience stores, the Company, with a literature and art publicity team as the main force, meticulously organized activities to publicize financial knowledge in communities. Third, the Company adhered to its operating policies, intensified the construction of a compliance culture, held a writing competition on case prevention, organized staff to visit the Exhibition of Activities for Combating Corruption and Building a Clean Government in the Financial System and raised the awareness of all staff on case prevention. Fourth, the Company served 2011 Expo Shanghai, conducted vanguard activities about Expo, built better relationships with Party organizations at the grass-roots and at Party organizations in places where units are located, actively projected itself into community work, volunteered to participate in activities of "Ensuring Unimpeded Subway" and "Maintaining Order of Public Traffic" and did a good job of security and service in 2010 Expo.

Position in the Industry and Awards

Based on statistics from The Banker, an English magazine, according to tier one capital, the Company ranked 339th among the 1,000 large banks in the world in 2010. SRCB appeared among the top 500 of the global banks, ranked 19th among the Chinese banks in the list.

Due to its financial services during the 2010 Expo Shanghai, the Company won the title of 'Star-rated High Quality Service Outlet' among the Financial System in Shanghai, China Top 1,000 Banking Demonstration Outlets, Shanghai Top 100 Demonstration Outlets, Award for Achievements in Fantastic Expo Activities held by Shanghai banking industry, etc. Besides, the Company was named as "Safest E-bank" among regional commercial network banks by China Financial Certification Authority, Best Organization in UnionPay 2010 Shopping Festival Marketing Contest by Shanghai Municipal Commission of Commerce, Distinguished Service Award among banks in Shanghai in 2010 by China UnionPay, Top 100 Most Market Influential Bank in inter-bank home currency transaction market 2010 by China Foreign Exchange Trading System & National Interbank Funding Centre, CFETS, among other awards and recognition.

3. Categories of Income from Main Business

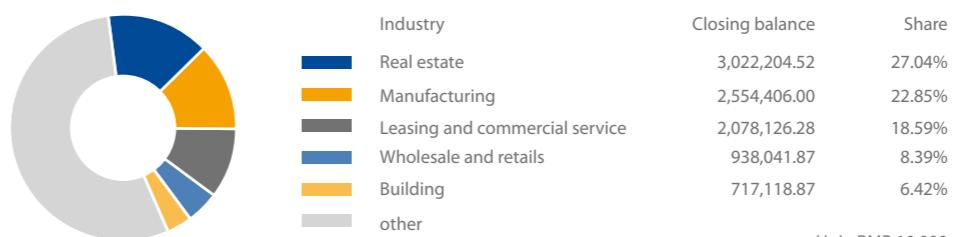
Categories of business	Unit: RMB 1,000	
	Income	
	The Group	The Bank
Loans	6,771,750	6,752,566
Inter-bank business such as inter-bank lending /borrowing, deposit	46,106	46,106
Investment earnings	1,402,918	1,399,090
Others	1,297,317	1,296,325
Total	9,518,091	9,494,087



4. Market Share of Main Products or Services

At the end of the reporting period, the balance of deposits in RMB was RMB210.5 billion, amounting to 4.94% of the market in Shanghai, ranking 8th against commercial banks. The balance of various loans in RMB was RMB141 billion, with market share in Shanghai of 5.39%, 7th among commercial banks. The balance of personal loans in RMB was RMB11.8 billion, taking 2.45% of the market in Shanghai, ranking 13th among commercial banks.

5. Top Five Industries Granted with Most Loans in RMB and Share Thereof



Unit: RMB 10,000

6. Balance of Main off Balance Sheet Items and Risk Management

Items	The Group		The Bank		
	Balance of 2010	Balance of 2009	Balance of 2010	Balance of 2009	Balance of 2008
Letters of credit opened	176,493	19,780	176,493	19,780	1,536
Letter of guarantee opened	783,051	237,779	783,051	237,779	165,550
Bank acceptance opened	1,949,969	1,460,664	1,949,969	1,460,664	1,443,073
Credit card limit unused	1,635,517	872,063	1,635,517	872,063	403,899

The Company has formulated respective management measures and operation at process for contingent customer liabilities such as issuing letter of guarantee, bank acceptance and un-utilized credit card limits, etc., established approval authority and reduced operational risk. Meanwhile, credit risk has been decreased in ways such as receiving security deposits, asking for guarantees for risk exposure, etc.

(III) Main Holdings of Companies and Joint Stock Companies

Name of joint stock companies	Investment period	Shareholding ratio	Closing amount of investment
China UnionPay	None	0.24%	5,500
Liquidation Centre of Rural Credit Cooperatives	None	6%	6,000
Shanghai Chongming Changjiang Town Banking Co., Ltd.	None	51%	51,000
Shanghai Huyang Expressway Development Co., Ltd.	None	35%	204,030
Shanghai Southeast Suburb Ring Expressway Development Co., Ltd.	None	45%	147,708
Shanghai Jingyi Industrial Development Co., Ltd.	None	20.45%	103,611

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(IV) Difficulties during Operation and Solutions

During the reporting period, the Company has commenced execution of its new 3-year development strategy and the implementation of various strategic measures required a large amount of capital. Meanwhile, continuous expansion of operations has put new pressure on capital adequacy. Therefore, despite the company issuing RMB1.5 billion in subordinated bonds in 2009, company would not have met minimum capital adequacy requirement, of 10% at the end of the year without additional tier-1 capital. Therefore, the Company made a private placement plan so as to supplement Tier 1 capital. The Company first discussed plans with existing major shareholders of the Company to determine subscription appetite and at the same time selected new institutional investors prudently, confirmed the target for the private placement successfully completed the placement by the end of the year and raised funds totalling RMB8.128 billion. This placement resulted in the capital adequacy ratio as at the end of the year being 17.23%, effectively increasing the capital guarantee capability of the Company, facilitating the implementation of various strategies and facilitating a new round of development.

During the reporting period, the China Banking Regulatory Commission reviewed every loan granted through the government financing vehicle, which resulted in slower growth of this type of business. The Company reached consensus and carried out requirements of the supervisory authorities following their review for every loan granted through government financing vehicle to mitigate credit risks. The Company also conducted portfolio-level controls and management by loan categories. On the premise of portfolio control, the Company adjusted the loan structures and enhanced the management of newly-added loans with regard to credit extension, risk mitigants, repayment manner, etc.

During the reporting period, macro-control policies regarding the real estate market were actively issued by the government, which resulted in grave challenges to the Company due to our quite high share of real estate loans. Firmly adhering to the differential real estate credit policies, the Company adjusted our management policies regarding real estate loans and issued Notices on Implementation of Differential Housing Mortgage Loan Policies of the State Council and other requirements. The Company defined amended risk management measures for the four categories of real estate credit services, namely, real estate development loans, operating property loans, land reserve loans and real estate mortgage loans. At the same

time as improving control over systematic risks, the Company took flexible measures for high-quality credit projects during implementation, taking serving ability and risk control into consideration.

During the reporting period, after continuous efforts, the Company won the legal suit concerning listed companies under the control of Zhou Zhengyi's subsidiaries, with treasury bonds of RMB3.181 billion issued by the Company when it was a Rural Credit Cooperatives Union involved in the final judgment. By the end of December, 50,411,700 shares of XCMG were allocated to SRCB and used to pay debt in batches. RMB2.636 billion was recovered. The balance of shares with value of RMB0.545 billion are expected to be recovered at the beginning of 2011. As a result, the longstanding issue affecting the company has been finally resolved and the financial strength of the Company has been further improved.

(V) Capital Adequacy Ratio Related Risk Management Target and Policies

The Company operated according to the capital management concept of risk-adjusted earnings and optimal capital allocation, took the requirements of supervision, operating development, structural adjustments and the capital market into consideration, actively expanded supplement are channels for equity capital, established and improved the capital management platform adapted advanced techniques, strict processes and quick responses, positively brought into full play the functions of capital such as risk compensation and resources allocation and made its best endeavour to fulfil the overall and harmonious development of size, quality, speed and efficiency.

In order to make sure the capital adequacy ratio meets supervisory requirements and to maximize returns to shareholders under the premises of risk control, the Company positively optimized its capital allocation and assessment mechanism, focused on businesses, products and development with low risk and high efficiency and kept improving returns on capital. The Company supplemented Tier 1 capital through private placement, thus successfully issuing 1.254 billion shares and raising capital of RMB8.128 billion.

III. Summary of Banking Data

(I) Basic Information about Branches

No.	Name of outlet	Business address	Outlets under its control
1	Sales Dept. of Head Office	No. 728, West Yan'an Road, Changning District, Shanghai	1
2	Binjiang Branch	No. 8, Middle Yincheng Road, Pudong New District, Shanghai	1
3	Pudong Branch	No. 1500, Century Avenue, Pudong New District, Shanghai	46
4	Minhang Branch	No. 61, Xinjian Road, Xinzhuang Town, Minhang District, Shanghai	22
5	Jiading Branch	No. 386, Tacheng Road, Jiading District, Shanghai	21
6	Baoshan Branch	No. 1198, Mudanjiang Road, Baoshan District, Shanghai	24
7	Songjiang Branch	No. 405, North Renmin Road, Songjiang District, Shanghai	25
8	Jinshan Branch	No. 505, West Weiqing Road, Jinshan District, Shanghai	21
9	Qingpu Branch	No. 399, Gongyuan Road, Qingpu District, Shanghai	23
10	Fengxian Branch	No. 9780, Nanfeng Road, Fengxian District, Shanghai	24
11	Nanhui Branch	No. 5, Shannian Road, Hui'an Town, Nanhui District, Shanghai	29
12	Chongming Branch	No. 188, Beimen Road, Chengqiao Town, Chongming County, Shanghai	30
13	Putuo Branch	No. 599, Xincun Road, Putuo District, Shanghai	14
14	Changning Branch	No. 8, Lane 555, Gubei Road, Changning District, Shanghai	7
15	Xuhui Branch	No. 3-7, Lane 9, Zhaojiabang Road, Shanghai	15
16	Hongkou Branch	No. 2721, Songhuajiang Road, Hongkou District, Shanghai	5
17	Yangpu Branch	No. 1599, Huangxing Road, Yangpu District, Shanghai	5
18	Zhabei Branch	No. 1288-1290, Zhongxing Road, Zhabei District, Shanghai	7
19	Huangpu Branch	East Side, 1st Floor, No. 500, Guandong Road, Shanghai	2
20	Jing'an Branch	No. 770, West Beijing Road, Jing'an District, Shanghai	2
21	Luwan Branch	No. 822, Quxi Road, Luwan District, Shanghai	3
Total			327

(For details, please refer to List of Branches)

(II) PBOC Five Classes of Credit Assets

	Unit: RMB 10,000									
	Normal		Special-mentioned		Subprime		Doubtful		Loss	
	Balance	Share	Balance	Share	Balance	Share	Balance	Share	Balance	Share
At the end of 2009	10,800,726.10	91.06%	837,450.92	7.06%	153,566.19	1.29%	67,561.34	0.57%	2,227.80	0.02%
At the end of 2010	13,290,482.87	94.12%	639,407.20	4.53%	123,083.46	0.87%	61,413.18	0.43%	6,892.21	0.05%

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(III) Provisions for Various Asset Types

The provision for depreciation in the value of various assets has been made subject to Accounting Standards for Enterprises, with details listed as below:

1. Provisions included allocation for depreciation of credit risk assets including off balance sheet credit assets and inter-bank deposits, call loans to banks, buying back the sale of financial assets, interests receivable, dividend receivable, other receivables, held-to-maturity investment, financial assets available for sale, accounts receivable investment, long-term equity investment, investment in real estate, fixed assets, construction in process, intangible assets, debt assets, etc.
2. The balance of provision for depreciation of various assets was RMB3,396,005,000 on December 31, 2010.

(IV) Loan Proportion of Top 10 Clients

Name of client	Balance of loans (RMB 10,000)	Ratio proportion in total loans %
Shanghai Jihui Property Management Co., Ltd.	98,000	0.69%
Shanghai Yuchang Real Estate Development Co., Ltd.	94,420	0.67%
Shanghai Pudong New District Land Resources Reserve Center	80,000	0.57%
Shanghai Fengxian Nanqiao New City Construction and Development Co., Ltd.	80,000	0.57%
Shanghai Expo Land Shareholding Co., Ltd.	80,000	0.57%
Shanghai Chenjia Town Construction and Development Co., Ltd.	74,450	0.53%
Shanghai Shenxin (Group) Co., Ltd.	73,500	0.52%
Shanghai Pudong Land Development (Holding) Corp.	70,000	0.50%
Shanghai Huicheng Real Estate Operation Co., Ltd.	70,000	0.50%
Shanghai Fengxian Land Reserve Centre	70,000	0.50%

(V) Credit Extension and Risk Management for Grouped Customers

The Company conducted unified management and centralized credit extension to grouped customers as well as regular and irregular monitoring over credit extension to prevent

the situation of multiple-credit granting to one group with exceeding its overall payment capability. By the end of report period, the balance of loans to private group related customers was RMB9,634,947,600, accounting for 6.81% of total loans.

(VI) Discount Loans with Proportion up 20% (Including of Total Loans at the End)

None within the reporting period

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

At the end of the reporting period, the balance of restructured loans was RMB10,580,000, within which the balanced at restructured loans 90 days or more overdue were RMB9,380,000.

(VIII) Monthly Average Balance and Interest Rate of Main Categories of Deposits and Loans

Categories	Unit: RMB 1,000	
	Average balance	Average interest rate
Loans on own account	113,170,460	5.48%
Deposits	201,830,634	1.46%
-Demand deposit	106,225,220	0.54%
-Time deposit	95,605,414	2.49%

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

Categories of bonds	Face value of balance (RMB 10,000)	Maturity date	Interest rate %
2001 book-entry treasury bonds	25,000	2011.03-2021.10	2.82-3.85
2002 book-entry treasury bonds	42,000	2012.03-2012.07	2.7
2003 book-entry treasury bonds	10,000	2018.01	4.18
2004 book-entry treasury bonds	22,000	2011.05-2014.08	4.71-4.89
2005 book-entry treasury bonds	77,000	2012.11	3.01
2006 book-entry treasury bonds	166,000	2011.05-2016.03	2.40-2.89
2007 book-entry treasury bonds	249,000	2012.04-2017.03	2.93-4.35
2008 book-entry treasury bonds	280,000	2011.04-2038.05	2.64-4.5
2009 book-entry treasury bonds	388,000	2012.05-2019.11	1.55-3.68
2010 book-entry treasury bonds	526,800	2011.01-2040.12	1.44-4.23
2006 evidence treasury bond	764.62	2011.11	3.81
2007 evidence treasury bond	7,609.09	2012.04-2012.12	6.34
2008 evidence treasury bond	1,722.28	2011.03-2013.12	5.17-6.34
2009 evidence treasury bond	9,807.72	2012.03-2014.06	3.73-4.00
2010 evidence treasury bond	1,732.61	2011.03-2015.12	2.60-4.60
2009 savings bonds (electronic)	2,872.81	2012.09-2012.11	3.73
2010 savings bonds (electronic)	7,889.11	2011.04-2015.11	2.60-4.60
2010 local government bonds	21700	2013.06-2015.11	2.36-3.70
Total	1,839,934.84		

(X) Non-performing Loans and Countermeasures

At the end of the reporting period, total loans of the Company reached RMB141.213 billion.

Per the PBOC five-category asset classification system for loans, there were RMB132.905 billion normal loans, comprising 94.12%, and RMB6.394 billion special-mentioned loans, accounting for 4.53%. The loans of the latter three categories totalled RMB1.914 billion, comprising 1.36%, down 0.52% and RMB0.320 billion less than the previous year. The absolute size and relative proportion of non-performing loans decreased, wherein, the non-performing loans decreased by RMB0.305 billion, doubtful loans dropped by RMB0.061 billion, whereas loan losses increased by RMB0.047 billion.

From the four-category asset classification system for loans, there were RMB139.203 billion normal loans, accounting for 98.78%; the loans of the latter three categories were RMB1.717 billion, comprising 1.22%, down 0.29% and RMB0.072 billion lower than last year. The absolute size and relative proportion of non-performing loans fell, whereas the overdue non-performing loans were RMB0.150 billion, an increase of RMB0.007 billion, loan losses were RMB1.548 billion, down by RMB0.075 billion and bad loans were RMB0.019 billion, RMB0.004 billion lower than the previous year.

At the end of the reporting period, various types of debt assets of the Company totalled RMB362,700,000,179,530,000 less than at the beginning of the year.

Within the reporting period, RMB56,830,000 in non-performing loans were written off.

With regard to solving and reducing non-performing loans, the following measures have been taken: first, persons in charge of the relevant departments organized and led a team monitoring and reporting large non-performing loans, and they carefully followed and reported the real-time developments of especially large non-performing loans, and dynamically adjusted the supervision range based on feedbacks from supervisory authorities. Second, the Company established a recovery system represented by "1+3" large non-performing loans maintains and recovery system, made specific recovery solutions based on research, followed the schedule and monitored and implemented the solutions. Third, for bad loans which could not be recovered within a long period, the Company made early preparations, strictly examined and wrote them off subject to the laws, regulations and write-off policies in a timely-manner. Fourth, the Company seized the opportunity and insisted on policies of "part recovery and part loss", positively pushed on the treatment of debt assets such as land use rights and significantly reduced non-interest bearing assets.

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(XI) Debt Assets

By the end of the report period, the balance of debt assets was RMB362,700,300, with the balance of real estate type, of movable property type and of owner's equity up to RMB332,241,500, RMB2,055,500 and RMB28,403,300 respectively.

(XII) Overdue Debt Outstanding

None

(XIII) Various Risks the Company Faced and Relevant Countermeasures

The main risks the Company faced pertained to credit, market, liquidity, operation of compliance and law, reputation and strategy.

Mitigants to credit risk: first of all, the Company has constructed unified credit risk policies, and defined the sequence of credit orientation, that is, prioritized, prudent, restricted and forbidden, as well as credit risk policies. Second, we improved our management mechanism, carried forward overall risk management, started the implementation of the Basel New Capital Agreement and improved the management of credit risks; Third, in accordance with supervisory policies, we improved credit extension policies on a timely basis and reduced the risk of loans for real estate and those granted through government financing vehicles. Fourth, we improved regional pricing and regular issuance mechanisms, agency access and withdrawal mechanisms and constructed an improved risk control and prompting platform. Fifth, we strengthened the development of the credit system and kept enhancing controls over risk management. Sixth, we made full use of Risk Management Trend and Risk Management Monthly, considered economic trends on a timely basis and industry hot spots, provided information and broadened concepts for the Company's overall improvement of risk management. Seventh,

we intensified training and improved loan officers' analysis capability and understanding of credit risk through the third phase risk manager training and special issued training on specific new loan policies.

Countermeasures to market risk: first, the Company framed management policies, improved the development of rules and regulations, formulated SRCB's Management Policies on Market Risk, took it as programmatic document for market risk management and defined the purpose, principle, responsibility and authority of market risk management. Second, we enhanced system construction, improved market risk measurement capability, built the asset liability management system, improved the capability of measuring market risk, developed the capabilities of measuring and monitoring interest rate risk and mitigated deficiencies with regard to insufficient measurement of the interest rate risk. Third, we conducted stress tests, enriched risk management measures, made corresponding solutions for the stress tests results as a significant supplement to the existing daily management measures of market risk. Fourth, we monitored risk indicators, carried out limit management policies, and appointed personnel from the market risk management department to measure and monitor the risk limit indicators of Treasury department on a daily basis according to the market risk limit indicators for capital transactions determined by Board of Directors.

Mitigation of operational risk: First, the Company revised SRCB's Management Policies on Operational Risk, clarified the responsibility of Head Office's management department, business department and branches, determined the reporting method for operational risk and constructed the discretion system for different levels for operational risk management. Second, we modified the Classification of Businesses with Operational Risk and Catalogue of Types of Loss Incidents, supplemented and improved 8 businesses and 7 types of loss incidents, formed separate classification of operational

risks and provided a reference base for the accumulation and analysis for data about operational risk events. Third, we established and improved the key risk indicator system for compliance and operational risk, regularly monitored and analysed risk indicator data of incidents that may cause loss and took the data as early warning indicators for the change of compliance and operational risk. Fourth, subject to the requirements of supervisory authorities and the actual situations of the Company, we vigorously moved forward the activity of "System Implementation Year" and did a series of work regarding case prevention and administration, established and improved various regulations, and positively conducted recognition and assessment about IT risk. Sixth, we promoted risk warning systems throughout the bank, and actively explored and promoted the construction of a centralized operating management system, e-bank transaction risk monitoring and anti-fraud system, etc.

Mitigants to liquidity risk: the Company intensified liquidity position management and worked to guarantee liquidity safety of the whole bank. We transformed to the use of new supervisory tools and promoted the scientific and effective properties of a liquid risk indicator system. We also deepened our liquidity stress-test and improved our liquidity contingency plan, positively explored more advanced concepts of liquidity management and provided effective support for the sustainable development of the bank.

Mitigants to compliance and legal risk: for compliance risk, the Company strictly sought out the feedback of supervisory opinions and error corrections, brought into full play "interface" functions of compliance supervision and regulated the reporting and management process of supervision information. We carried forward inter-regional development of work and intensified the innovation of compliance supportive business, improved the management mechanism of compliance risk and reinforced the management of rules

and regulations, conducted various types of compliance publicity, education and training activities, and improved the professional competence of compliance personnel. We introduced customer-oriented, optimized business process and improved operational efficiency and the core competitiveness of the bank. With regard to legal risk, the Company monitored changes in the external law environment, meanwhile we improved the system of internal legal risk control, took the optimization of the annual GRC process as a breakthrough point, located legal risk in the business and defined corresponding control measures. Additionally, the Company provided legal advice when regularly collecting cases in the banking industry and we reinforced legal examination and risk warning work before conducting business. Next, the Company enhanced the functions of prevention, concurrent control and post remediation through legal training and work, communication and the reinforcement of the Company's legal terms.

Mitigants to reputation risk: first of all, the Company conducted all round examination of the status quo of the reputation risk management. Second, we held working conference about letters and calls reputation maintenance and risk control, emphasized the need for close attention to reputation risk management and positively met the challenge of Expo 2011 Shanghai to improve the reputation risk management capability of the bank. Third, we formulated the reputation risk management regulation – Detailed Rules for Reputation Risk Management of SRCB. Fourth, we established the reputation risk management organization across the whole bank and defined respective responsibilities.

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IV. Company's External Equity Investment

None within the reporting period

V. Analysis on Finance Status and Operating Results

Items	Unit: RMB 1,000			Main reasons
	2010-12-31	2009-12-31	Increase /decrease	
Total assets	251,329,289	211,780,806	18.67%	Expansion of operating scale
Long-term equity investment	518,187	598,449	-13.41%	Decrease in long-term equity investment
Bond investment	37,024,458	34,922,131	6.02%	Increase in bonds held
Fixed assets	2,790,849	2,175,870	28.26%	Increase in the input of fixed assets
Total liabilities	228,160,695	198,756,459	14.79%	Increase in deposits and managed liabilities
Owner's equity	23,168,594	13,024,347	77.89%	Completion of private placement and increase in undistributed profits
Operating profits	2,303,656	2,353,149	-2.10%	Increase in provision for assets depreciation
Earnings from investment	1,403,069	1,185,203	18.38%	Expansion of investment scale
Net profit attributable to shareholders of parent company	2,213,162	1,973,483	12.14%	Increase in operating revenues and net non-operating income and expenditure

VI. Serious Assets Loss Caused by Joint Liability from Guarantee to Any Other Parties

None

VII. Serious Assets Loss Caused by Operational Risk Case

None



VIII. Change of Operating Environment and Macro Policies and Regulations and Influence Thereof

Within the reporting period, the global economy recovered slowly and liquidity increased dramatically. The domestic economy developed stably and the task of structural adjustment was quite onerous. Monetary policies were transformed and interest rates increased. Supervisory policies became more prudent and supervisory requirements improved. The competition in the finance industry was fierce and product innovation has deepened.

Facing complex and changeable economical situations, the Company took positive countermeasures, kept improving the balanced management of assets and liabilities, handled the relationship among structural adjustments, business development and risk control and realized balanced growth between deposit, loan business and intermediary business.

IX. Business Development Plan for the New Year

(I) Guidelines

During 2011, we plan to implement the guidelines and decisions of Central Economic Working Conference, the 13th and 14th Plenary Sessions of the 9th Shanghai Municipal Committee of CPC and Shanghai Economic Working Conference, take

scientific development as the key theme, accelerate business transformation as main focus, including the construction of risk management mechanisms and business operation platforms as support foundations, push forward the overall, harmonious and sustainable development of all businesses, and vertically drive to execute the 3-year development strategy.

(II) Main Operation Objectives

- Pre-provision operating profit will be RMB4.7 billion, with a growth rate of 31%, among which, operating profit before provision will be RMB3.66 billion, up 15%, provision will be RMB1.2 billion and book profit will be RMB3.5 billion. Net profit after taxation will be RMB 2.7 billion. Return on asset will reach 1% and return on capital will be over 11%.

- Daily deposits will be up to RMB226 billion, with a growth rate of 12%. We will ensure the balance of deposits at the end of the period will rise by RMB30 billion, with a growth rate of 14% and aim at an increase of RMB35 billion, with a growth rate of 17%. Wherein, we will ensure the increase in savings deposits will be up to RMB10 billion and will aim at RMB13 billion.

- The balance of loans will increase by RMB25 billion, up 18%.

- Income from intermediary business will reach RMB0.65 billion, up 33.5%, taking up 8.5% of operating income.

- The recovery amount of off-balance-sheet non-performing assets and on-balance-sheet non-performing loans will be RMB70,000,000 and RMB400,000,000 respectively.

- Capital adequacy ratio will not be less than 15%.

- Loan provision coverage ratio will not be less than 150%.

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- The proportion of the latter three categories of non-performing loans in the five categories will be controlled within 1.5% (not taking factors such as government financing platforms and classification of loans into consideration).

- The loan-to-deposit ratio at the end of the period will be controlled within 70%.

- The liquidity ratio at the end of the period will not be less than 35%.

(III) Main Development Measures in New Year

Corporate Finance

We will adhere to the development strategy of convenient banking, paying attention to the transformation of business, speeding up the structural adjustment of business, customer and profitability, improving the market share of assets and liabilities, realizing linkages between home and foreign currencies and the great-leap-forward development of intermediary business and further improvement in market competitiveness. We will focus on corporate liabilities business, refine the diversified marketing methods of liabilities business, strengthen the construction of business platform and provide support to mass market sales. We will reinforce the effective management of credit size, give priority to "agriculture, rural areas and peasants", SME, the advanced manufacturing industry and modern service industries, give specific focus to the overall return on comprehensive business by cross-selling into existing credit business to liabilities and intermediary business and pushing forward the sustainable development of our lending business. We will expand broaden resources, make full use of various types of business platforms, speed up the expansion of emerging businesses; for instance, trade financing, domestic factoring, corporate finance, cash management, etc., let corporate intermediary business play its main force role and spare no effort to ensure the rapid growth of intermediary business. We will realize the rapid development of international transactions by relying on the linkage between home and foreign currencies. We will empathize on the adjustment of credit orientation, penetrate into development zones and scientific parks, broaden business linked to Hong Kong, serve communities, vigorously construct a variety of financing platforms for small sized enterprises and make progress in bank-innovation cooperation. We will take "serving small sized enterprises" as a key focus and "serving manufacturing industry and service industry" as breakthrough points, provide guarantees such as small-sized enterprise co-guarantee credit extension, pledge of shop leasehold, etc., keep improving policy-related loans, seize the opportunity for increased cooperation with thirty-party payment platforms,

launch innovative products and integrate the current products based on customer feedback after the launch.

Personal Finance

We will adhere to the new three-year development strategy of the company, combined with the 12th Five Year Plan, seize the financial change environment, and expand and consolidate the volume. Adjust the personal loan business structure focusing on personal business loans. We will fully expand the second-hand housing express-link and promote ticket agency fee business, property insurance agent, sales, etc. based on the financial convenience store platform to constantly enrich and extend the service functions available to customers.

We will deepen the personal intermediary business, provide personal investment products such as ANZ pre-opening service, national debt underwriting and financial planning through enriching gold agency types and fund distribution categories, strengthen the cooperation with various third-party payment providers, and diversify means of payment and financial functions to constantly meet customers' financial needs. We will continue to promote the provident fund volume loan and second-hand housing financial regulation services, improve the individual "agriculture, rural areas and peasants" loan service operation, and cooperate with relevant departments such as agricultural and town insurance departments to distribute relevant social security payments smoothly and to implement the convenience concept and service for "agriculture, rural areas and peasants".

Treasury

The company will take full advantage of the financial market development, closely focus on the key agenda for the new year of the bank, strengthen the linkage between foreign exchange sales and proprietary trading, and explore the profit model for foreign exchange business to achieve balanced development of home and foreign currency fund business. We will make efforts to complete various formation works for gold proprietary business and carefully and gradually carry out gold proprietary trading. We will change the passive management mode of bond assets and take proactive and dynamic management of bond investments to maximize asset income within the specified time and credit limits. We will further enrich the type of financial products and gradually launch innovative products, including foreign exchange financial products, rolling and gold products to meet the financial needs of different client groups.

International Business

We will further adjust and optimized the foreign exchange business structure guided by the target of "Construction of Shanghai International Finance and International Shipping Centres" under the 12th Five Year Plan. We will continue to enlarge and strengthen the international settlement business through measures such as linkage between home and foreign currency business and between international settlement and trade financing business, and we will promote new product development and improve product combination capability to meet the business demands of customers to foster sustainable growth high-quality customer groups as part of Shanghai's industrial structure adjustment. We will reduce the middle processes of document handling based on the process optimization of international settlement business and use of on-line video and image streaming system to speed up business processing efficiency and enhance on market competitiveness. We will carry out targeted and multi-level system training such as general knowledge about foreign currency business and customer manager reserve training. We will reorganize resources with existing posts retained for the business backbone and establishment of a separate expert team for trade document business at Head Office. According to different demands of branches, we will further improve the professional expertise of business personnel and promoted their service concept and skills.

E-banking Service

We will improve the marketing evaluation system for e-bank services, rapidly expand customer scale and promote business profitability. We will fully develop e-commerce, commence online payments with Alibaba, Tenpay and 99Bill, and establish cooperation with other major third-party payment suppliers. We will strengthen the appeal of products such as electronic financial services and bank-corporate express to let them be the characteristics and highlights of our e-banking service. We will continue to accelerate product development and functional perfection, complete version modification of online bank 3.0, the portal network and construction of an online mall, start progress on mobile banking, video banking, etc. We will expand the business scope and service functions of customer call centre, improve our e-bank service system, and promote the e-banking development across the whole bank.

Credit Card Service

We will properly strengthen research and development of marketable products, improve overall customer service experiences and increase the income from intermediary business based on scale expansion, promotion of new business

(functions), intensive operation and lifecycle management (credit card). We will implement the strategic cooperation with Alibaba, 99Bill and Tencent for third-party payment platforms and commence the research and development for IC cards, mobile payment cards and combo cards. We will reform the existing marketing system, establish direct sales team and modern marketing approach such as outbound-calling marketing at some branches, build the organization management structure applicable for multi-channel marketing, and formulate a new appraisal system (approach) adapting to quantum-leap development. We will focus on the management of marketing and customer service experience, improve various service details, assist rapid expansion in scale and new business development, develop or introduce new external supporting systems, outsource some basic operational business, and promote the operational capability of the back office.

Intermediary Business

Firstly, we will pay close attention to the development of e-banking. We will launch the e-commerce services such as online payment, online mall and Katong smart credit card, and make efforts to expand our customer scale and transaction volumes. We will promote SME e-financial services and our bank-corporate express service, and expand the service scope and customer base of corporate e-banking business. We will strengthen the launching of self-service machines, develop outbound services and inbound cross-marketing functions of Call Centre, develop plans to host the ANZ China customer service hotline, and improve the service level of the Call Centre. Secondly, we will play the important role of providing corporate intermediary business. We will make full use of various business platforms, promote services of cash management, corporate financing, consulting, etc., actively lead or participate in Syndicated loans and joint loans, and expand listed financing consultation service for small and medium enterprises. We will realize the operation of "Inter-bank Cooperation Platform for Third Party Deposits", further strengthen the cooperation with equity and trust institutions, and issue joint financial products. Thirdly, we will also expand the scale of individual intermediary business. We will enrich the variety of personal physical gold products and gradually expand the network coverage of our gold agency service through order sales. We will continue our cooperation with ANZ Bank and third-party payment providers to plan for issuance of various co-branded credit cards, and start the project developments such as "combo card", IC card and mobile payment. We will speed up the development of foreign exchange business, providing products such as import collections, forfeiting, financing under telegraphic transfer, overseas agency payments and foreign exchange combination financing. We will cooperate with ANZ Bank to enrich personal foreign exchange products and increase personal exchange settlement and sales outlets.

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Corporate Development

Considering the promotion of Shanghai as an international financial centre as our mission and strengthening of post-expo financial services as opportunities, we will actively implement the new three-year development strategy to create convenient community-based banking, and further strengthen our network integration to meet regional demand for financial services. We will adhere to the principles of proper control of total and partial adjustment and optimization for rural financial institutions. For urban institution arrangement, we will increase network coverage according to the demands of community residents and SME. We will further strengthen our brand development, continue to implement consistent network standardization construction, and actively carry out the development of cross-city branches to realize cross-regional operation.

IT Development

We will continue to implement information technology governance, deepen information technology management, and constantly improve our level of information technology management. We will commence the construction of a new-generation banking system and Zhangjiang business processing centre in order to support cross-regional operations and development of our financial convenience stores. We will deepen the development of existing projects such as data warehouse, gold business system, inter-bank platform cooperation and e-commerce, and comprehensively propel the implementation of new projects such as financial IC card, mobile bank, TV bank, flow processing platform and risk pre-warning system upgrade to provide strong technical support for business development. We will take effective measures to constantly promote the availability of core system and to focus on the analysis and optimization of applications such as online banking, customer service and short message platform to complete the overall planning of "three centres in two locations". We will properly propel the development of projects, including IT service management platform, network monitoring platform, security management platform, system monitoring platform, anti-virus system transformation, network transformation and business continuity management, improve technical supporting ability and ensure the stable operation of information technology systems. We will preliminarily establish the operation and maintenance management index system for the whole bank, deepen the operation and maintenance management for information technology, strengthen information technology risk and information security management, establish an information security management system and improve the risk protection system for information technology.

Risk Management

First, we will correctly understand the macro-economic situation and effectively guard against systemic risks. Second, we will speed up the credit structure adjustment and improve the credit policies and systems to maintain stable and healthy development of loan business. Third, we will promote the comprehensive development of risk management systems and actively explore and implement a new capital agreement. Fourth, we will strengthen post-loan checking and improve risk mitigation capability. Fifth, we will continue to strengthen the level of our market risk and improve operational risk management. Sixth, we will continue to transform and optimize the credit system to improve the level of our risk management techniques. Seventh, we will strengthen research forces and actively implement training to create a good cultural atmosphere for risk management and promote business development across the whole bank.

Internal Control

First, we will further strengthen the organization and management of control work. We will assign and implement various tasks for the "upgrade" year according to the internal and external severe and changeable economic situation of the bank, organize to improve processes, personnel management, inspection supervision, responsibility investigation and system development, etc., make unified plans for internal security work resources and inhibit and eliminate security risks. We will also play the role of supervision and appraisal over audit projects, continue to promote audit's transition to a risk-oriented approach, optimize and innovate audit means, strengthen the business leading role of off-site data analysis, carry out internal control effectiveness evaluation for relevant business lines, and help business lines to effectively identify the weakness for their own internal control, especially in new business fields. We will carry out comprehensive evaluation for internal control. We will further increase the use of results from daily business inspection and audit supervision evaluation and improve the index system and evaluation means for internal comprehensive evaluation. We will improve internal control evaluation system, revise the internal control evaluation methods and evaluation index system, improve the evaluation result confirmation process, and highlight daily management process for internal control evaluation. We will also promote the development and on-line operation of the audit business information system.



Compliance Management

The company will, aiming at effectiveness of our compliance work, continuing process optimization based on GRC system, and constantly improve the comprehensive reformation of human resource management to accelerate the implementation of management system and carry out employment as per the appraisal of seniority and experiences. We will strengthen the executive team development, formulate reserve cadre management system and establish a reserve cadre management and cultivation system. We will also strengthen staff team development, and improve professional personnel introduction and management, and commerce a management trainee program. We will optimize labour and improve organizational structures to ensure personnel alignment for financial convenience stores and cross-city branches. We will carry out practical business training via the bank training simulation base. We will also further establish and popularize e-learning platform courses to popularize comprehensive online training and improve training efficiency and quality.



Talent Workforce

We will further implement the three-year plan for talent development to achieve new progress. We will deepen the comprehensive reformation of human resource management to accelerate the implementation of management system and carry out employment as per the appraisal of seniority and experiences. We will strengthen the executive team development, formulate reserve cadre management system and establish a reserve cadre management and cultivation system. We will also strengthen staff team development, and improve professional personnel introduction and management, and commerce a management trainee program. We will optimize labour and improve organizational structures to ensure personnel alignment for financial convenience stores and cross-city branches. We will carry out practical business training via the bank training simulation base. We will also further establish and popularize e-learning platform courses to popularize comprehensive online training and improve training efficiency and quality.

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Daily Work of Board of Directors

I. Board meetings

(I) On January 29, 2010, the company held the 3rd session of the 2nd Board of Directors meeting and reviewed and approved the Resolution on 2009 Operation and 2010 Operation Plan and Main Work of the Bank, the Resolution on 2010 Annual Capital Management Plan and Medium and Long-term Capital Plan of the Bank, the Resolution on 2010 Work Plan of the Board of Directors, the Resolution on Revision of SRCB Methods for Director Examination and Evaluation, the Resolution on the Performance of SRCB Directors in 2009, the Resolution on Formulation of 2010-2012 SRCB Risk Management Strategy, the Resolution on Revision of SRCB Operational Risk Management Policies, the Resolution on Revision of SRCB Related Transactions Management Methods, and the Resolution on Declaration of Model Selection Result for New-generation Core Accounting System Project. The meeting also heard the Report on Self-assessment for 2009 Corporate Governance, the Report on 2009 Internal Control and Risk Management and 2010 Main work, and the Report on Comprehensive Reformation of Human Resource Management.

(II) On March 26, 2010, the company held the 4th session of the 2nd Board of Directors meeting and reviewed and approved the Resolution on Approval of 2009 Annual Audit Report, the Resolution on 2009 Financial Performance and 2010 Financial Draft Budget, the Resolution on 2009 Profit Distribution Proposal, the Resolution on Approval of 2009 Annual Report, the Resolution on 2009 Work Report of Board of Directors, the Resolution on Revision of Regulation and

Management Approach, the Resolution on Formulation of Director Management Approach, the Resolution on 2009 Performance Examination and Assessment for President and Top Management Members, the Resolution on Conclusion of Supplementary Agreement for Shareholder Agreement Between ANZ Bank and the Company, the Resolution on Market Risk Limits of 2010 Bond Investment Business, the Resolution on Resignation of Mr. Yuan Ping from Corporate Director, the Resolution on Adding Mr. Shou Weiguang as Corporate Director, and the Resolution on Holding 2009 Annual General Meeting. The meeting also heard the Report on Supplementary Audit Report and Basic Judgments for 2009 Annual Report, the Report on Technical Cooperation with ANZ Bank, the Assessment Report on 2009 Internal Control and Risk Management, and the Report on 2009 Related Transactions and Review of Related Transaction Management.

(III) On May 21, 2010, the company held the first 2010 temporary Board of Directors meeting and reviewed and approved the Resolution on the Request for Approval of SRCB Initial Program for Private Placement.

(IV) On July 30, 2010, the company held the 5th session of 2nd Board of Directors meeting and reviewed and approved the Report on the Operation for the First Half of 2010 and the Main Work for the Second Half of 2010, the Resolution on Request for Approval of Private Placement Program, the Resolution on Using Municipal Government's Special Support Fund to Exchange for the Land Use Right of Haifeng Farm, the Resolution on Approval of Work Plan for Selection of Vice President for Head Office by the Board of Directors, the

Resolution on Change of Registered Capital, Domicile and Other Provisions in the Articles of Association, the Resolution on Adding Director Shou Weiguang as the Member of the Audit Committee of the Second Board of Directors, the Resolution on Outbound Donation Authorization Management, and the Resolution on Setup of Credit Approval Department for Head Office. The meeting also heard the Report on Implementation of 2009 Regulatory Views and Rectification Measures for the Company from Shanghai Banking Regulatory Commission.

(V) On September 9, 2010, the company held the 2010 2nd temporary Board of Directors meeting and reviewed and approved the Resolution on Employing Wang Guanrong et al. as SRCB Vice Presidents, the Resolution on Employment of SRCB Chief Risk Officer, the Resolution on Employment of the Heads for SRCB Risk Management Department and Compliance Department, and the Resolution on Continuing to Employ PWC as Our Legal Financial Statement Audit Institution.

(VI) On October 11, 2010, the company held the 2010 3rd temporary Board of Directors meeting and reviewed and approved the Resolution on the Request for Approval of SRCB Final Private Placement Program, the Resolution on Adjustment of SRCB Shareholders' Director Post and the Arrangement for Shareholders and Directors Entering the Professional Committees of Directorate, and the Resolution on Holding the 2010 1st Temporary Shareholders Meeting of SRCB.

(VII) On November 29, 2010, the company held the 6th session of 2nd Board of Directors meeting and reviewed and approved the Resolution on Request for Approval of Setting up Cross-City Branches, the Resolution on Investment in Hunan Xingsha Rural Commercial Bank, the Resolution on Formulation of Authorization Management Approach for SRCB Board of Directors, the Resolution on Formulation of SRCB Information Technology Risk Management Policy, and the Resolution on Bad Debt Canceling of 2010 Non-performing Assets and Disposal and Loss Report of Debt Assets. The meeting also heard the Report on the Work Plan for the Technical Cooperation with ANZ Bank and the Report on Time Arrange Program for 2011 Regular Meetings of the Board of Directors.

II. The Implementation of the Board of Directors with Respect to the Resolutions made by Shareholders' Meetings

(I) The 2009 profit distribution plan, outlining the cash dividend

per share was RMB 0.09 (including tax) based on total shares of 3,745,685,776, the date of record was May 19, 2010, and that all shareholders registered on date of record were eligible, and the dividend payment date was May 20, 2010, was reviewed and approved during the 2009 Annual Shareholders' Meeting and relevant announcement was issued on the portal website of the company. The said distribution plan has been implemented.

(II) The Resolution on Private Placement and Adding Registered Capital was reviewed and approved during the 2010 1st Temporary Shareholders' Meeting held on October 27, 2010, which authorized the issue of 1,254 million common shares to private entities at the evaluation price of RMB6.48 per share to raise RMB8128 million capital. Upon approval of the resolution, the Board of Directors submitted relevant materials to Shanghai Banking Regulatory Committee and obtained approval in December 2010. The private placement was successfully completed by the end of reporting period.

III. The Performance of Special Committees of the Board of Directors

The special committees of the Board of Directors held 16 meetings and reviewed or heard 61 resolutions within the reporting period.

(I) The Strategy Committee was concerned about the implementation of the company's development strategies by senior management, made judgments regarding future economic development trends, evaluated the adaptability and instructiveness of development strategies, assessed the completion of operational performance, and suggested parameter adjustment for the strategic plan going forward. It also made plans to define the targets for outsourcing policy, scope and implementation measures, and encouraged promoting of professional development, process development and operational efficiency. In addition, it focused on innovation work and seriously reviewed the technical cooperation plan with the strategic investor ANZ Bank to actively put forward proposals.

(II) The Risk Management Committee ("RMC") actively rectified supervision, direction and regulations of the company and studied necessary organizational structure adjustments and the construction of comprehensive risk management mechanism to strengthen the bank's supervision and assessment function. The RMC conscientiously reviewed various risk management policies, focused on the development of long-term effective mechanisms for risk management, supervised to strengthen



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risk management, improve risk management awareness and upgrade risk management techniques. The RMC also organized to carry out market research for risk management and studied the risk management and control systems of the bank to promote the level of market risk management capability. The RMC also built a joint meeting platform for risk management and regularly discussed major risk management matters of the bank to unify awareness and pace and to effectively promote risk management.

(III) The Audit Committee, focusing on internal and external audit, strictly supervised the annual audit work, tracked and understood relevant audit process in time, made judgments about the authenticity, integrity and accuracy of financial statements, and assessed the work quality of external auditors. It approved the three-year development plan of internal audit to improve the gradual transformation of internal audit. It joined with the Risk Management Committee to research loans to government financing platforms, analysed the main risks of loans and gave advice. The Audit Committee also gathered and analysed the internal control and management proposal submitted by external auditors, tracked the actual effectiveness of supervision advice and internal control and management proposals for rectification, supervised to promote improved internal control awareness, and improved the level of internal control.

(IV) The Remuneration and Nomination Committee helped

the Board of Directors to implement the policies of market allocation, contract management and market-oriented employment for senior management personnel. It carried out qualification inspection and assessment of employment conditions for personnel being employed. In addition, it went to Tianjin Binhai Rural and Commercial Bank and Beijing Rural Commercial Bank to research relevant remuneration management and performance appraisal matters, and cooperated with China Banking Regulatory Commission in relation to its remuneration management system investigation to fully investigate the current status and opportunities to improve remuneration management system of the bank.

(V) The Related Transaction Control Committee controlled related transaction risks according to the Related Transaction Management Methods and relevant duty requirements, and strengthened the approval for major related transactions and related records management to ensure that relevant management requirements are actually implemented. It carried out research for related transactions to further understand the business condition and to help settle problems and submitted information to the relevant supervision department. In addition, it strengthened early intervention in related transactions to communicate with business in time, offered instructions and focus on business risk points, ensured strict control as per supervision and risk requirements without any un-due influence on business development to maintain the interests of all shareholders.

Profit Distribution Proposal

The company defined the profit distribution proposal as per the audited accounting statements. According to the standard unqualified external audit report provided by PWC, the company realized net profit of RMB2,213,162,247.17 with undistributed profit from previous years of RMB1,014,182,135.11, and profit distributable to investors in this year of RMB3,006,028,157.56. The 2009 profit distribution plan made by the company is as below:

1. Appropriate statutory surplus reserve of RMB221,316,224.72 and discretionary surplus reserve of RMB221,316,224.72 from the after-tax profit according to 2009 statutory statements.

Implement cash dividend at 9% of share capital for ordinary shares, [in which the share capital of 1,254,314,224 shares belonging to capital increase shall be converted as per the actual number of days from the day recorded (December 17, 2010) by the bank to December 31, 2010], RMB341,815,400.68 in total (including tax).

After the above distribution, the remaining undistributed profit was carried forward to the next year.

The above profit distribution plan was implemented after approval by 2009 Annual Shareholders' Meeting.

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Report of the Supervisory Committee



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

(I) Supervisory Board Meeting

1. On January 29, 2010, the 3rd session of 2nd Supervisory Board meeting was held and reviewed and approved the Resolution on 2009 Work Performance of SRCB Board of Supervisors, the Resolution on 2010 Work Plan of SRCB Board of Supervisors, the Resolution on Supervision Assessment for 2009 SRCB Case Prevention and Control Rectification, the Resolution on Formulation of 2010-2012 SRCB Risk Management Strategies, and the Resolution on Revision of SRCB Operational Risk Management Policies.
2. On March 26, 2010, the 4th session of 2nd Supervisory Board meeting was held and reviewed and approved the Resolution on 2009 Work Report of SRCB Board of Supervisors, the Resolution on 2009 SRCB Work Supervision Assessment Report, the Resolution on Implementation Supervision Assessment Report of 2009 SRCB Budget and Final Accounts, the Resolution on 2009 SRCB Annual Audit Report, and the Resolution on 2009 SRCB Annual Report.
3. On August 10, 2010, the 5th session of 2nd Supervisory Board meeting was held and reviewed and approved the Resolution on Implementation Supervision and Assessment Report of SRCB Chief Accountant Delegation System, and the Resolution on SRCB Financial Monitoring Report for Operation during the First Half of 2010.
4. On October 9, 2010, the 2010 1st temporary Supervisory Board meeting was held and reviewed and approved the Resolution on Revision of Provisions about the Number Personnel in the Board of Supervisors under SRCB Articles of Associations.
5. On December 21, 2010, the 6th session of 2nd Supervisory Board meeting was held and reviewed and approved the Resolution on Implementation Supervision and Assessment Report of SRCB Risk Supervisor Delegation System, and the Resolution on Implementation Supervision and Assessment Report of 2010 SRCB Case Prevention.

(II) Attending Shareholders' Meeting

Supervisors of the company attended the shareholders' meeting.

(III) Attending the Meeting of Board of Directors without Voting Right

During report period, Supervisors of the company attended the 3rd, 4th, 5th and 6th session of 2nd Board of Directors meetings and the 1st and 2nd 2010 temporary Board of Directors meetings without voting right.

(IV) Supervising the Duty Performance of Board of Directors, Directors and Senior Management Members as per Relevant Laws

1. Special inspection and supervision assessment to improve the pertinence and effectiveness of supervision.

First, the Supervisory Board carried out supervision and assessment of the performance of the Board of Directors and senior management of Head Office in 2009, and issues a 2009 SRCB Work Supervision and Assessment Report.

Second, they carried out supervision and assessment for the implementation of the 2009 annual budget and final accounts and issued the Supervision and Assessment Report on Implementation of 2009 SRCB Annual Budget and Final Accounts.

Third, they carried out supervision and assessment for the implementation of the chief accountant designation system and issued the Supervision and Assessment Report on Implementation of SRCB Chief Accountant Designation System. The Report outlined that the chief accountant designation system basically forms the work mechanism for inspection, supervision and daily instruction, independence and effectiveness of risk lines of defence, and that self-discovery and self-correction for problems display distinct characteristics, which operate effectively as a whole and play an important role in preventing counter business risks and cases, realizing safe operation of accounting business, and maintaining healthy development of the bank. However, due to the short period of operation, various systems need further improvement, daily management needs better strengthening, and resource configuration needs more optimization.

Fourth, the Supervisory Committee carried out supervision and assessment for the implementation of the Chief Risk Officer designation system and issued the SRCB Supervision and Assessment Report for Implementation of the Chief Risk Officer Designation System. The Report describes that the work mechanism of risk assessment, risk supervision and daily instruction has been formed after about one year's practice, and the independence and the effectiveness of the prevention line for risk control supervision needs to be further strengthened. It plays a certain role in enhancing dynamic

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risk management capability, improving the efficiency of policy implementation and credit approval, and promoting credit business development. However, it is necessary to further improve the management system, support the duty implementation, and improve the duty implementation capacity of the Chief Risk Officer.

Fifth, they carried out supervision and assessment for the implementation of the 2010 case prevention and issued the Supervision and Assessment Report on Implementation of 2010 SRCB Case Prevention. The Report describes that 2010 case prevention by the Board of Directors and the operational management level of the bank shows orderly organization, effective measures, focus and obvious effectiveness with a solid basis, which together with gradually reinforced long-term effective case prevention mechanisms makes active preparations for the overall improvement of case prevention over the next year. In addition, the Board of Supervisors put forward corresponding opinions and suggestions for issues such as improving education and training mechanisms, promoting the pertinence and effectiveness of case prevention analysis meetings of branches, and for properly handling the relationship between business expansion and internal control management.

2. Carry out operational financial supervision and improve the time efficiency of supervision. The Board of Supervisors implemented dynamic supervision for over operational financial situation in the first half of 2010, and issued the Supervision Report on SRCB Operational Finance in the First Half of 2010.

3. Carry out case prevention knowledge promulgation and case analysis and focus on pushing forward the implementation of the key work of the bank. During the reporting period, the Board of Supervisors created ways of working to conduct promulgation and case analysis for 61 basic units and outlets of the bank.

II. Independent Opinions of the Board of Supervisors on Relevant Matters

(I) Operation in Accordance with Laws

During the reporting period, the company operated in accordance with laws and regulations, regulated stable and healthy development, and carried out various tasks in an all-around and orderly way to gradually promote asset quality, strengthen risk management and internal control, and significantly improved its operational results. The company's governance was further improved with scientific operating decision mechanism and legal procedures. No unlawful and illegal behaviours or those harming shareholders' interests were found in duties performed by Directors and other senior management personnel.

(II) Authenticity of Financial Report

During the reporting period, the financial reports of the company were authentic and objectively reflected the financial situation and operating results of the company. PWC, after auditing, issued a standard audit report without any qualified opinion for the financial report of the year.

(III) Use of the Company's Capital

During the reporting period, the company issued a private placement to 8 shareholders including ANZ Bank, Shanghai International Group Co., Ltd., Shanghai State-owned Assets Operation Co., Ltd., Shanghai International Group Assets Management Co., Ltd., Shenzhen Lenovo Science and Technology Park Co., Ltd., Rizhao Steel Holding Group Co., Ltd., China Pacific Life Insurance Co., Ltd. and Qingpu District Shanghai Association of Supply and Marketing Cooperatives for an additional 1,254,314,224 common shares, after approved via the Reply on Approving SRCB Additional Private Placement Program and Relevant Shareholders Qualification (HYJF [2010]

No. 328), and raised funds of RMB8.128 billion, increasing the total shares issued to 5 billion. All of the funds raised by the share capital increase are being used to supplement capital and meet the capital requirements of strategy implementation, business development and asset disposal.

(IV) Related Transactions

During the reporting period, related transactions were fair and reasonable without any conditions harming the rights and interests of shareholders or the company's interests.

(V) Internal Control System

During the reporting period, the company constantly strengthened the construction of internal control system to improve the integrity, rationality and effectiveness of its internal control system.

(VI) Audit Report

During the reporting period, the company continued to

employ PWC to audit its financial reports of the company in 2010 (including the balance sheet on December 31, 2010, the 2010 annual profit statement, cash flow statement, statement of changes in stockholder equity, and notes of financial statement) and to provide internal control management proposals according to the Accounting Criteria for Enterprises.

(VII) Implementation of the Resolutions of Shareholders' Meetings

During the reporting period, the Supervisors of the company attended the Board Directors' Meetings and the Shareholders' Meetings without any objection to the reports and proposals submitted by the Board of Directors to the Shareholders' Meetings for approval.

During the reporting period, the Board of Supervisors supervised the implementation of the resolutions made by the Shareholders' Meetings and believes that the Board of Directors can effectively carry out relevant resolutions of Shareholders' Meetings.



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Significant Events

I. Corporate Social Responsibility Report

Corporate social responsibility entails the company not only pursuing the maximum interest for its shareholders, but also supporting and enhancing the interests of related parties, including employees, clients, competitors, government, communities and the environment. In the reporting period, concentrating on its development strategy, the Company realized economic responsibility with steady operations, substantial development and effective safeguarding of risks, continued to take social responsibility as an important duty, and built a people-friendly bank with a people-oriented culture to serve the public.

During the reporting period, the Company's total assets amounted to RMB251,329 million, a year-on-year increase of 18.67%; profit before provision amounted to RMB3.573 billion, a year-on-year increase of 29.28%, greatly enhancing its profitability. The Company successfully achieved its capital placement and further optimized its equity structure by issuing additional 1.254 billion shares, raising capital of RMB8.128 billion. Its operational basis was enhanced and its capital adequacy ratio reached 17.23%, an increase of 5.36 percentage points compared with the beginning of this year. Disposal of idle land, liquidation of non-performing assets and resolution of other historical problems released us from obligation caused by historical problems and laid a solid foundation for further maximization of shareholders' value, for full progress in new three-year development strategy and for good and rapid development of the Company.

During the reporting period, the Company completed the layout of "one branch for each district", and realizing the full coverage of operating offices in central districts, which laid a solid foundation for further downtown branch expansion. In the mean time, taking the opportunity of the construction of financial convenience stores, we provided differentiated stagger time/place services for office workers and community residents with the slogan "You get off work, we get on operation". By adopting the combination of staff service and self-service equipment, we offered a different orientation and relatively unique operation, and commenced the direct loan for 2nd-hand house, SME credit loan, E-banking, Intellectual commerce and other new business in addition to the traditional deposit, withdrawal and intermediary business. This was intended to deliver a convenient bank and provide close and personal financial facilities. A total of 30 convenience financial stores were opened in 2010. The bank's development of a new generation banking system was also officially launched to enhance our operational capacity and provide higher-quality service.

During the reporting period, under the work guidance by Shanghai Municipal Party Committee, Municipal Government, Municipal Party Working Committee for Finance, Municipal Finance Service Office and finance supervision and regulatory departments, the Company realized zero malfunctions in its payment system, zero liability complaints towards tellers, zero incidents on safety and stability, 100% satisfaction with reception and contributed our strong financial support to a successful, wonderful, unforgettable World Expo. We actively mobilized across the whole bank and made great endeavours to provide financial service for World Expo. The Company made its due contribution to reward our society by taking part in public interest activities and charity events. In April 2010, the Company made a donation of RMB1 million to Yushu earthquake-stricken area and RMB1 million to Yushu Rural Credit Cooperative Union, fully reflecting the spirit of "when disaster struck, help came from all sides". In November, the Company donated RMB1 million to fire-stricken residents through Civil Affair Bureau of Jing'an District to help victims recover and rebuild their homes. In addition, the Company contributed RMB500 thousand to the Foundation for Justice and Courage of Changning District to praise good people and deeds and to encourage healthy trends.

During the reporting period, the Company focused on projects concerning "farmers, countryside and agriculture", as well as SME services, took advantage of the opportunity from urbanization and actively participated in replacing land for building houses and the construction of large communities. Projects concerning "farmers, countryside and agriculture" were given priority for loans and agriculture-related loans increased by RMB6.4 billion compared with the beginning of the year, 0.7% higher than other loan extension. The Company further broadened its SME service platform through cooperation with other guarantee agencies in "Financial Service Brought into Campus" campaigns. Corporate wealth products made their first debut to build the SME service brand of "SME Xinrong Financial Plan". The Company also launched pilot business such as equity-pledged lending for high-tech SMEs, order financing and developed intellectual-property-pledged lending. In order to actively expand high-tech SME financing, we founded Yangpu Investment and Loan League together with Yangpu District Government and other units and established strategic cooperation with several private equity investment companies. The construction of Bank-corporate Express and inter-bank payment and settlement system were completed; the enterprise SMS platform was launched, and strategic cooperation was established with Alibaba and other third-party payment providers.

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During the reporting period, the Company promoted a vision of people-oriented and public-convenient bank and cultivated "diligent, pragmatic and creative, effective and harmonic" enterprise culture for the common development of staff and the bank. Human resource comprehensive reform continued to deepen towards more scientific evaluation and incentive mechanism for branches, and employees in the bank were all motivated by positive incentives. Colourful staff culture activities were carried out so that a harmonious enterprise culture was built.

During the reporting period, the Company supported a low-carbon economy and developed green-loan business to facilitate environmental protection development and fulfil its social responsibility.

In June 2010, the Company was granted as "2010 Excellent Corporate Social Responsibility Prize" at the Annual Meeting of China Enterprise Social Responsibility sponsored by CAEFI, China Charity Federation, and China Private Economy Research Association. This was the second successive award conferred to the Company.

(For details, please refer to Social Responsibility Report 2010 of SRCB)

II. Top Ten Shareholders and change during the Period

In the reporting period, the Company issued another 1.254 billion shares and raised capital of RMB8.128 billion. Among the top ten shareholders, Australia and New Zealand Banking Group Limited (ANZ), Shanghai International (Group) Co., Ltd, Shanghai State-owned Assets management Co., Ltd. and Shanghai International (Group) Assets Management Co., Ltd. made their subscription. Meanwhile, four new institutional investors were introduced to the Company, namely, Shenzhen Lenovo Scientific Park Co., Ltd, Rizhao Steel Shareholding Group Co., Ltd., China Pacific Insurance (Group) Co., Ltd. and Shanghai Qingpu Supply and Marketing Association Cooperative, among which, Shenzhen Lenovo Scientific Park Co., Ltd, Rizhao Steel Shareholding Group Co., Ltd. and China Pacific Insurance (Group) Co., Ltd. became top ten shareholders, after-subscription, holding 5.73%, 4.90% and 4.00% respectively.

For details of the top ten shareholders and related changes, please refer to "Changes of Share Capital and Shareholders Profile".

During the reporting period, shanghai SITICO Investment Management Co., Ltd. became a subsidiary company of Shanghai International (Group) Co., Ltd. and due to this consolidation it changed its name to Shanghai International (Group) Co., Ltd.. Jingjiang International (Group) Co., Ltd., then assigned its shares of the Company to Shanghai Jingjiang International Investment Management Co., Ltd. for free through integration of state-owned assets. Therefore, this shareholder changed its name as Shanghai Jingjiang International Investment Management Co., Ltd.

III. Significant litigation or arbitration events

(I) Non-credit litigation or arbitration

During the reporting period, SRCB had 19 non-credit cases (including those cases that the company was respondent or complainant) with about RMB3,555,270,000 involved. The number of lawsuits increased by 5 and the amount involved was 359 times that in 2009, because there were more Treasury bond compensation recourse lawsuits in 2010 than in 2009.

(II) Lawsuits and Arbitration issues concerning credit

By the end of the reporting period, verdicts had been passed relating to 180 lawsuits filed by SRCB, concerning loans in the amount of RMB309,716,300. Verdicts passed enabled the collection of monies amounting to RMB268,125,900.

By the end of the reporting period, verdicts had not yet been reached on a further 289 lawsuits filed by SRCB with courts, involving loans in the amount of RMB1,645,392,500. During the reporting period, however, monies collected on these cases amounted to RMB273,392,800.

In 2010, the top 10 lawsuits that had no verdict are listed as follows, ranked by amounts.

No.	Borrower	Warrantor	Unit: RMB 10,000				
			Loan granting date	Overdue date	Amount of lawsuit	Loans retrieved	Lawsuit date
1	Yihe Longai Hotel, Shanghai	--	20030429	20040628	35000.00	910.00	20040628
2	Hongxing Real Estate Development Company, Shanghai	--	20030513	20040326	30000.00	2010.00	20040628
3	Shanghai Xinmei (Group) Co., Ltd.	Shanghai Xinyue Wood Co., Ltd.	19991203	20050721	11077.12	12813.86	20090708
4	Shanghai Huaxia Culture Tourism District Development Company, Shanghai	--	20041216	20071228	8240.00	2429.10	20071228
5	Shanghai Xinmei (Group) Co., Ltd.	Shanghai Xinyue Wood Co., Ltd.	19991203	20050718	4369.67	574.68	20090708
6	Shanghai Ziwang Real Estate Company Limited	--	20050629	20070515	3500.00	1518.00	20071018
7	Shanghai Digao Gas Electrical Equipment Company Limited	Zhu Deping	20030813	20070925	3365.28	0.00	20090210
8	Shanghai Huaxia Culture Tourism District Development Company	--	20041216	20071228	3000.00	0.00	20071228
9	Shanghai Huaxia Culture Tourism District Development Company	--	20041216	20071228	2600.00	0.00	20071228
10	Shanghai Qingpu Nanyang Construction Engineering Co., Ltd.	Shanghai Dongxing Property(Group) Co., Ltd.	19930103	20030115	2341.70	0.00	20100419

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IV. Increase and decrease of registered capital, separation and merger

During the reporting period, after authorization by China Banking Regulatory Commission Shanghai Bureau, the Company completed its capital increase by expansion of shares, resulting in its registered capital increase from RMB3,745,685,776 to RMB5,000,000,000.

V. Related party transactions

By the end of the reporting period, all related party transactions of the Company were credit related party transactions. The Balance of such transactions was RMB1,232,901,100, accounting for 5.03% of the net capital (RMB 24.526 billion), among which, the amount related to related legal entities and related natural entities was RMB 1,218,213,600 (5 entities) and RMB 14,687,400 (17 entities), respectively.

The largest single related party amount related to Shanghai Tomorrow Square Co., Ltd. with credit balance of RMB 396,220,000, comprising 1.62% of the net capital (RMB24.526 billion), well within the stipulated regulatory standard of 10%. The largest single related legal entity amount related to Shanghai Guosheng Group Ltd with a total transaction amount of RMB396,220,000, accounting for 1.62% of the net capital and well below the stipulated regulatory standards of 15%. Total related party transactions at RMB1,232,901,100, accounted for 5.03% of the net capital (RMB24.526 billion), far lower than the stipulated regulatory maximum of 50%.

Customer	Unit: RMB 10,000		
	Credit balance	Classification	Guarantee
Shanghai Tomorrow Square Co., Ltd.	39,622.00	Normal	Pledge
Shanghai Qingpu Industrial Park Development (Group) Co., Ltd.	26,500.00	Normal	Guarantee
Shanghai Zhujiajiao Investment Development Co., Ltd.	20,000.00	Normal	Guarantee
Shanghai Yunfeng Group Ltd	19,000.00	Normal	Pledge, Discount
Shanghai Greenland Auto Group Ltd	7,000.00	Normal	Pledge
Orient International Holding Shanghai Foreign Trade Co., Ltd.	6,052.70	Normal	Guarantee
Shanghai Shanxin Real Estate & Development Co., Ltd.	3,446.66	Normal	Pledge
Shanghai Zhangcun Electronic Co., Ltd.	200.00	Normal	Guarantee

VI. Shareholders loans

(I) Shareholders with a single loan balance exceeding 1% of net equity and total loan balance to a single borrower exceeding 5% of net equity

Customer	Unit: RMB 10,000		
	Loan at end of year	Classification	Guarantee
Shanghai Fenxian Construction Investment Co., Ltd.	35000.00	Normal	Guaranty
Shanghai Fenxian Construction Investment Co., Ltd.	33000.00	Normal	Guaranty
Shanghai Huixin Investment Operation Co., Ltd..	30000.00	Normal	Guaranty
Shanghai Putuo State-owned Assets Operation Co., Ltd..	30000.00	Normal	Guaranty

(II) The shareholders, of which outstanding loans exceeded RMB 30 million

Name of shareholder	Balance	Five-grade classification	Security	Product type
Shanghai Fenxian Construction Investment Co., Ltd.	35000.00	Pass	Guarantee	Infrastructure Loan
	33000.00	Pass	Guarantee	Infrastructure Loan
Shanghai Hui Xin Investment Operation Co., Ltd.	30000.00	Pass	Guarantee	Mid-term Working Capital Loan
Shanghai Putuo State-owned Assets Operation Co., Ltd.	30000.00	Pass	Guarantee	Mid-term Working Capital Loan
Shanghai Yingfu Properties Limited	10000.00	Notice	Pledge	Mid-term Working Capital Loan
	8000.00	Notice	Pledge	Mid-term Working Capital Loan
Shanghai New Long March Group Co., Ltd.	13000.00	Pass	Pledge	Real Estate Development Loan
	11000.00	Pass	Pledge	Real Estate Development Loan
Shanghai Zhenda Industry (Group) Co., Ltd	2000.00	Pass	Pledge	Real Estate Pledge Working Capital Loan to Small Enterprises
	2600.00	Notice	Pledge	Short-term Working Capital Loan
Shanghai Malu Asset Operation Co., Ltd.	2300.00	Notice	Guarantee	Short-term Working Capital Loan
	1400.00	Notice	Guarantee	Short-term Working Capital Loan
	400.00	Notice	Pledge	Short-term Working Capital Loan
Shanghai Sanlin Collective Assets Investment Operation Management Co., Ltd.	3420.00	Pass	Pledge	Legal Person Operative Housing Mortgage
	3150.00	Pass	Pledge	Short-term Working Capital Loan
	2500.00	Pass	Pledge	Mid-term Working Capital Loan
Shanghai Wujiaochang (Group) Co., Ltd.	2000.00	Pass	Pledge	Short-term Working Capital Loan
	1880.00	Pass	Pledge	Short-term Working Capital Loan
	2750.00	Notice	Pledge	Short-term Working Capital Loan
Shanghai Xuxing Asset Operation Co., Ltd.	2060.00	Notice	Guarantee	Short-term Working Capital Loan
	640.00	Notice	Pledge	Short-term Working Capital Loan
Shanghai Xufang (Group) Co., Ltd.	4500.00	Pass	Guarantee	Short-term Working Capital Loan
Shanghai YunFei Industrial & Trading Development Co., Ltd.	3000.00	Pass	Pledge	Real Estate Pledge Working Capital Loan to Small Enterprises
	1500.00	Pass	Guarantee	Short-term Working Capital Loan
Shanghai Xinqiao Economy Joint Company	4000.00	Pass	Guarantee	Short-term Working Capital Loan
Shanghai Gaodong Asset Operation Management Co., Ltd.	3960.00	Pass	Pledge	Operative Property Pledge Loan
	1333.33	Pass	Pledge	Operative Property Pledge Loan
Shanghai Shanxin Property Co., Ltd.	1333.33	Pass	Pledge	Operative Property Pledge Loan
	780.00	Pass	Pledge	Legal Person Operative Housing Mortgage

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(III) NPL by shareholders in accordance with the five classification system

None.

(IV) NPL by related parties in accordance with the five classification system

None.

VII. Major Contracts and Implementation

There were no major trusteeship, contract or lease issues during the reporting period. Apart from the financial guarantee business which falls within SRCB's business scope as approved by the People's Bank of China, within the reporting period, SRCB had no other major guarantee issues requiring disclosure.

The Company extended entrusted loans whose capital was provided by the provider as per the intent of the provider. The Bank received handling fees and recognized them as income within the terms of service provision; however, the risk of loan loss was borne by the loan provider. Meanwhile, wealth management service was provided as agreed with the clients in accordance with laws and regulations.

SRCB's various business contract disputes were about loan lawsuits during the reporting period, and no dispute over any other major commercial contracts occurred, other than the aforementioned lawsuits.

VIII. Appointment of auditors

SRCB appointed PricewaterhouseCoopers Zhong Tian Accounting Firm as its domestic auditor.

IX. Penalty imposed on the Company, the Board of Directors, the Board of Supervisors and Senior Management

None.

X. Other matters to be publicized**(I) Business license acquired**

During the reporting period, the Company obtained licenses for bank-enterprise direct connection in E-banking, E-commerce, for the establishment of an intermediary pool for fund-issuance and gold business, and became an ordinary clearing member of Shanghai Clearing House and a first-batch member of the national inter-bank loan transfer market trading platform.

(II) The change of Directors and Supervisors

See the "Change of Directors, Supervisors and Senior Management in the reporting period".

(III) Post-date event

None.

XI. Change of Corporation Name

None.

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Financial Report and Documents Available for Inspection



I. Financial report (see the attachment)

- (I) Auditor's report
- (II) Financial statement
- (III) Notes to the financial statement

II. List of documents available for inspection

- (I) The financial statement duly signed by legal representative, the President and the accounting institution principal.
- (II) The original copy of auditor's report duly signed and sealed by the accounting firm and certified public accountants.
- (III) The annual report duly signed by the Chairman of the Board of Directors.
- (IV) The original copies of documents and announcements of the Company disclosed in Shanghai Financial News etc. during the reporting period.
- (V) The Articles of Association.

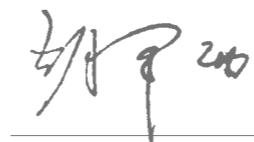
Company Profile	Events of 2010	Leader's Oration	Summary of Accounting Data and Financial Indicators	Changes in Share Capital and Shareholders	Directors, Supervisors, Senior Management and Employees	Corporate Governance Structure	Introduction to General Shareholders' Meeting	Report of the Board of Directors	Report of the Supervisory Committee	Report of the Significant Events	Financial Reports and Documents Available for Inspection
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Written Conformation on the 2010 Annual Report of the Company's Directors

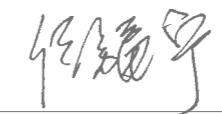
According to the provisions and requirements of Measures on Information Disclosure of Commercial Banks (The China Banking Regulatory Commission order No.7 [2007]) and Special Provisions for the Information Disclosure of Commercial Banks (The China Banking Regulatory Commission public notice No.33 [2008]), we, as the directors, hereby present the following comments after thoroughly understanding and reviewing the 2010 Annual Report of the company:

1. The company has conducted its operation in strict accordance with the Accounting Standards for Business Enterprises and relevant systems and standards, and the 2010 Annual Report fairly reflects the financial situation and operation results during the reporting period.
2. The data involved in the annual report has been checked and confirmed, reflecting the principles of robustness, prudence, objectiveness, truthfulness, accuracy and thoroughness. We believe that there are no false records, misleading statements or major omissions in the company's 2010 Annual Report, and the Report is in compliance with the requirements of relevant regulatory departments and can reflect the real situation of the company's operation.
3. The 2010 Annual Financial Report of the company has been audited by PricewaterhouseCoopers, who has issued a standard audit report containing an unqualified opinion.

Board of Directors Signatures



Hu Pingxi



Hou Funing



Shen Xunfang



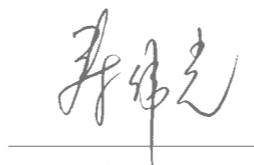
Robert John Edgar



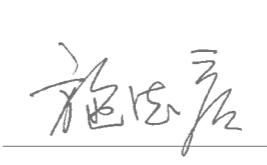
Alistair Marshall Bulloch



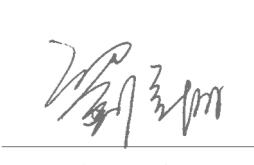
Wan Jianhua



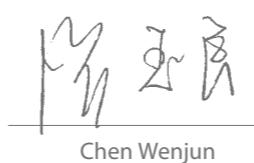
Shi Derong



Yuan Ping



Zhang Yuliang



Chen Wenjun



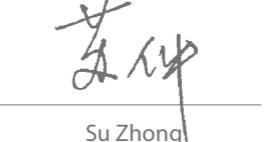
Liu Yipeng



Shi Jiliang



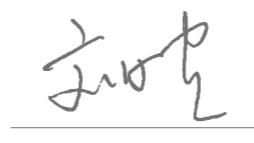
Wu Daqi



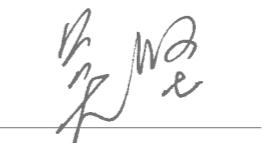
Su Zhong



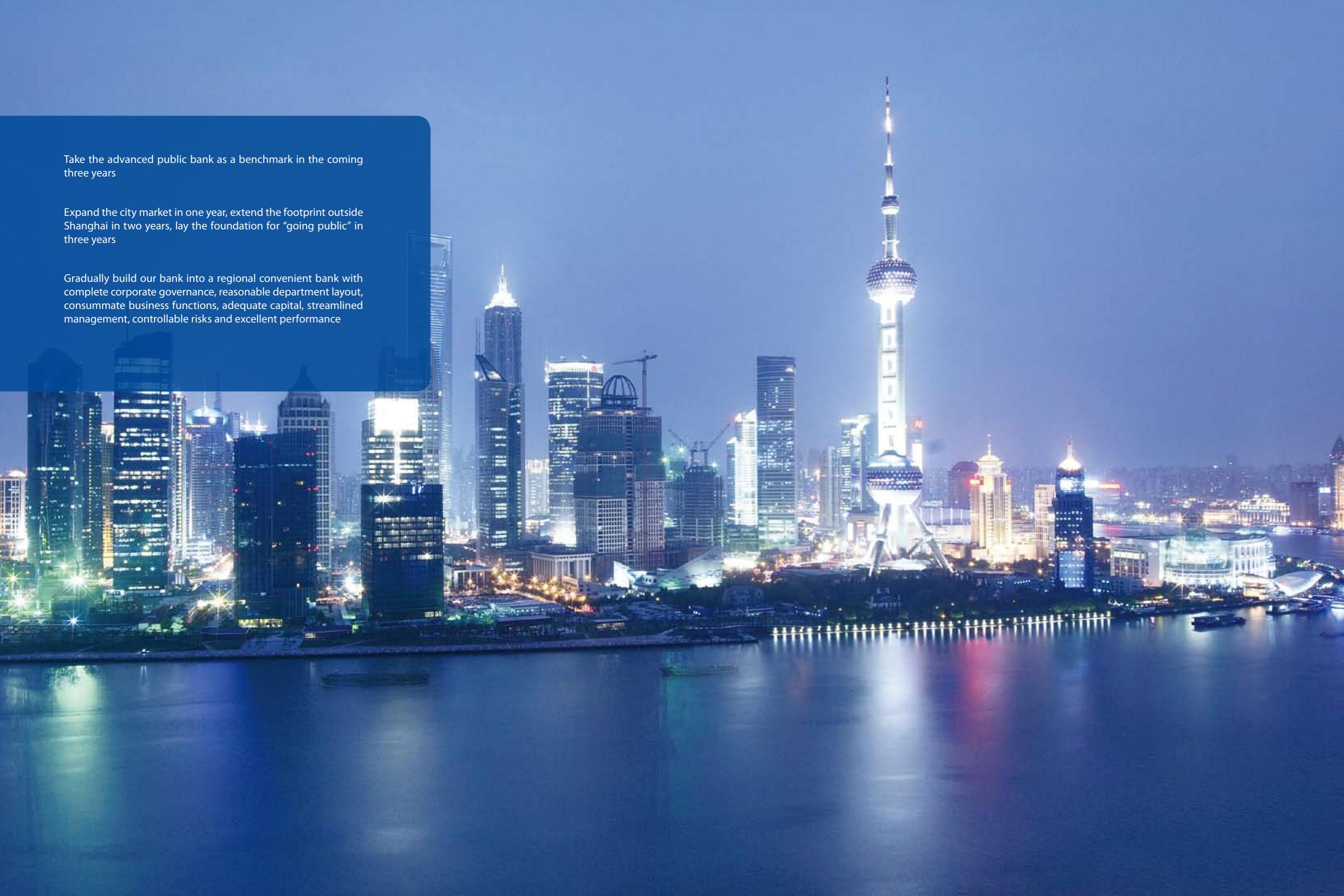
Yu Yinghui



Liu Hongzhong



Wu Jian



Take the advanced public bank as a benchmark in the coming three years

Expand the city market in one year, extend the footprint outside Shanghai in two years, lay the foundation for "going public" in three years

Gradually build our bank into a regional convenient bank with complete corporate governance, reasonable department layout, consummate business functions, adequate capital, streamlined management, controllable risks and excellent performance



Financial Statements and Auditor's Reports

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS AS AT 31 DECEMBER 2010

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Consolidated and Bank's income statements	5
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Consolidated statement of changes in Shareholders' equity	8
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Report of the auditors

PwC ZT Shen Zi (2011) No. 21240

To 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 consolidated and the Bank's balance sheets as at 31 December 2010, and the consolidated and the Bank's income statements, the consolidated and the Bank's cash flows statements and the consolidated and the Bank's statements of changes in equity for the year ended 31 December 2010 and notes to these financial statements.

Management's Responsibility for the Financial Statements

The management of the Bank is responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes:

- (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (2) selecting and applying appropriate accounting policies; and
- (3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the combined financial statements are free from material misstatement.

An audit involves performing 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, the auditor considers internal control relevant to the entity's preparation 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 entity's 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Bank's financial position as of 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.



注册会计师



周 玲



单 峰

CONSOLIDATED AND THE BANK'S BALANCE SHEETS AS AT 31 DECEMBER 2010

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

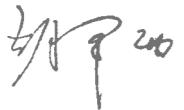
Assets	Notes	Group		Bank	
		31-Dec 2010	31-Dec 2009	31-Dec 2010	31-Dec 2009
Cash and deposits with the central Bank	7.1	43,887,935	31,294,365	43,797,230	31,248,471
Deposits with other Banks	7.2	5,597,004	3,178,794	5,589,536	3,178,794
Placement with other Banks	7.3	86,095	-	86,095	-
Precious metals		1,785	-	1,785	-
Trading assets	7.4	47,432	129,279	47,432	129,279
Financial assets purchased under resale agreements	7.5	9,904,710	10,515,156	9,904,710	10,515,156
Interest receivables	7.6	733,033	828,630	733,033	828,630
Loans and advances	7.7	138,785,598	116,579,757	138,261,043	116,343,251
Financial assets classified as available-for-sale	7.8	16,740,728	10,472,022	16,644,494	10,472,022
Securities classified as held-to-maturity	7.9	28,973,697	26,740,279	28,870,723	26,637,282
Securities classified as loans and receivables	7.10	2,616,568	3,222,712	2,616,568	3,222,712
Long-term equity investment	7.11	467,187	547,449	518,187	598,449
Investment properties	7.12	-	4,138,013	-	4,138,013
Fixed assets	7.13	3,186,701	3,029,674	3,186,252	3,029,629
Deferred tax assets	7.14	516,401	582,375	516,401	582,375
Other assets	7.15	556,050	856,969	555,800	856,743
Total Assets		252,100,924	212,115,474	251,329,289	211,780,806

CONSOLIDATED AND THE BANK'S INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

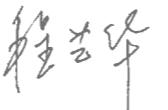
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Group		Bank	
		31-Dec 2010	31-Dec 2009	31-Dec 2010	31-Dec 2009
Liabilities					
Due to other Banks and financial institutions	7.16	1,057,987	224,272	1,186,981	300,673
Placement from other Banks	7.17	100,000	-	100,000	-
Financial assets sold under repurchased agreements	7.18	5,273,880	6,523,000	5,273,880	6,523,000
Due to customers	7.19	211,834,300	179,234,051	210,993,639	178,868,758
Deposits from wealth management products	7.20	488,861	700,965	488,861	700,965
Employee benefits payable	7.21	324,498	98,970	324,079	98,582
Taxes payable	7.22	788,032	672,693	787,974	672,544
Interest payable	7.23	3,319,691	2,870,529	3,318,058	2,870,134
Provision	7.24	249,124	262,140	249,124	262,140
Subordinated debt	7.25	1,500,000	1,500,000	1,500,000	1,500,000
Other liabilities	7.26	3,938,741	6,959,973	3,938,099	6,959,663
Total Liabilities		228,875,114	199,046,593	228,160,695	198,756,459
Shareholders' Equity					
Share capital	7.27	5,000,000	3,745,686	5,000,000	3,745,686
Capital surplus	7.28	8,577,457	1,563,574	8,577,457	1,563,574
Surplus reserve	7.29	3,738,252	873,708	3,738,252	873,708
General Banking reserve	7.30	2,625,540	2,625,540	2,625,540	2,625,540
Undistributed profits	7.31	3,231,534	4,213,561	3,227,345	4,215,839
Total Equity attributable to equity holders of the Bank		23,172,783	13,022,069	23,168,594	13,024,347
Minority interest		53,027	46,812	-	-
Total Shareholders' Equity		23,225,810	13,068,881	23,168,594	13,024,347
Total Liabilities and Shareholders' Equity		252,100,924	212,115,474	251,329,289	211,780,806

The accompanying notes form an integral part of these financial statements.

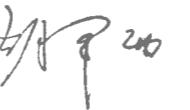
Hu Ping Xi
Chairman


Hou Fu Ning
President

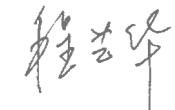

Cheng Yi Hua
Person in charge of
accounting department


	Notes	2010	2009	2010	2009
1.Operating Income		6,377,360	5,027,289	6,355,422	5,018,656
Net interest income		6,060,455	4,999,054	6,038,313	4,990,378
Interest income	7.32	9,518,091	8,057,236	9,494,087	8,048,016
Interest expense	7.32	(3,457,636)	(3,058,182)	(3,455,774)	(3,057,638)
Net fee and commission income		279,770	186,763	279,974	186,806
Fee and commission income	7.33	470,710	269,005	470,616	268,925
Fee and commission expenses	7.33	(190,940)	(82,242)	(190,642)	(82,119)
Investment loss	7.34	3,979	(190,846)	3,979	(190,846)
Including: share of losses of associates		(80,262)	(9,279)	(80,262)	(9,279)
Fair value gains/(losses)		(317)	363	(317)	363
Foreign exchange gains/(losses)		3,633	9,988	3,633	9,988
Other operating income		29,840	21,967	29,840	21,967
2.Operating Expense		(4,064,859)	(2,679,606)	(4,051,766)	(2,665,507)
Business tax and levies	7.35	(395,619)	(202,398)	(395,136)	(202,077)
Operating expenses	7.36	(2,769,062)	(2,100,099)	(2,758,794)	(2,088,710)
Asset impairment losses	7.37	(862,381)	(278,247)	(860,039)	(275,858)
Other operating expenses		(37,797)	(98,862)	(37,797)	(98,862)
3.Operating Profit		2,312,501	2,347,683	2,303,656	2,353,149
Non-operating income	7.38	3,411,068	139,393	3,407,224	138,393
Non-operating expenses	7.39	(2,997,473)	(3,352)	(2,997,473)	(3,352)
4.Total Profit		2,726,096	2,483,724	2,713,407	2,488,190
Less: Income tax	7.40	(500,252)	(514,707)	(500,245)	(514,707)
5.Net Profit		2,225,844	1,969,017	2,213,162	1,973,483
Attributable to equity holders of the Bank		2,219,629	1,971,205	2,213,162	1,973,483
Minority interest		6,215	(2,188)	-	-
6.Other comprehensive income	7.41	140,241	133,131	140,241	133,131
7.Total Comprehensive income		2,366,085	2,102,148	2,353,403	2,106,614
Attributable to equity holders of the Bank		2,359,870	2,104,336	2,353,403	2,106,614
Minority interest		6,215	(2,188)	-	-

The accompanying notes form an integral part of these financial statements.

Hu Ping Xi
Chairman


Hou Fu Ning
President


Cheng Yi Hua
Person in charge of
accounting department


CONSOLIDATED AND BANK'S CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

Items	Notes	Group		Bank	
		2010	2009	2010	2009
1. Cash flows from operating activities:					
1. Cash flows from operating activities:		33,433,964	31,973,342	33,011,187	31,684,450
Net increase in placement from other Banks		100,000	-	100,000	-
Net decrease in assets purchased under resale agreements		610,446	-	610,446	-
Net increase in assets sold under repurchase agreement		-	6,523,000	-	6,523,000
Net decrease in placement with other Banks		-	415,000	-	415,000
Interest received		8,197,599	6,686,138	8,177,424	6,679,790
Fee and commission received		470,709	269,004	470,616	268,925
Cash received relating to other operating activities		976,219	159,212	972,546	158,438
Sub-total of cash inflows		43,788,937	46,025,696	43,342,219	45,729,603
Net increase in placement with other Banks		(86,095)	-	(86,095)	-
Net increase in loans and advances		(23,073,621)	(25,705,045)	(22,783,230)	(25,466,150)
Net increase in deposits with the central Bank and other Banks		(9,239,972)	(3,979,543)	(9,240,476)	(4,010,210)
Net increase in assets purchased under resale agreements		-	(4,759,455)	-	(4,759,455)
Net increase in precious metals		(1,785)	-	(1,785)	-
Net decrease in assets sold under repurchase agreement		(1,249,120)	-	(1,249,120)	-
Net decrease in deposits from wealth management products		(212,104)	(107,205)	(212,104)	(107,205)
Interest paid		(3,008,475)	(2,611,200)	(3,007,850)	(2,611,051)
Fee and commission paid		(190,940)	(82,241)	(190,642)	(82,119)
Payment of staff payroll and welfare		(1,564,958)	(1,342,041)	(1,558,747)	(1,338,667)
Payment of taxes		(714,559)	(228,127)	(713,978)	(227,954)
Cash paid relating to other operating activities		(3,774,359)	(1,330,531)	(3,770,681)	(1,323,219)
Sub-total of cash outflows		(43,115,988)	(40,145,388)	(42,814,708)	(39,926,030)
Net cash flows from operating activities	7.43(2)	672,949	5,880,308	527,511	5,803,573

Items	Notes	Group		Bank	
		2010	2009	2010	2009
2. Cash flows from investing activities:					
Cash flows received from disposal of investments		26,121,610	16,387,621	26,121,587	16,387,621
Net cash received from disposal of investment properties		1,122,000	-	1,122,000	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,934	107,645	7,791	107,645
Cash received from returns on investments		1,285,476	1,029,867	1,281,649	1,026,995
Cash paid for investments		28,537,020	17,525,133	28,533,027	17,522,261
Cash paid for investments		(30,767,771)	(23,358,798)	(30,671,538)	(23,255,802)
Investment in for subsidiaries		-	-	(51,000)	-
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		(461,236)	(1,963,539)	(460,819)	(1,963,489)
Sub-total of cash outflows		(31,229,007)	(25,322,337)	(31,132,357)	(25,270,291)
Net cash flows from investing activities		(2,691,987)	(7,797,204)	(2,599,330)	(7,748,030)
3. Cash flows from financing activities:					
Cash received from equity investment		8,127,956	49,000	8,127,956	-
Including: Subsidiaries' cash received from Minority Shareholders		-	49,000	-	-
Cash received from issuing bonds		-	1,500,000	-	1,500,000
Dividend paid		(337,112)	(299,654)	(337,112)	(299,654)
Net cash flows from financing activities		7,790,844	1,249,346	7,790,844	1,200,346
4. Influence of exchange rate flux on cash and cash equivalents					
5. Net increase /(decrease)in cash and cash equivalents					
Add: Cash and cash equivalents at beginning of year		8,508,812	9,176,362	8,432,251	9,176,362
6. Cash and cash equivalents at end of year	7.43(1)	14,280,618	8,508,812	14,151,276	8,432,251

The accompanying notes form an integral part of these financial statements.

Hu Ping Xi
Chairman

Hou Fu Ning
President

Cheng Yi Hua
Person in charge of
accounting department

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

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

Items	Attributable to equity holders of the Bank					Minority interest	Total Shareholders' Equity
	Share capital	Capital surplus	Surplus reserve	General Banking reserve	Undistributed profits		
Beginning balance at 1 January 2009	3,745,686	1,430,443	478,295	2,625,540	2,937,423	-	11,217,387
Net profit of 2009	-	-	-	-	1,971,205	(2,188)	1,969,017
Other Comprehensive income	-	133,131	-	-	-	-	133,131
Capital contribution from shareholders	-	-	-	-	-	49,000	49,000
Profit appropriation							
1. Transfer to surplus reserve	-	-	395,413	-	(395,413)	-	-
2. Cash dividends (Note.7.31)	-	-	-	-	(299,654)	-	(299,654)
Ending balance at 31 December 2009 and beginning balance at 1 January 2010	3,745,686	1,563,574	873,708	2,625,540	4,213,561	46,812	13,068,881
Net profit of 2010	-	-	-	-	2,219,629	6,215	2,225,844
Other Comprehensive income	-	140,241	-	-	-	-	140,241
Capital contribution from shareholders	1,254,314	6,873,642	-	-	-	-	8,127,956
Profit appropriation							
1. Transfer to surplus reserve	-	-	2,864,544	-	(2,864,544)	-	-
2. Cash dividends (Note.7.31)	-	-	-	-	(337,112)	-	(337,112)
Ending balance at 31 December 2010	5,000,000	8,577,457	3,738,252	2,625,540	3,231,534	53,027	23,225,810

The accompanying notes form an integral part of these financial statements.

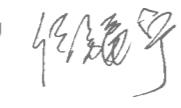
BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

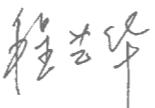
(All amounts expressed in thousands of RMB unless otherwise stated)

Items	Share capital	Capital surplus	Surplus reserve	General Banking reserve	Undistributed profits	Total Shareholders' Equity
Beginning balance at 1 January 2009	3,745,686	1,430,443	478,295	2,625,540	2,937,423	11,217,387
Net profit of 2009	-	-	-	-	-	1,973,483
Other Comprehensive income	-	133,131	-	-	-	133,131
Capital contribution from shareholders						
Profit appropriation	-	-	395,413	-	(395,413)	-
1. Transfer to surplus reserve	-	-	-	-	-	-
2. Cash dividends (Note.7.31)	-	-	-	-	(299,654)	(299,654)
Ending balance at 31 December 2009 and beginning balance at 1 January 2010	3,745,686	1,563,574	873,708	2,625,540	4,215,839	13,024,347
Net profit of 2010	-	-	-	-	-	2,213,162
Other Comprehensive income	-	140,241	-	-	-	140,241
Capital contribution from shareholders	1,254,314	6,873,642	-	-	-	8,127,956
Profit appropriation						
1. Transfer to surplus reserve	-	-	2,864,544	-	(2,864,544)	-
2. Cash dividends (Note.7.31)	-	-	-	-	(337,112)	(337,112)
Ending balance at 31 December 2010	5,000,000	8,577,457	3,738,252	2,625,540	3,227,345	23,168,594

The accompanying notes form an integral part of these financial statements.

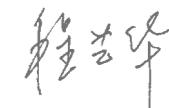
Hu Ping Xi
Chairman


Hou Fu Ning
President


Cheng Yi Hua
Person in charge of
accounting department


Hu Ping Xi
Chairman


Hou Fu Ning
President


Cheng Yi Hua
Person in charge of
accounting department


NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

1 GENERAL 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. The Bank obtained its finance approval license No. G10312900H0001 from China Banking Regulatory Commission ("CBRC") on 22 August 2005, and obtained its business license (No. 3100001007291) from Shanghai Municipal Administration of Industry and Commerce. Wan Long (Shanghai) Certified Public Accountants has verified the initial registered capital of RMB 3,000,294 thousand and issued the Wan Kuai Ye Zi (2005) No.1738 Capital Verification Report.

In accordance with Yin Jian Fu (2007) No. 356, "Approval on Shanghai Rural Commercial Bank Company Limited equity investment from Australia and New Zealand Banking Group Limited in Shanghai" issued by CBRC, the registered capital of the Bank was increased to RMB 3,745,686 thousand. The additional capital contribution has been verified by Wan Long (Shanghai) Certified Public Accountants, and the Wan Kuai Yan Zi (2007) No. 1149 Capital Verification Report was issued. The Bank obtained updated business license No. 31000000088142 from Shanghai Municipal Administration of Industry and Commerce on 14 January 2008.

In accordance with the "Proposal Related to the Targeted Offering and the Increase of Registered Capital of Shanghai Rural Commercial Bank" approved by the 1st provisional shareholders' meeting on 27 October 2010, the Group applied to increase registered capital by 1,254,314 thousand to 5,000,000 thousand, all paid in cash. On 24 December 2010, the proposal was approved by China Banking Regulatory Commission ("CBRC") Shanghai Bureau by issuing the "Approval on the Targeted Offering and the Increase of Registered Capital of Shanghai Rural Commercial Bank" (Yin Jian Fu (2010) No. 947). PricewaterhouseCoopers verified the increased registered capital and issued the PwC ZT Yan Zi (2010) No. 426. As of the audit report day of 2010, the change in commerce registration is still in process of legal procedure .

The Bank made equity investment in Shanghai Chongming Yangtze River Village Bank Co. Ltd. ("the Village Bank") which formally commenced operation on 18 February 2009. The registered capital of the Village Bank is RMB 100 million, and the Bank contributed RMB 51 million, accounting for 51% of the equity interest. As the controlling shareholder, the Bank starts to prepare consolidated financial statements from 2009. 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. In 2010, The Group's actual business activities are consistent with the approved scale as above.

As of 31 December 2010, the Bank has Pudong branch, 19 county-level branches, 230 sub-branches and 76 third-level branches in addition to head office and functional departments. The Group's operational assets are all located in Shanghai. The Bank's main regulatory authorities are the China Banking Regulatory Commission and its Shanghai Branch.

These financial statements were authorised for issuance by the board of directors on 31 March 2011.

2 BASIS OF PREPARATION

On February 15 2006, the Ministry of Finance of the People's Republic of China ("MOF") promulgated the revised "Accounting Standards for Business Enterprises-Basic Standard" and 38 revised and newly issued specific standards (New "CAS"). The financial statements for the year ended 31 December 2010 are prepared under New CAS.

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Bank for the year ended 31 December 2010 truly and completely present the financial position as of 31 December 2010 and the operating results, cash flows and other information for the year then ended of the Group and the Bank in compliance with the Accounting Standards for Business Enterprises.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

4.1 Principal accounting policies

4.1.1 Accounting period

The Group's accounting year starts on 1 January and ends on 31 December.

4.1.2 Function currency

The Group uses RMB as its functional currency.

4.1.3 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RMB at the stipulated exchange rates.

At balance sheet date, exchange differences arising from these translations are recorded in income statement. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into RMB at the spot exchange rates prevailing on transaction dates.

4.1.4 Cash and cash equivalents

Cash and cash equivalents comprise assets balances with original maturities of three months or less from the date of acquisition including: cash, non-restricted balances with the central Bank, deposits with other Banks and placement with other Banks.

4.1.5 Financial assets and liabilities

The Group recognizes and derecognizes the financial assets based on the accounting of the transaction date if the assets are bought or sold in usual way. The transaction date refers to the date when the Group promises to sell or buy the assets. The usual way means to receive or deliver the assets within the legal period according to the contract clauses.

Classification, recognition and measurement of financial assets and liabilities

This category includes: financial assets whose financial assets designated at fair value through profit or loss at inception, loans and receivables, financial assets held for trading or held-to-maturity. Financial liabilities are classified as other financial liabilities at the initial recognition. The classification of financial assets and financial liabilities depends on the intention and ability of the Group.

(1) Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit or loss include financial assets held for trading in a short term and are disclosed as trading assets on balance sheet.

For financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. And these financial assets are subsequently measured at fair value, and gain or loss arising from change in the fair value is recognised in profit or loss.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including deposits with the central Bank, deposits with other Banks and financial institutions, placement with other Banks, reverse repos, loans and advances and investment securities classified as loans and receivables etc.

For loans and receivables, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts. Such assets are subsequently measured at amortised cost using effective interest method less any impairment allowances.

(3) Available-for-sale financial assets

Financial assets classified as available-for-sale are those that are either designated as such or are not classified in any of the other categories.

They are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Such financial assets are recognized at fair value plus related transaction costs at time of acquisition, and are subsequently measured at fair value at balance sheet dates. Gains and losses arising from changes in the fair value of financial assets classified as available-for-sale financial assets are recognized directly in equity after deducting tax impact, until the financial assets are de-recognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in the income statement.

(4) Held-to-maturity financial assets

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has both the positive intention and the ability to hold to maturity. Except for specific situations such as disposal of insignificant amount of held-to-maturity investments at a date sufficiently close to maturity date, if the Group fails to hold such investments through their maturities or reclassifies a portion of held-to-maturity investments into available-for-sale prior to their maturities, the Group shall reclassify the entire held-to-maturity portfolio into available-for-sale investments at fair value and the Group is further prohibited to designate any investments as held-to-maturity during the following two financial years.

Such financial assets are recognized at fair value plus related transaction costs at time of acquisition, and are measured at amortized cost using the effective interest method less any impairment allowance subsequently.

(5) Other financial liabilities

Other financial liabilities are composed of due to other Banks and financial institutions, due to customers, borrowings from other Banks, and assets sold under repurchase agreement, etc.

Other financial liabilities are measured at fair value less transaction costs at the initial recognition, and are presented at actual costs incurred net of accumulated amortisation in balance sheet. The difference between the amount actually received less transaction costs and the amount should be paid on maturity day is recognized over the life of the borrowings' period using the effective interest method.

De-recognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or transferred and the Bank has transferred substantially all risks and rewards of ownership.

Fair value of financial assets and financial liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of quoted investments in active markets are based on current bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial asset is not active, the Bank establishes fair value by using valuation techniques.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. When using valuation techniques, the Group uses the parameters available in the market to the greatest extent so that less parameter specifically related to the Group will be used.

Impairment of financial assets

(1) Assets carried at amortised cost

The Group assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The major criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider;
- (iv) it becoming probable that the borrower will enter Bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties of the issuer; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a 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.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. 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 assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. In practice, the Bank will also determine the fair value of the financial assets with the observed market value and assessed the impairment loss with that fair value.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of the portfolio's future cash flow should reflect changes related to the observed data of the phase change with the changes in direction and consistency. Expected to reduce differences between estimated losses and the actual losses, the Group performs periodic review of the theory and hypothesis of the expected future cash flow.

When a loan is unrecoverable, it is written off against the related allowance on impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses for loans and advances in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

(2) Available-for-sale financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the income statement. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, if, in a subsequent period,

its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity directly.

If an impairment loss incurred on an investment in an equity instrument not quoted in an active market and whose fair value cannot be reliably measured, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

4.1.6 Precious metals

Precious metals refer to gold held for trading. They are measured at fair value at the initial recognition and subsequent balance sheet dates, and changes in fair value are reported in income statement as fair value gains or losses.

4.1.7 Assets purchased under resale agreements ("Reverse repos") and assets sold under repurchase agreements ("Repos")

Reverse repo refers to the agreement under which the Group purchases an asset (e.g. Security, loan and bill) at a fixed price with an obligation to resell it to the same counterparty at a pre-determined price at a specified date. Such assets are recorded at actual amounts paid at acquisition and presented in "Assets purchased under resale agreement".

Repo refers to the agreement under which the Group sells an asset (e.g. security, loan and bill) at a fixed price with an obligation to repurchase it from the same counterparty at a pre-determined price at a specified date. Repos are recorded at the actual amounts received and presented in "Assets sold under repurchase agreements". The difference between sale and repurchase price is treated as interest income or expenses and recognized over the life of the agreement using the effective interest method.

4.1.8 Offsetting financial instruments

Financial assets and financial liabilities are separately presented in the balance sheet without any offsetting, except when:

- (i) there is a legally enforceable right to set off the recognized amounts; or
- (ii) there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

4.1.9 Long-term equity investments

Long-term equity investments comprise the Bank's and the Group's long-term equity investments in the subsidiaries, The Group's long term equity investment in its associates as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured.

(1) Subsidiaries

Subsidiary is an enterprise that the Bank can control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The Bank also considers transferable bonds and other potential vote rights in determining if the Bank has controlling power. Investments in subsidiaries shall be accounted for using the cost method in the individual financial statements of parent company, while in preparing the consolidated financial statements, investments in subsidiaries shall be adjusted using the equity method.

Long-term equity investments using the cost method shall be measured at initial investment cost. The Bank recognises

investment income when the investee distributes cash dividend or profit.

(2) Associates

Associates are all investees that the Group has significant influence on their financial and operating policies.

Investments in associates are accounted for using the equity method. Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at 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 included in profit or loss for the current period and the cost of the long-term equity investment is adjusted accordingly.

When using the equity method of accounting, the Group recognised the investment income based on its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the conditions on recognition of provision are satisfied in accordance with the accounting standards on contingencies, the Group continues to recognise the investment losses and the provision. For changes in owner's equity of the investee other than those arising from its net profit or loss, the Group record directly in capital surplus its proportion, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-Group transactions between the Group and its investees are eliminated to the extent of the Group's interest in the investees, on the basis of which the investment gain or losses are recognised. The loss on the intra-Group transaction between the Group and its investees, of which the nature is asset impairment, is recognised in full amount, and the relevant unrealised gain or loss is not allowed to be eliminated.

(3) Other long-term equity investments

Other long-term equity investments where the Bank does not have control, joint control or significant influence over the investee, and which are not quoted in an active market and whose fair value cannot be reliably measured are accounted for using the cost method.

4.1.10 Investment properties

Land use rights and buildings held to earn rentals or for the purpose of disposal upon appreciation in value which is not occupied by the Bank are classified as investment properties. Investment properties are initially recognized at cost. Subsequent costs are included in the asset's carrying amount, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Otherwise, the subsequent costs are expensed immediately.

Investment properties are subsequently measured at cost. Depreciation or amortisation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Land use rights	50 years	-	2%

If investment properties are used for the Bank's own operations, they should be reclassified to fixed assets or intangible assets when there the such change occurs. If the self-owned property is held to earn rentals or for capital appreciation, they should be reclassified to investment property when such change occurs. When such reclassification occurs, the assets are recognised at cost.

The Group reviews the residual values, useful lives and depreciation (amortisation) method and makes appropriate adjustments on an annual basis.

When the Group disposes or ceases to use the investment property, or does not expect to further benefit from the investment property, the Bank derecognises the investment properties. Proceeds from sale, transfer or disposal of the investment property is recorded in profit or loss after deducting carrying value and related taxes.

4.1.11 Fixed assets

Fixed assets are properties, motel vehicles, electronic equipments, machinery and other appliances that are used for operation purpose and have useful lives of more than one year. Fixed assets purchased or constructed are initially measured at cost at the time of acquisition.

Subsequent expenditures are capitalized, as appropriate, only when it is probable that future economic benefits in excess of the original assessment of performance will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Depreciation is calculated on a straight-line method to allocate the cost of assets to their estimated residual values over their estimated useful lives. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, estimated residual values expressed as a percentage of cost and annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Houses and buildings	20 years	5%	4.75%
Motor vehicles	5 years	5%	19%
Electronic equipments	5 years	5%	19%
Machines	5-10 years	5%	9.5%-19%
Others	5 years	5%	19%

The Group reviews the residual value, useful lives and depreciation method of fixed assets and makes appropriate adjustments on an annual basis. When fixed assets are sold, transferred, disposed of or damaged, gains and losses on disposal are determined by the Group. The proceeds with the carrying amount of the assets, adjusted by related taxes and expenses, are included in non-operating income or expenses.

4.1.12 Construction in progress

Construction in progress is recorded at actual cost. Cost comprises construction cost and other direct costs. Borrowing costs on specific borrowings for financing the construction or acquisition of fixed assets are capitalized as part of the cost of the fixed assets until the assets are ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

4.1.13 Intangible assets

Intangible assets mainly include software.

(a) Software

Intangible assets are initially recorded at cost. Expenditures related to intangible assets are capitalized, as appropriate, only

when it is probable that future economic benefits in excess of the original assessment of performance will flow to the Group and the cost of the item can be measured reliably, and all other related costs are expensed when incurred.

When intangible assets are ready for their intended use, they are amortized using a straight-line method according to useful lives and the anticipated realization way of related economic benefits.

(b) Periodically review of the useful lives and amortization methods

The Group reviews the useful lives and amortization method of intangible assets with limited useful lives and makes appropriate adjustments on an annual basis.

4.1.14 Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating lease and other prepayments incurred but should be borne by the current and subsequent periods and amortised over more than one year. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at cost net of accumulated amortisation.

4.1.15 Foreclosed assets

Foreclosed assets are recognized at lower of net book value of corresponding loans and advances and their fair value less estimated costs to sell on the date of foreclosure. Subsequently foreclosed assets are measured at the lower of their cost and estimated fair value less cost to sell.

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

4.1.16 Impairment of long-term asset

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as an impairment loss. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Provision for impairment is determined on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Bank shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). An asset's cash-generating unit is the smallest Group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets.

Once an impairment loss is recognised, it shall not be reversed in subsequent periods.

4.1.17 Employee Benefits

Employee benefits mainly consist of salary, bonus, allowance and subsidy, staff welfare funds, housing subsidies, social insurance and housing fund, labour union funds and staff education funds and any other employee related expenses.

Employee benefits are recognised in the period of services rendered, and are capitalised in costs of assets or charged to income statement based on expected benefits generated from services rendered by employees.

The Bank participates in social security plans managed by government authorities, including pension, medical, housing and

other welfare benefits. Employees who retired before 2010 could join the annuity plan set by the Bank according to their own wish. According to the relevant regulations, the premiums and welfare benefit contributions are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities. Contributions to the plans are expensed as incurred.

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.

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 2010 or will reach normal retirement ages before the end of 2010. The Bank has recorded the payment obligation of pension subsidies to these employees as a liability. This future payment obligation is measured at its present value, that is, the future cash outflow is discounted using the interest rate of government bonds which have similar terms to the pension liability. Such liability is presented as a provision on the balance sheet.

4.1.18 Provisions

Provisions for pending litigation, restructuring and loss contract are recognized when the Group has a present obligation as a result of past transactions or events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed, and adjusted if appropriate, to reflect the best estimates at each balance sheet date.

4.1.19 Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, 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. When it is probable that the temporary differences arising from investments

in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

The deferred taxes are relate to the same tax payer within the Group and same fiscal authority, and;

That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities

4.1.20 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period using its effective interest rate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (e.g., prepayment options, call options and similar options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, such as transaction costs and all other premiums or discounts. If the cash flows are unable to estimate, the Group shall use contractual cash flows in the entire contract period.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.1.21 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the related service has been provided.

4.1.22 Operating leases

An operating lease is a lease that the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

4.1.23 Contingent liabilities and acceptances

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is disclosed only in the notes to the financial statements.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-

balance sheet transactions and are disclosed as contingent liabilities and commitments.

4.1.24 Financial guarantee contracts

The Group has the following types of financial guarantee contracts: letters of credit and letters of guarantee. These financial guarantee contracts provide for specified payments to be made to reimburse the holder for losses incurred when the guaranteed parties default under the original or modified terms of the specified debt instruments.

The Group initially recognises all financial guarantee contracts at fair value in the balance sheet. Subsequently, they are carried at the higher of amortised carrying value or the provision required meeting the Branch's guarantee obligation. The changes in carrying value are recorded in the income statement. The contractual amounts of financial guarantee contracts are disclosed as off-balance sheet items.

4.1.25 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 recognized 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.

4.1.26 Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, come under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-Group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to Company are recognized as minority interests and presented separately in the consolidated financial statements within equity and net profits respectively.

4.1.27 Segment reporting

The Group identifies operating segments based on the internal organisation structure, management requirements and the internal reporting system, and discloses segment information of reportable segments determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they are aggregated into a single operating segment.

The Group is engaged predominantly in Banking and related financial activities. It comprises corporate Banking, retail Banking, treasury and other classes of business. Corporate Banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Retail Banking mainly comprises retail loans, retail deposits, credit card and remittance. Treasury mainly comprises money market placements and takings, investment in securities, and securities sold subject to linked repurchase agreements ('repos'). The 'Others' business segment mainly comprises items which cannot be categorized in the above business segments.

4.2 Critical accounting estimates and judgments in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgments, which affect the carrying value of assets and liabilities, are set out below. It is impracticable to determine the effect of changes to either the key assumptions discussed below or other estimation uncertainties. It is possible that actual results may require material adjustments to the estimates referred to below.

4.2.1 Allowance for impairment losses on loans and advances

The Group regularly reviews its loan portfolios to assess impairment except that there are known situations that demonstrate impairment losses have occurred. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements 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. 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 scheduling its 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.

The Group regularly assesses impairment for non financial assets. If there is any evidence that indicates the possibility of asset impairment, the recoverable amount of the asset shall be estimated. The recoverable amount shall be determined based on the fair value of an asset less the cost of disposal or the present value of the projected future cash flow of the asset, whichever is higher. If there is no sales agreement and no active market for the asset, the estimated fair value of an asset less the cost of disposal shall be determined based on the best available information. The said value may be estimated by reference to the latest transaction prices or outcomes for similar assets in the same sector. 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.

4.2.2 Fair value of financial instruments

The fair value of financial instruments that is not quoted in active markets is determined by using valuation techniques. To the extent practical, 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.

4.2.3 Held-to-maturity investments

The Bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Bank 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.

4.2.4 Income taxes

The Group is subject to income taxes in jurisdiction of Shanghai municipal government. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 TAXATION

The types and rates of taxes applicable to the Group are set out below:

5.1 Corporate income tax

The applicable tax rate of the Group is 25%.

5.2 Business tax

In accordance with Cai Shui [2006] No. 46, the "Notice on the extension of the taxation policy period related to rural credit cooperatives in the pilot areas" issued by the Ministry of Finance and the State Administration of Taxation on 14 May, 2006, the Bank's business tax is levied at 3% of total taxable income from 1 January, 2004. In 2009, the applicable tax rate for the Bank is 3%. The applicable business tax rate for the subsidiary is 5%.

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

5.3 Urban construction tax

The Group applies the rates of urban construction tax at 1%, 5%, or 7% of business tax according to the different location of tax payers.

5.4 Educational surcharge

The rate of educational surcharge applicable to the Group is 3% of total business tax.

6 SUBSIDIARIES

The subsidiary was included in the scope of consolidated financial statements as 31 December 2010.

	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.	Shanghai	100,000	Financial industry	51%	51%

Please refer to Note1 for subsidiaries' information.

7 NOTES TO THE FINANCIAL STATEMENTS

7.1 Cash and deposits with the central Bank

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Cash	1,677,415	1,331,941	1,677,064	1,331,780
Restricted reserve deposits with the central Bank	35,303,464	23,976,246	35,213,110	23,930,513
Balances with the central Bank other than restricted reserve deposits	6,902,640	5,984,640	6,902,640	5,984,640
Others	4,416	1,538	4,416	1,538
	43,887,935	31,294,365	43,797,230	31,248,471

The Group is required to maintain statutory deposit reserves with PBOC. Such statutory deposit reserves are not available for use by the Group for its day-to-day operations. As of 31 December 2010, the Bank's and subsidiary's reserve ratio for customer deposits denominated in RMB is 16.5% and 12.5% respectively, annual interest rate is 1.62% (31 December, 2009: 13.5% and 11% respectively, annual interest rate was 1.62%) and the Bank's reserve ratio for deposits denominated in foreign currencies is 5% (31 December 2009: 5%). Foreign currency deposit reserve is not interest-bearing.

The balances with the central Bank other than restricted reserve deposit are the amount deposited in PBOC for settlement purpose.

7.2 Deposits with other Banks

	Group	Bank	Group and Bank
	31 December 2010	31 December 2010	31 December 2009
Deposits with domestic Banks	5,292,532	5,285,064	3,059,131
Deposits with overseas Banks	304,472	304,472	119,663
	5,597,004	5,589,536	3,178,794

7.3 Placements with other Banks

	Group and Bank	
	31 December 2010	31 December 2009
Placements with domestic Banks	86,095	-

7.4 Trading assets

	31 December 2010	Group and Bank	31 December 2009
Government bonds	47,432	47,432	31,058
Financial bonds	-	-	98,221
	47,432	47,432	129,279

7.5 Financial assets purchased under resale agreements

	31 December 2010	Group and Bank	31 December 2009
Securities purchased under resale agreements	1,847,000	1,847,000	6,793,200
Bills purchased under resale agreements	8,057,710	8,057,710	3,721,956
	9,904,710	9,904,710	10,515,156

7.6 Interest receivables

	31 December 2010	Group and Bank	31 December 2009
Held-to-maturity investments	349,626	349,626	355,788
Loans and advances	249,607	249,607	323,586
Available for sale financial assets	80,760	80,760	87,265
Deposit with other Banks	10,008	10,008	17,847
Securities investments classified as loans and receivables	23,383	23,383	29,220
Deposits with the central Bank	18,061	18,061	12,773
Financial assets purchased under resale agreements	655	655	1,123
Placement with other Banks	408	408	-
Trading assets	525	525	1,028
	733,033	733,033	828,630

7.7 Loans and advances

	Group	Bank		
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Retail loans and advances				
Personal mortgage loans	13,628,337	11,138,335	13,619,359	11,134,520
Personal consumption loans	847,972	765,103	847,972	765,103
Farmer loans	665,260	845,812	560,730	809,682
Others	42,229	135,353	42,229	135,353
	15,183,798	12,884,603	15,070,290	12,844,658
Corporate loans and advances				
Loans	111,606,765	94,774,261	111,247,285	94,575,311
Discounted bills	14,951,512	11,118,925	14,895,214	11,118,925
	126,558,277	105,893,186	126,142,499	105,694,236
Gross	141,742,075	118,777,789	141,212,789	118,538,894
Individually assessed provision	(726,825)	(958,698)	(726,825)	(958,698)
Collectively assessed provision	(2,229,652)	(1,239,334)	(2,224,921)	(1,236,945)
Total (Note7.7(5))	(2,956,477)	(2,198,032)	(2,951,746)	(2,195,643)
Net	138,785,598	116,579,757	138,261,043	116,343,251

(1) Industry sector:

	Group				Bank			
	31 December 2010		31 December 2009		31 December 2010		31 December 2009	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate	29,762,045	21.00	21,678,255	18.25	29,762,045	21.08	21,678,255	18.29
Manufacturing	24,847,049	17.53	19,258,216	16.21	24,847,049	17.60	19,258,216	16.25
Rental and commercial services	19,595,853	13.83	17,018,615	14.33	19,595,853	13.88	17,018,615	14.36
Wholesale and retail	8,938,575	6.30	6,696,200	5.64	8,938,575	6.33	6,696,200	5.65
Water environmental and public utilities	6,613,200	4.67	6,038,682	5.08	6,613,200	4.68	6,038,682	5.09
Construction	6,526,689	4.60	5,560,896	4.68	6,526,689	4.62	5,560,896	4.69
Transportation, storage and post	3,175,576	2.24	2,251,061	1.90	3,175,576	2.25	2,251,061	1.90
Farming, forest, herd and fishery	2,412,508	1.70	1,340,941	1.12	2,053,028	1.45	1,141,991	0.96
Hotel and restaurant	1,768,600	1.25	1,527,840	1.29	1,768,600	1.25	1,527,840	1.29
Residential and other services	1,482,244	1.05	2,350,554	1.98	1,482,244	1.05	2,350,554	1.98
Others	2,711,326	1.91	2,254,651	1.90	2,711,326	1.92	2,254,651	1.90
Sub-total	107,833,665	76.08	85,975,911	72.38	107,474,185	76.11	85,776,961	72.36
Loans purchased from other financial institutions	3,773,100	2.66	8,798,350	7.41	3,773,100	2.67	8,798,350	7.42
Retail Loans	15,183,798	10.71	12,884,603	10.85	15,070,290	10.67	12,844,658	10.84
Bills accepted by other Banks	14,110,273	9.95	10,876,748	9.16	14,053,975	9.95	10,876,748	9.18
Bills accepted by corporate	841,239	0.60	242,177	0.20	841,239	0.60	242,177	0.20
Discount bills	14,951,512	10.55	11,118,925	9.36	14,895,214	10.55	11,118,925	9.38
Total, gross	141,742,075	100	118,777,789	100	141,212,789	100	118,538,894	100

(2) Types of borrower:

	Group				Bank			
	31 December 2010		31 December 2009		31 December 2009		31 December 2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Joint-stock enterprises	47,883,251	33.78	34,355,848	28.92	47,883,251	33.91	34,355,848	28.98
State-owned enterprises	22,529,047	15.89	19,429,946	16.36	22,529,047	15.95	19,429,946	16.39
Private enterprises	18,728,509	13.22	15,753,419	13.26	18,728,509	13.26	15,753,419	13.29
Collectively owned enterprises	11,071,829	7.81	10,500,194	8.84	10,712,349	7.59	10,301,244	8.69
Foreign invested enterprises	3,934,413	2.78	3,728,069	3.14	3,934,413	2.79	3,728,069	3.15
Others	3,686,616	2.60	2,208,435	1.86	3,686,616	2.61	2,208,435	1.86
Sub-total	107,833,665	76.08	85,975,911	72.38	107,474,185	76.11	85,776,961	72.36
Loans purchased from other financial institutions	3,773,100	2.66	8,798,350	7.41	3,773,100	2.67	8,798,350	7.42
Retail Loans	15,183,798	10.71	12,884,603	10.85	15,070,290	10.67	12,844,658	10.84
Discount bills	14,951,512	10.55	11,118,925	9.36	14,895,214	10.55	11,118,925	9.38
Total, gross	141,742,075	100	118,777,789	100	141,212,789	100	118,538,894	100

(3) Type of securities:

	Group				Bank			
	31 December 2010		31 December 2009		31 December 2010		31 December 2009	
	Amount	%	Amount	%	Amount	%	Amount	%
Clean loans			13,743,669				9,743,195	
Guaranteed loans			32,612,702				32,572,383	
Collateralized loans			79,783,095				64,572,112	
Pledge Loans			15,602,609				11,890,099	
Total, gross			141,742,075				118,777,789	

(4) Loans and advances past due:

	Group				Bank			
	31 December 2010				31 December 2010			
	Amount	%	Amount	%	Amount	%	Amount	%
Clean loans			297,552				92,922	
Guaranteed loans			8,150				22,992	
Collateralized loans			248				-	
Pledge Loans			13,652				1,622	
Total, gross			319,602				117,536	

	Group				Bank			
	31 December 2010				31 December 2010			
	Amount	%	Amount	%	Amount	%	Amount	%
Clean loans			297,552				92,816	
Guaranteed loans			8,150				207,231	
Collateralized loans			248				-	
Pledge Loans			13,652				1,926	
Total, gross			319,602				117,430	

	Group and Bank				31 December 2009			
31 December 2009				31 December 2009				
	Amount	%	Amount	%	Amount	%	Amount	%

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(5) Allowance for impairment losses on loans and advances

	Group					
	2010			2009		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
At 1 January 2010	(958,698)	(1,239,334)	(2,198,032)	(920,742)	(1,008,225)	(1,928,967)
Reversal charge for the year (Note 7.37)	122,538	(984,376)	(861,838)	(95,410)	(182,572)	(277,982)
Transfer from liability as a result of collection of non-performing assets transferred out (Note1)	-	(5,942)	(5,942)	-	(48,537)	(48,537)
Recovery of loans previously written off	(3,456)	-	(3,456)	(19,371)	-	(19,371)
Write off	56,832	-	56,832	22,142	-	22,142
Unwind of discount on allowance	55,959	-	55,959	54,683	-	54,683
At 31 December 2010	(726,825)	(2,229,652)	(2,956,477)	(958,698)	(1,239,334)	(2,198,032)

	Bank					
	2010			2009		
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
At 1 January 2010	(958,698)	(1,236,945)	(2,195,643)	(920,742)	(1,008,225)	(1,928,967)
Reversal charge for the year (Note 7.37)	122,538	(982,034)	(859,496)	(95,410)	(180,183)	(275,593)
Transfer from liability as a result of collection of non-performing assets transferred out (Note1)	-	(5,942)	(5,942)	-	(48,537)	(48,537)
Recovery of loans previously written off	(3,456)	-	(3,456)	(19,371)	-	(19,371)
Write off	56,832	-	56,832	22,142	-	22,142
Unwind of discount on allowance	55,959	-	55,959	54,683	-	54,683
At 31 December 2010	(726,825)	(2,224,921)	(2,951,746)	(958,698)	(1,236,945)	(2,195,643)

Note1: In 2005, the People's Bank of China ("PBOC") issued special bills to the Bank in exchange for certain non-performing assets of the Bank. The Group derecognized these non-performing 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 derecognized 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 April 2008.

In accordance with the Yin Jian Ban Tong [2003] No. 83, the repayment proceeds received by the Bank was reclassified as allowance for loan impairment. The Bank recorded RMB 5,942 thousand and RMB 48,537 thousand in 2010 and 2009 respectively in allowance for loan impairment.

7.8 Financial assets classified as available-for-sale

	Group		Bank		Group and Bank	
	31 December 2010	31 December 2010	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Debt securities						
Government bonds	1,440,619	1,440,619		1,170,355		
Financial bonds	2,671,433	2,671,433		3,733,906		
Corporate bonds	1,914,506	1,818,272		746,647		
Central Bank bills	692,006	692,006		2,131,047		
Equity investment (Note1)	6,718,564	6,622,330		7,781,955		
Wealth management products issued by other Banks	4,188,609	4,188,609		1,190,067		
	5,833,555	5,833,555		1,500,000		
	16,740,728	16,644,494		10,472,022		

Note1: As of 31 December 2010, the equity investment mainly consists of:

The equity investment in Dingding Real Estate Development Co., Ltd. is acquired through restructuring its loans and receivables due from Huixin Security Co., Ltd. after subtracting the impairment provision of which the net value is RMB 723,529 thousand (Note 7.10). The fair value of the equity investment is RMB 1,150,893 thousand. (As of 31 December 2009: 1,064,415 thousand.)

In 2010, the Group received securities of listed companies from the bankrupt properties distribution of Minfa Security Co., Ltd and Fumin Security Co., which was judged by the People's Supreme Court. The Bank recognized the equity investment of RMB 294,830 thousand and 2,636,287 thousand respectively using the fair value on the transferral date (Note 7.10). And as of 31 December 2010, the remaining fair value of equity investment is RMB 142,536 thousand received from Minfa Security Co., and RMB 2,883,584 thousand received from Fumin Security Co., Ltd after partly disposed by the Bank (Notes 7.10).

7.9 Securities classified as held-to-maturity

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Government bonds	18,578,427	13,502,223	18,537,785	13,461,596
Financial bonds	4,222,790	4,875,208	4,181,201	4,833,619
Corporate bonds	5,172,808	2,366,880	5,152,065	2,346,099
Central Bank bills	999,672	5,995,968	999,672	5,995,968
	28,973,697	26,740,279	28,870,723	26,637,282

7.10 Securities classified as loans and receivables

	Group and Bank	
	31 December 2010	31 December 2009
Wealth management products purchased from other Banks	1,593,464	2,103,479
Receivables from security companies (Note1)	885,848	932,710
Government bonds	324,348	373,615
	2,803,660	3,409,804
Less: Impairment allowance	(187,092)	(187,092)
Net	2,616,568	3,222,712

Note1: Prior to the establishment of the Bank, government bonds of the former rural credit cooperatives which were placed with custodians including Nanfang Security Co., Ltd, Fuyou Security Co., Ltd, Dapeng Security Co., Ltd, Yinhe Security Co., Ltd, Huixin Security Co., Ltd, Minfa Security Co., Ltd and Hualong Security Co., Ltd were misappropriated or improperly disposed by those security companies. The Bank lost its right to receive principal and interest of these government bonds on their maturities.

As a legal consequence, the Bank has the legal right to claim payments equivalent to principals and interests of the bonds from these security companies. Among these security companies, Nanfang Security Co., Ltd, Fuyou Security Co., Ltd, Minfa Security Co., Ltd and Dapeng Security Co., Ltd, had been requested by CSRC to terminate the businesses. These three security companies are currently in the stage of liquidation and the Bank still has the legal rights to collect payments from these companies. As a result, the Bank classifies such misappropriated bond investments as receivables from the security companies. In 2007, The Bank wrote off the outstanding amount due from Minfa Security Co., Ltd of RMB 289,366 thousand and in 2008, the Bank wrote off the outstanding amount due from Fuyou Security Co., Ltd. of RMB 3.18 billion following the approval by the Board of Directors, and reclassified amount due from Huixin Security Co., Ltd. of RMB 1.209 billion together with corresponding impairment provision of RMB 486 million to equity investment to Dingding Real Estate Development Co., Ltd. as a result of debt restructuring which was classified as available-for-sale financial assets (Note 7.8).

In 2010, the Bank received foreclosed listed stocks from the Bankrupt properties distribution of Minfa Security Co., Ltd and recognized the stocks as equity investment at fair value on the transferral date totalling RMB 294,830 thousand. The Bank also received cash RMB 139,685 thousand, total amounting to 434,515 thousand recorded as non-operating income (Note 7.38). Judged by the Supreme People's Court, the Bank received listed shares due from Fuyou Security Co., Ltd, and recognized the shares as equity investment at fair value on transferral date totalling RMB 2,636,287 thousand which was recorded as non operating income (Note 7.8) and classified as available-for-sale securities (Note 7.38).

In 2010, the Bank total received RMB 2,931,117 thousand of foreclosed stocks and 246,461 thousand of cash under the account "Receivables from security companies". (Note 7.38)

As of 31 December 2010, receivables from security companies mainly consists of receivables from Yinhe Security Co., Ltd of RMB 706,118 thousand (As of 31 December 2009: 737,918 thousand).

7.11 Long-term equity investment

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Subsidiary(a)	-	-	51,000	51,000
Joint venture (b)	455,349	535,611	455,349	535,611
Other long-term equity investment (c)	18,258	18,258	18,258	18,258
Less: impairment of long-term equity investment	(6,420)	(6,420)	(6,420)	(6,420)
	467,187	547,449	518,187	598,449

(a) Subsidiary

Please refer to Note 1 for the subsidiary information.

(b) Joint venture

	Registration place	Nature of business	Registered capital	Shares held	Percentage of voting rate	31 December 2010		2010
						Total assets	Total liabilities	
Shanghai Jingyi Industry Development Co., Ltd	Shanghai	Settle non-performing assets of Aijian Security	1,794,500	20.45	20.45	706,938	200,281	- (398,572)
Shanghai Hu Yang Highway Development Co., Ltd	Shanghai	Highway management	550,000	35	35	1,809,769	1,226,826	153,036 34,757
Shanghai Southeast Suburb Ring Highway Development Co., Ltd	Shanghai	Highway management	552,000	45	45	1,695,608	1,367,368	110,126 (24,264)
						4,212,315	2,794,475	263,162 (388,079)

Investments in Joint venture are listed as follows

	Initial investment cost	31 December 2009	Net profit/(loss) by equity method adjustment	31 December 2010	
Shanghai Jingyi Industry Development Co., Ltd	367,000	185,119	(81,508)	103,611	
Shanghai Hu Yang Highway Development Co., Ltd	192,500	191,865	12,165	204,030	
Shanghai Southeast Suburb Ring Highway Development Co., Ltd	248,400	158,627	(10,919)	147,708	
	535,611		(80,262)	455,349	

(c) Other long-term equity investment

	Group and Bank	
	31 December 2010	31 December 2009
Clearing center of rural commercial Banks	6,000	6,000
China Union Pay	5,500	5,500
Kangqiao Industrial Company	3,000	3,000
Kangqiao Development Zone	2,500	2,500
Kangqiao Investment	920	920
Bank of Shanghai	338	338
	18,258	18,258

(d) Impairment

	Group and Bank	
	31 December 2010	31 December 2009
Other long-term equity investment		
Kangqiao Industrial Company	(3,000)	(3,000)
Kangqiao Development Zone	(2,500)	(2,500)
Kangqiao Investment	(920)	(920)
	(6,420)	(6,420)

7.12 Investment properties

	Bank and Group	
	Land use right	
Cost		
At 31 December 2009		4,521,417
Additions		(4,521,417)
At 31 December 2010		-
Accumulated depreciation		
At 31 December 2009		(383,404)
Additions		(37,678)
Disposal		421,082
At 31 December 2010		-
Net		
At 31 December 2010		-
At 31 December 2009		4,138,013

The investment properties are the investment on the land use rights of Nonggongshang Haifeng Farm, which was acquired by the Bank from Shanghai Municipal Government during reconstruction process in exchange for its non-performing assets. The cost of this land use right of RMB 4,521,417 thousand is determined by the Bank at the book value of the non-performing assets transferred out which was similar to the result of valuation by Shanghai Real Estate Valuation Firm Co., Ltd.

In May 2010, Shanghai Municipal Government allocated special fund of RMB 1,122,000 thousand. In December 2010, approved by the Shanghai Financial Service Office, the Bank was allowed to exchange the investment properties of which net book value was RMB 4,100,335 thousand for RMB 1,122,000 thousand. The land rights were returned to the original owner, Nonggongshang Haifeng Farm. The deal caused loss of RMB 2,978,335 thousand before tax, which was recorded as non-operating expense (Note 7.39).

7.13 Fixed assets

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Cost	3,766,354	2,950,995	3,765,886	2,950,945
Accumulated depreciation	(975,056)	(775,080)	(975,037)	(775,075)
Net	2,791,298	2,175,915	2,790,849	2,175,870
Construction in progress ("CIP")	395,403	853,759	395,403	853,759
Total	3,186,701	3,029,674	3,186,252	3,029,629

Fixed assets movement:

	Group					
	Building	Motor Vehicle	Electronic equipment	Machinery	Office equipment	Total
Cost						
At 31 December 2009	2,422,256	52,039	352,369	107,042	17,289	2,950,995
Add: Additions	14,140	5,122	22,060	7,569	5,365	54,256
Transferred from CIP	697,798	6,510	66,338	18,142	195	788,983
Less: Disposals	(6,524)	(3,690)	(11,041)	(6,356)	(269)	(27,880)
At 31 December 2010	3,127,670	59,981	429,726	126,397	22,580	3,766,354
Group						
	Building	Motor Vehicle	Electronic equipment	Machinery	Office equipment	Total
Accumulated depreciation						
At 31 December 2009	(491,901)	(34,836)	(182,821)	(57,664)	(7,858)	(775,080)
Add: Additions	(147,661)	(6,355)	(55,365)	(12,565)	(2,568)	(224,514)
Less: Disposals	5,481	3,586	10,353	4,903	215	24,538
At 31 December 2010	(634,081)	(37,605)	(227,833)	(65,326)	(10,211)	(975,056)
Net book value						
Net book value	2,493,589	22,376	201,893	61,071	12,369	2,791,298
31 December 2009	1,930,355	17,203	169,548	49,378	9,431	2,175,915
Bank						
	Building	Motor Vehicle	Electronic equipment	Machinery	Office equipment	Total
Cost						
At 31 December 2009	2,422,256	52,039	352,364	107,042	17,244	2,950,945
Add: Additions	14,140	4,704	22,060	7,569	5,365	53,838
Transferred from CIP	697,798	6,510	66,338	18,142	195	788,983
Less: Disposals	(6,524)	(3,690)	(11,041)	(6,356)	(269)	(27,880)
At 31 December 2010	3,127,670	59,563	429,721	126,397	22,535	3,765,886
Accumulated depreciation						
At 31 December 2009	(491,901)	(34,836)	(182,821)	(57,664)	(7,853)	(775,075)
Add: Additions	(147,661)	(6,348)	(55,364)	(12,565)	(2,562)	(224,500)
Less: Disposals	5,481	3,586	10,353	4,903	215	24,538
At 31 December 2010	(634,081)	(37,598)	(227,832)	(65,326)	(10,200)	(975,037)
Net book value						
At 31 December 2010	2,493,589	21,965	201,889	61,071	12,335	2,790,849
At 31 December 2009	1,930,355	17,203	169,543	49,378	9,391	2,175,870

Movement of construction in progress:

	Group and Bank		
	2010	2009	
Balance at 1 January	853,759	356,603	
Additions	406,979	1,858,141	
Transfer to fixed assets	(788,983)	(1,341,006)	
Transfer to long-term prepaid expenses	(76,352)	(19,979)	
Balance at 31 December	395,403	853,759	

7.14 Deferred income tax assets

The movement in the net deferred income tax is as follows:

	31 December 2010	31 December 2009
At 1 January	582,375	600,932
Income statement credit / (charge) (Note 7.40)	(19,226)	25,820
Capital surplus (Note 7.28)		
– Fair value measurement of available-for-sale investments	(87,246)	(49,911)
– Disposal of available-for-sale investments	40,498	5,534
At 31 December	516,401	582,375

Deferred income tax assets and liabilities consist of the following items:

(a) Net deferred income tax assets

	31 December 2010	31 December 2009
	Net deferred income tax assets	Temporary differences
Provision for impaired loans and advances	661,396	2,645,584
Share of net losses of investees under equity method	42,668	170,672
Other temporary differences	9,682	38,728
Net	713,746	2,854,984
	717,260	2,869,037

(b) Net deferred income tax liabilities

	31 December 2010	31 December 2009
	Net deferred income tax assets	Temporary differences
Unrealized gain of assets available-for-sale	(155,466)	(621,864)
Unrealized gain of trading assets	(12)	(48)
Other temporary differences	(41,867)	(167,468)
Net	516,401	2,065,604
	582,375	2,329,497

7.15 Other assets

	Group	Bank
Other receivables and prepayments (a)	324,070	584,301
Less: Bad debt provision (a)	(30,834)	(30,834)
Foreclosed assets (b)	362,700	542,233
Less: Impairment allowance for foreclosed assets (b)	(219,370)	(219,370)
Long-term prepaid expenses (c)	59,599	32,920
Intangible assets (d)	59,885	36,703
	556,050	856,969
	555,800	856,743

(a) Other receivables and prepayments

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Prepayment	177,264	178,983	177,264	178,983
Prepaid legal expenses	22,018	46,633	22,018	46,633
Intra-city bills under collection	6,210	26,714	6,210	26,714
Rental deposits	4,137	12,295	4,137	12,295
Others	114,441	319,676	114,191	319,450
	324,070	584,301	323,820	584,075
Less: Bad debt provision	(30,834)	(30,834)	(30,834)	(30,834)
	293,236	553,467	292,986	553,241

(b) Foreclosed assets

	Group and Bank	
	31 December 2010	31 December 2009
Land used right	309,859	416,700
Buildings	22,382	115,095
Machinery	2,056	2,056
Others	28,403	8,382
	362,700	542,233
Less: Impairment allowance for foreclosed assets	(219,370)	(308,354)
	143,330	233,879

(c) Long-term prepaid expenses

	Group and Bank	
	31 December 2010	31 December 2009
Leasehold improvement	46,647	20,706
Development expenses	11,456	10,289
Prepaid rental expenses	1,496	1,925
	59,599	32,920

(d) Intangible assets

	Group and Bank	
	31 December 2010	31 December 2009
Cost		
Balance at 1 January	49,550	26,182
Add: Additions	33,633	23,368
Less: Disposal	(2,340)	-
Balance at 31 December	80,843	49,550
Accumulated amortization		
Balance at 1 January	(12,847)	(6,489)
Add: Additions	(10,441)	(6,358)
Less: Disposal	2,330	-
Balance at 31 December	(20,958)	(12,847)
Net book value		
Balance at 1 January	36,703	19,693
Balance at 31 December	59,885	36,703

7.16 Due to other Banks and financial institutions

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Deposits from other financial institutions	426,408	155,299	426,408	155,299
Deposits from other Banks	369,454	68,973	498,448	145,374
Deposits from security firms	262,125	-	262,125	-
	1,057,987	224,272	1,186,981	300,673

7.17 Placement from other Banks

	Group and Bank	
	31 December 2010	31 December 2009
Placement from local Banks	100,000	-

7.18 Assets sold under repurchase agreement

	Group and Bank	
	31 December 2010	31 December 2009
Securities sold under repurchase agreements	5,273,880	6,523,000

7.19 Due to customers

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Corporate demand deposits	89,612,837	77,653,224	88,975,013	77,345,417
Individual time deposits	85,777,817	72,937,951	85,737,038	72,918,863
Corporate time deposits	15,690,264	11,545,948	15,536,764	11,510,948
Individual demand deposits	15,284,279	13,178,483	15,281,383	13,175,367
Pledged deposits	1,246,573	1,026,755	1,246,573	1,026,755
Other deposits	4,222,530	2,891,690	4,216,868	2,891,408
	211,834,300	179,234,051	210,993,639	178,868,758

As at 31 December 2010, included in pledged deposits were deposits of RMB 46,255 thousand and RMB 183,373 thousand respectively as collateral for commitments under letters of credit and RMB 794,799 thousand Bank acceptances issued, (As at 31 December 2009, included in pledged deposits were deposits of RMB 13,145 thousand and RMB 115,742 thousand respectively as collateral for commitments under letters of credit and RMB 719,803 thousand Bank acceptances issued).

7.20 Deposits from wealth management products

	Group and Bank	
	31 December 2010	31 December 2010
Deposits from principal guaranteed wealth management products	488,861	700,965

The Bank issued several series of principal guaranteed wealth management products to individual investors. The proceeds from such wealth management fund are invested in bonds and bills. The proceeds from wealth management products and corresponding investments are recorded as the Bank's liabilities and assets in the financial statements respectively.

7.21 Staff payroll and welfare payable

	Group			
	31 December 2009	Addition	Deduction	31 December 2010
Salary, bonus, allowance and subsidy	87,873	1,164,680	935,921	316,632
Staff welfare funds	-	32,592	32,592	-
Social insurance	11,094	275,538	278,766	7,866
Housing funds	-	99,707	99,707	-
Union fee and staff education fee	3	32,894	32,897	-
	98,970	1,605,411	1,379,883	324,498
	Bank			
	31 December 2009	Addition	Deduction	31 December 2010
Salary, bonus, allowance and subsidy	87,485	1,160,000	931,272	316,213
Staff welfare funds	-	32,352	32,352	-
Social insurance	11,094	274,797	278,025	7,866
Housing funds	-	99,348	99,348	-
Union fee and staff education fee	3	32,767	32,770	-
	98,582	1,599,264	1,373,767	324,079

7.22 Taxes payable

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Income tax	496,253	523,617	496,253	523,617
Business tax and surcharges	227,521	51,884	227,463	51,735
Withholding individual income tax	62,583	69,232	62,583	69,232
Others	1,675	27,960	1,675	27,960
	788,032	672,693	787,974	672,544

7.23 Interest payables

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Due to customers	3,305,709	2,863,284	3,304,076	2,862,889
Bond securities	6,534	6,534	6,534	6,534
Assets sold under repurchase agreement	4,637	438	4,637	438
Due to other Banks and financial institutions	2,811	273	2,811	273
	3,319,691	2,870,529	3,318,058	2,870,134

7.24 Provisions

	Group and Bank	
	31 December 2010	31 December 2009
Retirement welfare obligations	249,124	262,140

7.25 Subordinated debt

	Group and Bank	
	31 December 2010	31 December 2009
Subordinated debt	1,500,000	1,500,000

The Bank issued a 10-year fixed-rate subordinated debt with the face value of RMB 1.5 billion in November 2009. The annual interest rate of the bonds is 5.3% for the first year to fifth year, and is 8.3% from the sixth year. According to the terms of issue, the Banks can choose to redeem the bonds at the end of the first five years at par value. The repayment of subordinated debt is after the other general obligations, and prior to the Bank's shareholders.

Under related regulations, subordinated debt can be included in supplementary capital in the calculation of capital adequacy ratio. As of 31 December 2010, no default in subordinated debt principal and interest payment or other obligations has occurred. The subordinated bonds have no security.

7.26 Other liabilities

	Group	Bank		
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Outward remittance	3,472,112	6,575,842	3,472,112	6,575,842
Suspense Credit	63,778	59,601	63,760	59,601
Funds under settlement process	60,288	85,664	60,288	85,664
Education funds	54,332	39,803	54,332	39,803
Disposal of fixed assets	34,811	28,952	34,811	28,952
ANZ technical assistance fund	30,449	32,578	30,449	32,578
Suspense long-term unclaimed deposits	18,996	25,561	18,996	25,561
Social welfare and individual income tax	4,537	6,252	4,537	6,252
Others	199,438	105,720	198,814	105,410
	3,938,741	6,959,973	3,938,099	6,959,663

7.27 Share capital

	Group and Bank			
	31 December 2010	31 December 2009		
Number of shares issued (thousands)	5,000,000	3,745,686		
Paid-in capital	5,000,000	3,745,686		
	Group and Bank			
Types of shareholder	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	Number of shares issued (thousands)	(%)	Number of shares issued (thousands)	(%)
Legal person shares	3,246,743	64.93	2,247,052	59.99
Foreign investors shares	1,000,000	20.00	745,392	19.90
Individuals shares	753,257	15.07	753,242	20.11
	5,000,000	100.00	3,745,686	100.00

In accordance with the Proposal Related to the Targeted Offering and the Increase of Registered Capital of Shanghai Rural Commercial Bank approved by the 1st provisional shareholders' meeting on 27 October 2010, the Group applied to increase registered capital by 1,254,314 thousand to 5,000,000 thousand, all paid in cash. CBRC Shanghai Bureau approved the proposal by issuing the document of "Approval on the Targeted Offering and the Increase of Registered Capital of Shanghai Rural Commercial Bank" (Yin Jian Fu (2010) No. 947) on December 24 2010. PricewaterhouseCoopers verified the increase of registered capital and issued the PwC ZT Yan Zi (2010) No. 426. As of the audit report day of 2010. As of 31 December 2010, the Bank has received all the increased capital totaling RMB 8,127,956 thousand with RMB 1,254,314 thousand in share capital and RMB 6,873,642 thousand in capital surplus.

7.28 Capital surplus

	Group and Bank		
	Capital premium	Others-fair value change in available-for-sale financial assets	Total
1 January 2010	1,237,416	326,158	1,563,574
Addition	6,873,642	140,241	7,013,883
31 December 2010	8,111,058	466,399	8,577,457
1 January 2009	1,237,416	193,027	1,430,443
Addition	-	133,131	133,131
31 December 2009	1,237,416	326,158	1,563,574

Movement of other capital surplus is as follows:

	2010	2009
At 1 January	326,158	193,027
Gains from changes in fair value of available-for-sale securities	348,985	199,645
The change of fair value (Note 7.14)	(87,246)	(49,911)
Transferred to net loss on disposal of available-for-sale securities	(161,996)	(22,137)
Disposal of available-for-sale (Note 7.14)	40,498	5,534
At 31 December	466,399	326,158

7.29 Surplus reserve

	Group and Bank		
	Statutory reserve	Discretionary reserve	Total
1 January 2010	429,988	443,720	873,708
Distribution of profit of year 2009	450,643	2,413,901	2,864,544
31 December 2010	880,631	2,857,621	3,738,252
1 January 2009	355,908	122,387	478,295
Distribution of profit of year 2008	74,080	321,333	395,413
31 December 2009	429,988	443,720	873,708

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 surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Bank appropriated 10% of net profit of 2009, amounting to RMB 450,643 thousand for the year 2010, (2009: 10% of the net profit of 2008 for the year, amounting to RMB 74,080 thousand) to the statutory surplus reserve.

The Bank makes appropriations to discretionary reserve after making appropriation to statutory reserve. Approved by the general meeting of stockholders, 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 stockholders on 23 April 2010, the Bank appropriated RMB 2,413,901 thousand as discretionary reserve (2009: RMB 321,333 thousand).

7.30 General Banking reserve

	Group and Bank	
	31 December 2010	31 December 2009
At 1 January	2,625,540	2,625,540
Addition	-	-
At 31 December	2,625,540	2,625,540

Pursuant to Circulars No.49 and No.90 issued by MOF on 17 May and 5 September, 2005 (the "MOF Circulars"), banks and certain other financial institutions in the PRC, including the Bank, are required to maintain adequate allowances for impairment losses against their risk assets. In addition, a general reserve should be established through the appropriation of retained earnings. This general reserve should form part of the shareholders' equity of financial institutions. As a guiding principle, the balance of general reserve should not be less than 1% of the aggregate amount of all risk assets.

7.31 Retained earnings

In accordance with the resolution at the general meeting of shareholders dated on 23 April 2010, the Bank declares a cash dividend in the amount of RMB 337,112 thousand (2009: 299,654 thousand).

In accordance with the resolution at the board of directors' meeting dated on 31 March 2011, the directors proposed the following appropriations to the Bank's net profit of 2010.

Appropriation of statutory reserve is RMB 221,316 thousand drawn from 10% of the profit after tax on the legal financial report and discretionary reserve is RMB 300,603 thousand drawn from 10% of the profit available for distribution to investors. Cash dividend in the amount of RMB 341,815 thousand (before tax) of a 9% of capital stock (among which, the increased capital 1,254,314 thousand shares was converted according to the effective days between 17 December 2010, the measurement day, and 31 December 2010. The proposal was approved on the annual general meeting and not recorded as liabilities on the financial statements.

7.32 Net interest income

	Group		Bank	
	2010	2009	2010	2009
Loans	6,771,750	5,805,775	6,752,566	5,799,731
Security investments	1,402,918	1,378,921	1,399,090	1,376,049
Rediscount	595,192	341,322	595,192	341,322
Deposits with the central Bank	508,372	385,367	507,380	385,063
Financial assets purchased under resale agreements	181,170	93,140	181,170	93,140
Deposits with other Banks	43,324	43,002	43,324	43,002
Discounted bills	12,410	4,732	12,410	4,732
Placement with other Banks	2,782	4,977	2,782	4,977
Others	173	-	173	-
Interest income	9,518,091	8,057,236	9,494,087	8,048,016
Due to customers	(2,954,405)	(2,930,392)	(2,949,507)	(2,929,068)
Rediscount	(235,507)	(21,770)	(235,507)	(21,770)
Assets sold under repurchase agreement	(126,035)	(80,609)	(126,035)	(80,609)
Bond issued	(79,500)	(6,534)	(79,500)	(6,534)
Due to other Banks and financial institutions	(58,084)	(10,993)	(61,120)	(11,773)
Borrowings from other Banks	(4,105)	(3,325)	(4,105)	(3,325)
Others	-	(4,559)	-	(4,559)
Interest expense	(3,457,636)	(3,058,182)	(3,455,774)	(3,057,638)
Net interest income	6,060,455	4,999,054	6,038,313	4,990,378

Interest income accrued on impaired financial assets is RMB 55,959 thousand for the year ended 31 December 2010 (2009: RMB 54,683 thousand).

7.33 Net fee and commission income

	Group		Bank	
	2010	2009	2010	2009
Agency commissions	265,661	147,975	265,624	147,932
Settlement and clearing fees	106,346	87,034	106,289	86,997
Advisory fee	93,853	28,440	93,853	28,440
Asset management fees	2,424	1,933	2,424	1,933
Others	2,426	3,623	2,426	3,623
Fee and commission income	470,710	269,005	470,616	268,925
Other agency commission expenses	(157,114)	(51,051)	(157,114)	(51,051)
Settlement and clearing fees	(22,051)	(13,743)	(22,003)	(13,743)
Agency commission expenses	(11,672)	(8,736)	(11,425)	(8,736)
Fund collecting commissioning service charges	(95)	(73)	(95)	(73)
Broker commissions expenses	(8)	(8,516)	(5)	(8,516)
Fee and commission expense	(190,940)	(82,242)	(190,642)	(82,119)
Net fee and commission income	279,770	186,763	279,974	186,806

7.34 Investment gain/(loss)

	Group and Bank	
	2010	2009
Realized loss of trading assets	(78,499)	(205,021)
Realized gain of instruments classified as available-for-sale	161,997	22,137
Investment losses of long-term equity investment	(80,262)	(9,279)
Dividend income	743	1,317
	3,979	(190,846)

7.35 Business tax and levies

	Group		Bank	
	2010	2009	2010	2009
Business tax	(364,831)	(186,953)	(364,371)	(186,647)
Urban construction tax	(16,213)	(7,975)	(16,190)	(7,960)
Educational surcharge	(10,931)	(5,600)	(10,931)	(5,600)
river course maintenance fees	(3,644)	(1,870)	(3,644)	(1,870)
	(395,619)	(202,398)	(395,136)	(202,077)

7.36 Operating expenses

	Group		Bank	
	2010	2009	2010	2009
Salary and bonus	(1,164,680)	(865,513)	(1,160,000)	(862,565)
Office and administrative expense	(675,753)	(575,738)	(672,742)	(569,115)
Employee welfare and social insurance	(612,791)	(476,643)	(611,228)	(475,829)
Depreciation of fixed assets (Note 7.13)	(224,514)	(117,433)	(224,500)	(117,429)
Amortization of long term assets	(15,134)	(10,542)	(15,134)	(10,542)
Rental expenses	(65,749)	(47,872)	(64,749)	(46,872)
Amortization of intangible assets (Note 7.15)	(10,441)	(6,358)	(10,441)	(6,358)
	(2,769,062)	(2,100,099)	(2,758,794)	(2,088,710)

7.37 Impairment losses

	Group		Bank	
	2010	2009	2010	2009
Reversal / (charge) of provision for impaired loans and advances to customers (Note 7.5(5))	(861,838)	(277,982)	(859,496)	(275,593)
(Charge) / reversal of provision for impaired loans and receivables	-	20	-	20
Reversal of provision for financial assets classified as available-for-sale	-	(5,778)	-	(5,778)
Provision for bad debt	(543)	-	(543)	-
Reversal / (Charge) of provision for impairment of foreclosed assets	-	5,493	-	5,493
	(862,381)	(278,247)	(860,039)	(275,858)

7.38 Non-operating income

	Group		Bank	
	2010	2009	2010	2009
Foreclosed stock - receivables from security companies (Note 7.10)	2,931,117	-	2,931,117	-
uyou Security Co., Ltd	2,636,287	-	2,636,287	-
infa Security Co., Ltd	294,830	-	294,830	-
Cash - receivables from security companies (Note 7.10)	246,461	15,438	246,461	15,438
infa Security Co., Ltd	139,685	-	139,685	-
Others	106,776	-	106,776	-
Gain on recovery of non-performing assets transferred to Shanghai Municipal Government (Note1)	163,304	35,410	163,304	35,410
Gains on disposal and physical inspection of fixed assets	2,262	1,003	2,119	1,003
Gains on disposal of foreclosed assets	29,561	68,294	29,561	68,294
Gains on disposal of long-term unclaimed deposits	7,461	2,712	7,461	2,712
Others	30,902	16,536	27,201	15,536
	3,411,068	139,393	3,407,224	138,393

Note1: Shanghai Municipal Government also injected cash and land use rights to the Bank in exchange for the Bank's non-performing assets with the contract value of RMB 5,510,577 thousand in 2005. These assets were also derecognized in accordance with the above Yin Jian Ban Tong [2003] No. 83, and were accounted for as off-balance-sheet items. The land use rights acquired by the Group were recognized as investment properties and were disposed in 2010. Accounting policies related to the investment properties are described in Note 7.12.

According to Cai Zhu Hu Jian [2008] No. 166 "Report of the inspection on quality of accounting information of Shanghai Rural Commercial Bank Co., Ltd. for the year of 2007" issued by Shanghai Commissioners' Office of the Ministry of Finance, such proceeds were recorded as non-operating income by the Bank in the year of receipt. In 2010 and 2009, the Bank recognized such non-operating income in the amount of RMB 163,304 thousand and RMB 35,410 thousand respectively.

7.39 Non-operating expense

	Group and Bank	
	2010	2009
Losses on disposal of investment properties (Note 7.12)	(2,978,335)	-
Donations	(13,356)	-
Losses on disposal of fixed assets	(1,570)	(414)
Others	(4,212)	(2,938)
	(2,997,473)	(3,352)

7.40 Income tax expense

	Group		Bank	
	2010	2009	2010	2009
Current income tax	(481,026)	(540,527)	(481,019)	(540,527)
Deferred tax benefit/(expenses) (Note 7.14)	(19,226)	25,820	(19,226)	25,820
	(500,252)	(514,707)	(500,245)	(514,707)

The actual income tax expense differs from the theoretical amount that would arise using the basic tax rate. Major reconciliation items are listed as follows:

	Group		Bank	
	2010	2009	2010	2009
Profit before income tax	2,726,096	2,483,724	2,713,407	2,488,190
Provision for income tax calculated at the applicable rate of 25%	(681,524)	(620,931)	(678,352)	(622,047)
Effect of income not subject to tax	143,155	114,494	142,923	114,494
Effect of expenses not deductible for tax purposes	(64,089)	(22,685)	(64,070)	(22,679)
Reversal of deferred tax liability arising from over accrual of interest expenses in prior years	102,206	14,415	99,254	15,525
Income tax expense	(500,252)	(514,707)	(500,245)	(514,707)

7.41 Other Comprehensive income

	Group and Bank	
	2010	2009
Unrealised gains on fair value measurement of available-for-sale investments	348,985	199,645
Less: Effect of income tax	(87,246)	(49,911)
Transfer to net profit upon disposal	(121,498)	(16,603)
	140,241	133,131

7.42 Reclassification

The comparative figures of 2009 have been reclassified to conform to the current year's presentation to facilitate comparison.

7.43 Notes of cash flows

1 Cash and cash equivalents

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Non-restricted deposits with the central Bank	6,907,055	5,986,178	6,907,056	5,986,178
Deposits with other Banks with original maturity day within 3 months	5,696,148	1,190,693	5,567,156	1,114,293
Cash in hand	1,677,415	1,331,941	1,677,064	1,331,780
Cash and cash equivalents as at 31 December	14,280,618	8,508,812	14,151,276	8,432,251

2 Cash flows from operating activities

Items	Note	Group		Bank	
		2010	2009	2010	2009
Net profit:		2,225,844	1,969,017	2,213,162	1,973,483
Adjustment: Impairment loss	7.37	862,381	278,247	860,039	275,858
Depreciation of fixed assets	7.36	224,514	117,433	224,500	117,429
Amortization of intangible asset	7.36	10,441	6,358	10,441	6,358
Amortization of long-term prepaid expenses	7.36	15,134	10,542	15,134	10,542
Amortization of investment properties		37,678	90,428	37,678	90,428
Gains on disposal of fixed assets and foreclose assets		(7,934)	(67,942)	(7,791)	(67,942)
Loss on disposal of investment properties	7.39	2,978,335	-	2,978,335	-
Fair value change		317	(363)	317	(363)
Investment income		(1,406,898)	(1,188,075)	(1,403,070)	(1,185,203)
Interest expenses for bonds issued	7.32	79,500	6,534	79,500	6,534
Net decrease of deferred tax assets	7.14	65,974	18,557	65,974	18,557
Increase on operating receivable		(34,167,301)	(33,999,037)	(33,877,388)	(33,710,456)
Increase on operating payable		29,754,964	38,638,609	29,330,680	38,268,348
Net cash provided from operating activities		672,949	5,880,308	527,511	5,803,573

3 Investing and financing activities that do not involve cash receipts and payments

	Group		Bank	
	2010	2009	2010	2009
	-	-	-	-

4 Net increase in cash and cash equivalents:

	Group		Bank	
	2010	2009	2010	2009
Cash and cash equivalents at end of year	14,280,618	8,508,812	14,151,276	8,432,251
Less: cash and cash equivalents at beginning of year	8,508,812	9,176,362	8,432,251	9,176,362
Net increase/(decrease) in cash and cash equivalents	5,771,806	(667,550)	5,719,025	(744,111)

8 SEGMENT REPORTING

	Group					Total	
	2010	Corporation Banking	Personal Banking	Treasury	Unallocated	Elimination	
1. Operating income	4,470,659	655,475	1,204,027	47,199	-	-	6,377,360
Interest income	5,815,967	2,637,532	2,932,296	-	(1,867,704)	-	9,518,091
Interest expense	(1,597,256)	(2,096,548)	(1,631,536)	-	1,867,704	-	(3,457,636)
Net fee and commission income	248,315	114,491	(98,517)	15,481	-	-	279,770
Investment income/(loss)	-	-	2,101	1,878	-	-	3,979
Fair value gains/(losses)	-	-	(317)	-	-	-	(317)
Foreign exchange gains/(losses)	3,633	-	-	-	-	-	3,633
Other operating income	-	-	-	29,840	-	-	29,840
2. Operating expenses	(2,504,999)	(549,402)	(643,556)	(366,902)	-	-	(4,064,859)
Business tax and levies	(316,760)	(46,785)	(29,789)	(2,285)	-	-	(395,619)
Operating expense	(1,288,802)	(540,254)	(613,767)	(326,239)	-	-	(2,769,062)
Impairment charge for credit losses	(899,437)	37,637	-	(581)	-	-	(862,381)
Other operating expense	-	-	-	(37,797)	-	-	(37,797)
3. Operating profit	1,965,660	106,073	560,471	(319,703)	-	-	2,312,501
Add: Net non-operating income	3,844	-	-	3,407,224	-	-	3,411,068
Less: Net non-operating expense	-	-	-	(2,997,473)	-	-	(2,997,473)
Total profit	1,969,504	106,073	560,471	90,048	-	-	2,726,096
Total assets	128,233,484	19,185,507	92,659,745	12,022,188	-	-	252,100,924
Total liabilities	(113,110,050)	(103,012,526)	(8,099,468)	(4,653,070)	-	-	(228,875,114)

	Group					Total	
	2009	Corporation Banking	Personal Banking	Treasury	Unallocated	Elimination	
1. Operating income	3,893,508	455,934	646,062	31,785	-	-	5,027,289
Interest income	5,275,418	2,548,598	2,165,813	-	(1,932,593)	-	8,057,236
Interest expense	(1,510,366)	(2,165,882)	(1,314,527)	-	1,932,593	-	(3,058,182)
Net fee and commission income	118,468	73,218	(13,499)	8,576	-	-	186,763
Investment income/(loss)	-	-	(192,088)	1,242	-	-	(190,846)
Fair value gains/(losses)	-	-	363	-	-	-	363
Foreign exchange gains/(losses)	9,988	-	-	-	-	-	9,988
Other operating income	-	-	-	21,967	-	-	21,967
2. Operating expenses	(1,445,569)	(406,069)	(520,173)	(307,795)	-	-	(2,679,606)
Business tax and levies	(171,897)	(23,710)	(5,769)	(1,022)	-	-	(202,398)
Operating expense	(994,676)	(388,866)	(514,404)	(202,153)	-	-	(2,100,099)
Impairment charge for credit losses	(278,996)	6,507	-	(5,758)	-	-	(278,247)
Other operating expense	-	-	-	(98,862)	-	-	(98,862)
3. Operating profit	2,447,939	49,865	125,889	(276,010)	-	-	2,347,683
Add: Net non-operating income	1,000	-	-	138,393	-	-	139,393
Less: Net non-operating expense	-	-	-	(3,352)	-	-	(3,352)
Total profit	2,448,939	49,865	125,889	(140,969)	-	-	2,483,724
Total assets	99,070,099	16,262,163	83,937,899	12,845,313	-	-	212,115,474
Total liabilities	(98,942,455)	(87,962,697)	(8,256,041)	(3,885,400)	-	-	(199,046,593)

	Bank					
	2010					
	Corporation Banking	Personal Banking	Treasury	Unallocated	Elimination	Total
1. Operating income	4,455,884	652,340	1,199,999	47,199	-	6,355,422
Interest income	5,799,773	2,633,758	2,928,260	-	(1,867,704)	9,494,087
Interest expense	(1,596,041)	(2,095,909)	(1,631,528)	-	1,867,704	(3,455,774)
Net fee and commission income	248,519	114,491	(98,517)	15,481	-	279,974
Investment income/(loss)	-	-	2,101	1,878	-	3,979
Fair value gains/(losses)	-	-	(317)	-	-	(317)
Foreign exchange gains/(losses)	3,633	-	-	-	-	3,633
Other operating income	-	-	-	29,840	-	29,840
2. Operating expenses	(2,492,469)	(548,840)	(643,556)	(366,901)	-	(4,051,766)
Business tax and levies	(316,277)	(46,785)	(29,789)	(2,285)	-	(395,136)
Operating expense	(1,278,535)	(540,254)	(613,767)	(326,238)	-	(2,758,794)
Impairment charge for credit losses	(897,657)	38,199	-	(581)	-	(860,039)
Other operating expense	-	-	-	(37,797)	-	(37,797)
3. Operating profit	1,963,415	103,500	556,443	(319,702)	-	2,303,656
Add: Net non-operating income	-	-	-	3,407,224	-	3,407,224
Less: Net non-operating expense	-	-	-	(2,997,473)	-	(2,997,473)
Total profit	1,963,415	103,500	556,443	90,049	-	2,713,407
Total assets	128,058,282	19,071,999	92,177,070	12,021,938	-	251,329,289
Total liabilities	(112,439,947)	(102,968,850)	(8,099,468)	(4,652,430)	-	(228,160,695)

	Bank					
	2009					
	Corporation Banking	Personal Banking	Treasury	Unallocated	Elimination	Total
1. Operating income	3,887,747	455,934	643,190	31,785	-	5,018,656
Interest income	5,269,070	2,548,598	2,162,941	-	(1,932,593)	8,048,016
Interest expense	(1,509,822)	(2,165,882)	(1,314,527)	-	1,932,593	(3,057,638)
Net fee and commission income	118,511	73,218	(13,499)	8,576	-	186,806
Investment income/(loss)	-	-	(192,088)	1,242	-	(190,846)
Fair value gains/(losses)	-	-	363	-	-	363
Foreign exchange gains/(losses)	9,988	-	-	-	-	9,988
Other operating income	-	-	-	21,967	-	21,967
2. Operating expenses	(1,431,470)	(406,069)	(520,173)	(307,795)	-	(2,665,507)
Business tax and levies	(171,576)	(23,710)	(5,769)	(1,022)	-	(202,077)
Operating expense	(983,287)	(388,866)	(514,404)	(202,153)	-	(2,088,710)
Impairment charge for credit losses	(276,607)	6,507	-	(5,758)	-	(275,858)
Other operating expense	-	-	-	(98,862)	-	(98,862)
3. Operating profit	2,456,277	49,865	123,017	(276,010)	-	2,353,149
Add: Net non-operating income	-	-	-	138,393	-	138,393
Less: Net non-operating expense	-	-	-	(3,352)	-	(3,352)
Total profit	2,456,277	49,865	123,017	(140,969)	-	2,488,190
Total assets	98,838,428	16,262,163	83,834,902	12,845,313	-	211,780,806
Total liabilities	(98,652,321)	(87,962,697)	(8,256,041)	(3,885,400)	-	(198,756,459)

9 CONTINGENT LIABILITIES AND COMMITMENTS

9.1 CONTINGENT LIABILITIES AND COMMITMENTS

	Group and Bank	
	31 December 2010	31 December 2009
Letters of credit issued	176,493	19,780
Letters of guarantee issued	783,051	237,779
Acceptances	1,949,969	1,460,664
Unused credit card facility	1,635,517	872,063
	4,545,030	2,590,286

9.2 Operating lease commitments

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group	Bank
	31 December 2010	31 December 2009
Within 1 year	49,081	44,086
Within 1 year to 5 years	168,222	166,807
Above 5 years	84,217	93,435
	301,520	304,328
		291,640
		295,608

9.3 Pledged assets

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.

	Group and Bank	
	31 December 2010	31 December 2009
Sold under repo agreements: Security investment	5,273,800	6,523,000

9.4 Capital commitments

	Group and Bank	
	31 December 2010	31 December 2009
Approved but not contracted	1,247,742	1,952,214
Contracted but not paid	181,411	128,066
	1,429,153	2,080,280

The above capital commitments are related to office building constructions and fixed assets purchases. The management believes the future financial capability can enable the Bank to fulfil these commitments requirement.

9.5 Certificate Treasury Bond redemption commitments

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

The Bank's redemption commitments, representing the principal value of the bonds underwritten and sold by the Bank, amounted to RMB 1.913 million at 31 December 2010 (31 December 2009: RMB 1.639 million). The original maturities of these bonds vary from 3 to 5 years.

9.6 Legal proceedings

There was no significant legal proceeding outstanding against the Group at 31 December 2010 (Neither in 31 December 2009).

10 FIDUCIARY ACTIVITIES

The Bank provides custodian and trust services to its customers. Assets held by the Bank under custodian and trust services are not included in the balance sheet. As at 31 December 2010, the balance of entrusted loans amounted to RMB 13.363 billion, (31 December 2009: RMB 8.552 billion).

11 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

As of 31 March 2011, there was no significant event subsequent to the balance sheet date that requires additional disclosure.

12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

12.1 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 related parties of the Group include key management personnel (including directors and senior management personnel) and their close family members, as well as entities that are controlled or joint controlled by key management personnel and their close family members, and shareholders who have significant influence over the Group's operating and finance policies. Start from 1 January 2010, the enterprises under the same significant influence as the Group are not regarded as related parties and related transactions during this period have been restated.

(1) Subsidiaries and associates

Please refer to Note 6 for the subsidiary's information and Note 7 for the associate's information.

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

Shareholders who have significant influence over the Group in 2010:

Name of entity	Main business	Percentage of total shares
ANZ Banking (Group) Co., Ltd.	Banking	20.00%
Shanghai International (Group) Co., Ltd.	Investment	8.01%
Shanghai State-owned Assets management Co., Ltd.	Investment	8.01%
Shanghai Dragon Investment Co., Ltd.	Investment	6%
Shenzhen Lenovo Science and Technology Park Co., Ltd.	Investment	5.73%
Shanghai International Asset Management Co., Ltd.	Investment	4%
Shanghai Greenland (Group) Co., Ltd.	Real estate development	4%

12.2 Related party transactions and balance

The major transactions entered into by the Group with its related parties are loans and deposits. The transactions related parties follow commercial terms arranged in the ordinary course of the Group's business and the same pricing principle.

(1) Loan and advances to the related parties:

	31 December 2010	31 December 2009
Shanghai Dragon Investment Co., Ltd.	396,220	896,220
Shanghai Greenland (Group) Co., Ltd.	260,000	210,000
Key management personnel :	14,687	11,131
Total	670,907	1,117,351
Interest income	2010	2009
	80,841	28,124

(2) Deposits

	31 December 2010	31 December 2009
Shareholders with more than 5% of equity shares	1,184	1,138
Interest expenses	2010	2009
	14	15

(3) Transaction with key management personal

The loans extended to key management personnel amounting to RMB 14,687 thousand as at 31 December 2010 (31 December 2009: RMB 11,131 thousand) have been included in the loans and advances to the related parties.

Salaries and other short-term benefits paid to the key management for the year ended 31 December 2010 amounted to RMB 15,665 thousand (2009: RMB 8,600 thousand).

(4) Transactions with subsidiaries

Balance sheet items with subsidiaries is as follows:

	31 December 2010	31 December 2009
Due to other Banks and financial institutions	128,994	76,400

Income statement items with subsidiaries is as follows:

	2010	2009
Interest expense	3,044	25

The transactions with subsidiaries have been eliminated when consolidating the financial statements.

13 FINANCIAL RISK MANAGEMENT

13.1 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 analyzes, inspects and evaluates the exaction of the relevant policies. All operation departments and branches are the frontier of risk management and are responsible for their risk management.

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

13.2 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, 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 Authorization 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 authorization 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 Group on a timely basis.

(1) Credit risk measurement

(i) Loans and advances and off balance exposures

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.

(ii) 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, bonds 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. Besides, the Group continuously monitors the changes of the issuers' credit rating.

(iii) Loans to other Banks and financial institutions

Head Office reviews and monitors the credit risk of individual financial institutions on regularly basis. Limits are placed for each individual Bank or non-Banking financial institution which has the business relationship with the Group.

(2) Risk limit control and mitigation policies

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 outlined below:

(i) Collateral

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

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- 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 retail loans are as follows:

Collateral	Maximum loan-to-value ratio
Time deposit	90%
PRC treasury bonds	90%
Commercial building and factory	70%
Housing and land use rights	70%

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 is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, 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 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.

(3) Impairment and provisioning 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: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

(4) Maximum exposure to credit risk before collateral held or other credit enhancements

	Group	Bank		
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Credit risk exposures relating to balance sheet items:				
Deposits with other Banks	5,597,004	3,178,794	5,589,536	3,178,794
Placement with other Banks	86,095	-	86,095	-
Trading assets	47,432	129,279	47,432	129,279
Financial assets purchased under resale agreements	9,904,710	10,515,156	9,904,710	10,515,156
Interest receivables	733,033	828,630	733,033	828,630
Loans and advances	138,785,598	116,579,757	138,261,043	116,343,251
Financial assets classified as available-for-sale	12,552,119	9,281,955	12,455,885	9,281,955
Securities classified as held-to-maturity	28,973,697	26,740,279	28,870,723	26,637,282
Securities classified as loans and receivables	2,616,568	3,222,712	2,616,568	3,222,712
Other assets	293,236	553,467	292,986	553,241
Subtotal	199,589,492	171,030,029	198,858,011	170,690,300
Credit risk exposures relating to off balance sheet items:				
Letters of credit issued	176,493	19,780	176,493	19,780
Letters of guarantee issued	783,051	237,779	783,051	237,779
Acceptances	1,949,969	1,460,664	1,949,969	1,460,664
Unused credit card facility	1,635,517	872,063	1,635,517	872,063
Subtotal	4,545,030	2,590,286	4,545,030	2,590,286
Total	204,134,522	173,620,315	203,403,041	173,280,586

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, loans and advances account for 70% of the total maximum on-balance-sheet exposure (31 December 2010: 68%).

(5) Lending to other Banks and financial assets purchased under resale agreements

Group and Bank	31 December 2010	31 December 2009
Neither past due nor impaired	9,990,805	10,515,156

(6) Loans and advances

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Neither past due nor impaired(a)	139,554,593	116,234,751	139,025,413	115,995,856
Past due but not impaired(b)	273,593	309,485	273,487	309,485
Impaired(c)	1,913,889	2,233,553	1,913,889	2,233,553
Gross	141,742,075	118,777,789	141,212,789	118,538,894
Less: provision	(2,956,477)	(2,198,032)	(2,951,746)	(2,195,643)
Net	138,785,598	116,579,757	138,261,043	116,343,251

As of 31 December, the balance of impairment provision for loans and advances of the Bank is amounted to RMB 2.956 billion (31 December 2009: 2.198 billion), of which RMB 727 million (31 December 2009: RMB 959 million) represents individually assessed provision and the remaining amount of RMB 2.23billion (31 December 2009: RMB 1.24 billion) represents collectively assessed provision. The balance of impairment provision for loans and advances of the Group is amounted 2.95 billion (31 December 2009: 2.2 billion), of which RMB 727 million (31 December 2009: RMB 959 million) represents individually assessed provision and the remaining amount of RMB 2.23billion (31 December 2009: RMB 1.24 billion) represents collectively assessed provision. Further information of impairment allowance for loans and advances to Banks and to customers is provided in Note 7.7.

(a) Loans and advances neither past due or impaired

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

	Group		
	Corporate loans	Retail loans	Retail loans
31 December 2010			
Pass	118,446,422	14,802,583	133,249,005
Special mention	6,305,482	106	6,305,588
	124,751,904	14,802,689	139,554,593
31 December 2009			
Pass	95,482,022	12,466,758	107,948,780
Special mention	8,285,971	-	8,285,971
	103,767,993	12,466,758	116,234,751
Bank			
	Corporate loans	Retail loans	Retail loans
31 December 2010			
Pass	118,030,749	14,689,182	132,719,931
Special mention	6,305,482	-	6,305,482
	124,336,231	14,689,182	139,025,413
31 December 2009			
Pass	95,283,072	12,426,813	107,709,885
Special mention	8,285,971	-	8,285,971
	103,569,043	12,426,813	115,995,856

(b) Loans and advances past due but not impaired:

	Group				
	31 December 2010				
Corporate loans	11,918	20,000	-	1,750	33,668
Retail loans	184,148	38,467	17,204	106	239,925
	196,066	58,467	17,204	1,856	273,593
Bank					
	31 December 2010				
Corporate loans	11,918	20,000	-	1,750	33,668
Retail loans	184,148	38,467	17,204	-	239,819
	196,066	58,467	17,204	1,750	273,487
Group and Bank					
	31 December 2009				
Corporate loans	3,000	2,565	953	34,000	40,518
Retail loans	167,813	64,719	27,221	9,214	268,967
	170,813	67,284	28,174	43,214	309,485

At the inception of loans, the Group will appoint independent evaluators to determine the fair value of collaterals. The Group will review the value of collaterals when there is objective evidence of impairment of loan.

As of 31 December 2010, fair value of collaterals of past due but not impaired corporate loans amounted to RMB 96 million and that of retail loans amounted to RMB 357 million respectively (31 December 2009: RMB 116 million and 471 million respectively).

(c) Loans and advances individually impaired

	Group and Bank	
	31 December 2010	31 December 2009
Corporate loans	1,772,600	2,084,675
Retail loans	141,289	148,878
	1,913,889	2,233,553

As of 31 December 2010, fair value of collaterals of impaired corporate loans amounted to RMB 3,069 billion and that of retail loans amounted to RMB 289 million respectively (31 December 2009: RMB 3.332 billion and 233 million respectively).

As at 31 December 2010, the Group performed individual assessment for individually significant impaired loans and made provisions of RMB 727 million (31 December 2009: RMB 959 million) after considering the value of collaterals. The Group has also provided RMB 139 million (31 December 2009: RMB 123 million) for individually insignificant impaired loans based on collective assessment at portfolio level.

The majority of the Group's retail loans are mortgage loans. At 31 December 2010, mortgage loans account for approximately 90% (31 December 2009: 87%) of the total retail loans. The Group strictly complies with the mortgage loan regulations issued by

PBOC and CBRC, under which the loan principal should not exceed 70% of the value of residential properties. The Group adopts the five-grade classification system to assess the credit quality of the portfolio of loans and advances through considering factors such as percentage of value of collaterals to loan balance, due days, repayments ability and wish of borrowers so as to prevent from losses.

(d) Loans and advances renegotiated

Renegotiated loans represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. At 31 December 2010, the renegotiated loans held by the Group amounted to RMB 11 million (31 December 2009: RMB 11 million).

(7) Securities investment

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).

Securities	Group				31 December 2010
	Trading assets (Note 7.4)	Available for sale (Note 7.8)	Held to maturity (Note 7.9)	Loans and receivables (Note 7.10)	
AAA- to AAA+	-	854,919	5,025,585	-	5,880,504
AA- to AA+	-	721,326	825,097	-	1,546,423
A+	-	-	61,588	-	61,588
A-1	-	898,191	272,015	-	1,170,206
No rated:					
Government bonds	47,432	1,440,619	18,578,426	324,348	20,390,825
Bonds issued by central Bank	-	692,006	999,672	-	1,691,678
Bonds issued by policy Banks	-	2,111,503	2,751,461	-	4,862,964
Bonds issued by other Banks	-	-	459,853	-	459,853
Other bonds	-	-	-	698,756	698,756
Wealth management products purchased from other Banks	-	5,833,555	-	1,593,464	7,427,019
	47,432	12,552,119	28,973,697	2,616,568	44,189,816
Securities	Group				31 December 2009
	Trading assets (Note 7.4)	Available for sale (Note 7.8)	Held to maturity (Note 7.9)	Loans and receivables (Note 7.10)	
AAA- to AAA+	-	1,020,083	2,565,076	-	3,585,159
AA- to AA+	-	610,021	600,878	-	1,210,899
A+	-	48,428	142,679	-	191,107
A-1	-	153,908	100,782	-	254,690
No rated:					
Government bonds	31,058	1,170,355	13,502,223	373,615	15,077,251
Bonds issued by central Bank	-	2,131,047	5,995,968	-	8,127,015
Bonds issued by policy Banks	98,221	2,648,113	3,272,820	-	6,019,154
Bonds issued by other Banks	-	-	559,853	-	559,853
Other bonds	-	-	-	745,618	745,618
Wealth management products purchased from other Banks	-	1,500,000	-	2,103,479	3,603,479
	129,279	9,281,955	26,740,279	3,222,712	39,374,225

Securities	Bank				31 December 2010
	Trading assets (Note 7.4)	Available for sale (Note 7.8)	Held to maturity (Note 7.9)	Loans and receivables (Note 7.10)	
AAA- to AAA+	-	854,919	5,025,585	-	5,880,504
AA- to AA+	-	625,092	804,353	-	1,429,445
A+	-	-	19,999	-	19,999
A-1	-	898,191	272,015	-	1,170,206
No rated:					
Government bonds	47,432	1,440,619	18,537,785	324,348	20,350,184
Bonds issued by central Bank	-	692,006	999,672	-	1,691,678
Bonds issued by policy Banks	-	2,111,503	2,751,461	-	4,862,964
Bonds issued by other Banks	-	-	459,853	-	459,853
Other bonds	-	-	-	698,756	698,756
Wealth management products purchased from other Banks	-	5,833,555	-	1,593,464	7,427,019
	47,432	12,455,885	28,870,723	2,616,568	43,990,608
人民币债券	Bank				31 December 2009
	Trading assets (Note 7.4)	Available for sale (Note 7.8)	Held to maturity (Note 7.9)	Loans and receivables (Note 7.10)	
AAA- to AAA+	-	1,020,083	2,565,076	-	3,585,159
AA- to AA+	-	610,021	580,097	-	1,190,118
A+	-	48,428	101,090	-	149,518
A-1	-	153,908	100,782	-	254,690
No rated:					
Government bonds	31,058	1,170,355	13,461,596	373,615	15,036,624
Bonds issued by central Bank	-	2,131,047	5,995,968	-	8,127,015
Bonds issued by policy Banks	98,221	2,648,113	3,272,820	-	6,019,154
Bonds issued by other Banks	-	-	559,853	-	559,853
Other bonds	-	-	-	745,618	745,618
Wealth management products purchased from other Banks	-	1,500,000	-	2,103,479	3,603,479
	129,279	9,281,955	26,637,282	3,222,712	39,271,228

13.3 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, recognizes, measures, monitors and controls the market risk of non-trading accounts in the Group. The departments bearing market risk take the responsibilities of applying the policy and follow the standard procedure of the Group, coordinating with the Risk Management Department, reporting market risk and the execution of standard procedure, as well as applying decisions made by the Asset and Liability Management Committee. Furthermore, the Group applied new asset and liability information system so as to improve market risk management.

(1) Measurement

At present, the Group uses sensitivity analysis to assess its risk exposures to the movement of interest rate and exchange rate. The Group calculates the gap between interest-earning assets and interest-bearing liabilities that would be matured or re-priced during a certain period. The Group further assesses the impact from expected movement of benchmark or market interest rates as well as exchange rates on its earnings.

(2) Currency 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 minimize potential currency mismatches.

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

	Assets	Assets	Other currencies	Group 31 December 2010
				Other currencies
Assets				
Cash and deposits with the central Bank	43,765,758	102,626	19,551	43,887,935
Deposits with other Banks	5,119,453	375,883	101,668	5,597,004
Precious metals	1,785	-	-	1,785
Placement with other Banks	-	86,095	-	86,095
Trading assets	47,432	-	-	47,432
Financial assets purchased under resale agreements	9,904,710	-	-	9,904,710
Interest receivables	732,294	739	-	733,033
Loans and advances	138,511,528	273,748	322	138,785,598
Financial assets classified as available-for-sale	16,740,728	-	-	16,740,728
Securities classified as held-to-maturity	28,973,697	-	-	28,973,697
Securities classified as loans and receivables	2,616,568	-	-	2,616,568
Long-term equity investments	467,187	-	-	467,187
Fixed assets	3,186,701	-	-	3,186,701
Deferred income tax assets	516,401	-	-	516,401
Other assets	551,922	4,128	-	556,050
Total assets	251,136,164	843,219	121,541	252,100,924
Liabilities				
Due to other Banks and financial institutions	(1,057,987)	-	-	(1,057,987)
Placement from other Banks	(100,000)	-	-	(100,000)
Financial assets sold under repurchased agreements	(5,273,880)	-	-	(5,273,880)
Due to customers	(211,419,046)	(357,254)	(58,000)	(211,834,300)
Deposits from wealth management products	(488,861)	-	-	(488,861)
Staff payroll and welfare payable	(324,498)	-	-	(324,498)
Taxes payable	(788,032)	-	-	(788,032)
Interest payable	(3,319,471)	(190)	(30)	(3,319,691)
Provision	(249,124)	-	-	(249,124)
Bonds payable	(1,500,000)	-	-	(1,500,000)
Other liabilities	(3,795,778)	(79,493)	(63,470)	(3,938,741)
Total Liabilities	(228,316,677)	(436,937)	(121,500)	(228,875,114)
Net on-balance sheet position	22,819,487	406,282	41	23,225,810
Financial guarantees and credit related commitments	3,397,162	110,132	6,010	3,513,304

	Group			
	RMB	USD	Other currencies	31 December 2009
				Total
Assets				
Cash and deposits with the central Bank	31,271,327	17,817	5,221	31,294,365
Deposits with other Banks	2,797,008	314,978	66,808	3,178,794
Trading assets	129,279	-	-	129,279
Financial assets purchased under resale agreements	10,515,156	-	-	10,515,156
Interest receivables	826,976	1,654	-	828,630
Loans and advances	116,556,957	22,800	-	116,579,757
Financial assets classified as available-for-sale	10,472,022	-	-	10,472,022
Securities classified as held-to-maturity	26,740,279	-	-	26,740,279
Securities classified as loans and receivables	3,222,712	-	-	3,222,712
Long-term equity investments	547,449	-	-	547,449
Investment properties	4,138,013	-	-	4,138,013
Fixed assets	3,029,674	-	-	3,029,674
Deferred income tax assets	582,375	-	-	582,375
Other assets	856,802	167	-	856,969
Total assets	211,686,029	357,416	72,029	212,115,474
Liabilities				
Due to other Banks and financial institutions	(224,272)	-	-	(224,272)
Financial assets sold under repurchased agreements	(6,523,000)	-	-	(6,523,000)
Due to customers	(179,077,959)	(140,467)	(15,625)	(179,234,051)
Deposits from wealth management products	(700,965)	-	-	(700,965)
Staff payroll and welfare payable	(98,970)	-	-	(98,970)
Taxes payable	(672,693)	-	-	(672,693)
Interest payable	(2,870,282)	(230)	(17)	(2,870,529)
Provision	(262,140)	-	-	(262,140)
Bonds payable	(1,500,000)	-	-	(1,500,000)
Other liabilities	(6,918,098)	(9,198)	(32,677)	(6,959,973)
Total Liabilities	(198,848,379)	(149,895)	(48,319)	(199,046,593)
Net on-balance sheet position	12,837,650	207,521	23,710	13,068,881
Financial guarantees and credit related commitments	2,570,506	18,699	1,081	2,590,286

	Bank			
	RMB	USD	Other currencies	31 December 2010
				Total
Assets				
Cash and deposits with the central Bank	43,675,053	102,626	19,551	43,797,230
Deposits with other Banks	5,111,985	375,883	101,668	5,589,536
Precious metals	1,785	-	-	1,785
Placement with other Banks	-	86,095	-	86,095
Trading assets	47,432	-	-	47,432
Financial assets purchased under resale agreements	9,904,710	-	-	9,904,710
Interest receivables	732,294	739	-	733,033
Loans and advances	137,986,973	273,748	322	138,261,043
Financial assets classified as available-for-sale	16,644,494	-	-	16,644,494
Securities classified as held-to-maturity	28,870,723	-	-	28,870,723
Securities classified as loans and receivables	2,616,568	-	-	2,616,568
Long-term equity investments	518,187	-	-	518,187
Fixed assets	3,186,252	-	-	3,186,252
Deferred income tax assets	516,401	-	-	516,401
Other assets	551,672	4,128	-	555,800
Total assets	250,364,529	843,219	121,541	251,329,289
Liabilities				
Due to other Banks and financial institutions	(1,186,981)	-	-	(1,186,981)
Placement from other Banks	(100,000)	-	-	(100,000)
Financial assets sold under repurchased agreements	(5,273,880)	-	-	(5,273,880)
Due to customers	(210,578,385)	(357,254)	(58,000)	(210,993,639)
Deposits from wealth management products	(488,861)	-	-	(488,861)
Staff payroll and welfare payable	(324,079)	-	-	(324,079)
Taxes payable	(787,974)	-	-	(787,974)
Interest payable	(3,317,838)	(190)	(30)	(3,318,058)
Provision	(249,124)	-	-	(249,124)
Bonds payable	(1,500,000)	-	-	(1,500,000)
Other liabilities	(3,795,136)	(79,493)	(63,470)	(3,938,099)
Total Liabilities	(227,602,258)	(436,937)	(121,500)	(228,160,695)
Net on-balance sheet position	22,762,271	406,282	41	23,168,594
Financial guarantees and credit related commitments	3,397,162	110,132	6,010	3,513,304

	Bank			
	RMB	USD	Other currencies	31 December 2009
Assets				
Cash and deposits with the central Bank	31,225,433	17,817	5,221	31,248,471
Deposits with other Banks	2,797,008	314,978	66,808	3,178,794
Trading assets	129,279	-	-	129,279
Financial assets purchased under resale agreements	10,515,156	-	-	10,515,156
Interest receivables	826,976	1,654	-	828,630
Loans and advances	116,320,451	22,800	-	116,343,251
Financial assets classified as available-for-sale	10,472,022	-	-	10,472,022
Securities classified as held-to-maturity	26,637,282	-	-	26,637,282
Securities classified as loans and receivables	3,222,712	-	-	3,222,712
Long-term equity investments	598,449	-	-	598,449
Investment properties	4,138,013	-	-	4,138,013
Fixed assets	3,029,629	-	-	3,029,629
Deferred income tax assets	582,375	-	-	582,375
Other assets	856,576	167	-	856,743
Total assets	211,351,361	357,416	72,029	211,780,806
Liabilities				
Due to other Banks and financial institutions	(300,673)	-	-	(300,673)
Financial assets sold under repurchased agreements	(6,523,000)	-	-	(6,523,000)
Due to customers	(178,712,666)	(140,467)	(15,625)	(178,868,758)
Deposits from wealth management products	(700,965)	-	-	(700,965)
Staff payroll and welfare payable	(98,582)	-	-	(98,582)
Taxes payable	(672,544)	-	-	(672,544)
Interest payable	(2,869,887)	(230)	(17)	(2,870,134)
Provision	(262,140)	-	-	(262,140)
Bonds payable	(1,500,000)	-	-	(1,500,000)
Other liabilities	(6,917,788)	(9,198)	(32,677)	(6,959,663)
Total Liabilities	(198,558,245)	(149,895)	(48,319)	(198,756,459)
Net on-balance sheet position	12,793,116	207,521	23,710	13,024,347
Financial guarantees and credit related commitments	2,570,506	18,699	1,081	2,590,286

The table below illustrates the potential impact of an appreciation or depreciation of foreign exchange against RMB by 5% on the Group's total profit / (loss):

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Appreciation against RMB by 5%	20,315	11,560	20,315	11,560
Depreciation against RMB by 5%	(20,315)	(11,560)	(20,315)	(11,560)

The Group makes following assumptions in performing the above analysis:

- a. There are no significant changes to the Group's business operations after balance sheet date;
- b. Customers' reactions to the exchange rate movements are not considered;
- c. Impact on the marketing prices of assets and liabilities is not considered;
- d. 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.

(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, loan interest rates can be set with a floor of 10% below the corresponding PBOC benchmark interest rates. Interest rates for discounted bills are market driven. However, such interest rates cannot be set below the PBOC interest rate for re-discounted bills. Interest rate of customer deposit cannot be set above the PBOC benchmark interest rate.

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

The table below summarizes the Group's exposures to interest rate risks. The table presents the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	Group					31 December 2010
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Financial Assets						
Cash and deposits with the central Bank	42,118,642	-	-	-	1,769,293	43,887,935
Deposits with other Banks	5,569,624	22,380	-	-	5,000	5,597,004
Precious Metals	-	-	-	-	1,785	1,785
Placement with other Banks	66,227	19,868	-	-	-	86,095
Trading assets	-	-	-	47,432	-	47,432
Financial assets purchased under resale agreements	7,131,366	926,344	-	1,847,000	-	9,904,710
Loans and advances	47,468,687	88,392,694	2,476,168	448,049	-	138,785,598
Financial assets classified as available-for-sale	3,208,854	6,565,087	1,935,188	842,990	4,188,609	16,740,728
Securities classified as held-to-maturity	1,184,323	4,532,451	14,593,549	8,663,374	-	28,973,697
Securities classified as loans and advances	1,283,470	366,164	268,178	-	698,756	2,616,568
Other assets	-	-	-	-	5,459,372	5,459,372
Total financial assets	108,031,193	100,824,988	19,273,083	11,848,845	12,122,815	252,100,924
Financial Liabilities						
Due to other Banks and financial institutions	(1,057,987)	-	-	-	-	(1,057,987)
Financial assets sold under repurchased agreements	(5,273,880)	-	-	-	-	(5,273,880)
Placement from other Banks	(100,000)	-	-	-	-	(100,000)
Due to customers	(140,576,702)	(48,499,406)	(22,758,190)	(2)	-	(211,834,300)
Deposits from wealth management products	(284,372)	(204,489)	-	-	-	(488,861)
Deferred income tax liabilities	(1,500,000)	-	-	-	-	(1,500,000)
Other liabilities	(20,288)	-	-	-	(8,599,798)	(8,620,086)
Total financial liabilities	(148,813,229)	(48,703,895)	(22,758,190)	(2)	(8,599,798)	(228,875,114)
Net interest re-pricing gap	(40,782,036)	52,121,093	(3,485,107)	11,848,843	3,523,017	23,225,810

	Group					31 December 2009
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Financial Assets						
Cash and deposits with the central Bank	29,950,375	-	-	-	1,343,990	31,294,365
Deposits with other Banks	2,921,665	252,129	-	-	5,000	3,178,794
Trading assets	-	-	99,634	29,645	-	129,279
Financial assets purchased under resale agreements	9,572,387	942,769	-	-	-	10,515,156
Loans and advances	39,098,068	74,842,364	2,233,642	405,683	-	116,579,757
Financial assets classified as available-for-sale	2,247,824	2,551,335	3,286,603	1,196,193	1,190,067	10,472,022
Securities classified as held-to-maturity	5,183,065	380,082	-	21,177,132	-	26,740,279
Securities classified as loans and advances	2,140,349	132,434	204,311	-	745,618	3,222,712
Other assets	-	-	-	-	9,983,110	9,983,110
Total financial assets	91,113,733	79,101,113	5,824,190	22,808,653	13,267,785	212,115,474
Financial Liabilities						
Due to other Banks and financial institutions	(224,272)	-	-	-	-	(224,272)
Financial assets sold under repurchased agreements	(6,523,000)	-	-	-	-	(6,523,000)
Due to customers	(117,920,282)	(41,245,725)	(20,055,629)	(2)	(12,413)	(179,234,051)
Deposits from wealth management products	(578,985)	(121,980)	-	-	-	(700,965)
Deferred income tax liabilities	(1,500,000)	-	-	-	-	(1,500,000)
Other liabilities	(5,806)	-	-	-	(10,858,499)	(10,864,305)
Total financial liabilities	(126,752,345)	(41,367,705)	(20,055,629)	(2)	(10,870,912)	(199,046,593)
Net interest re-pricing gap	(35,638,612)	37,733,408	(14,231,439)	22,808,651	2,396,873	13,068,881

	Bank					31 December 2010
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Financial Assets						
Cash and deposits with the central Bank	42,028,287	-	-	-	-	1,768,943
Deposits with other Banks	5,562,156	22,380	-	-	-	5,000
Precious Metals	-	-	-	-	-	1,785
Placement with other Banks	66,227	19,868	-	-	-	86,095
Trading assets	-	-	-	-	-	47,432
Financial assets purchased under resale agreements	7,131,366	926,344	-	1,847,000	-	9,904,710
Loans and advances	47,458,027	88,028,241	2,335,614	439,161	-	138,261,043
Financial assets classified as available-for-sale	3,208,853	6,565,087	1,838,955	842,990	4,188,609	16,644,494
Securities classified as held-to-maturity	1,184,323	4,532,451	14,490,574	8,663,375	-	28,870,723
Securities classified as loans and advances	1,283,470	366,164	268,178	-	698,756	2,616,568
Other assets	-	-	-	-	5,509,673	5,509,673
Total financial assets	107,922,709	100,460,535	18,933,321	11,839,958	12,172,766	251,329,289
Financial Liabilities						
Due to other Banks and financial institutions	(1,186,981)	-	-	-	-	(1,186,981)
Financial assets sold under repurchased agreements	(5,273,880)	-	-	-	-	(5,273,880)
Placement from other Banks	(100,000)	-	-	-	-	(100,000)
Due to customers	(139,930,320)	(48,305,126)	(22,758,191)	(2)	-	(210,993,639)
Deposits from wealth management products	(284,372)	(204,489)	-	-	-	(488,861)
Deferred income tax liabilities	(1,500,000)	-	-	-	-	(1,500,000)
Other liabilities	(20,286)	-	-	-	-	(8,597,048)
Total financial liabilities	(148,295,839)	(48,509,615)	(22,758,191)	(2)	(8,597,048)	(228,160,695)
Net interest re-pricing gap	(40,373,130)	51,950,920	(3,824,870)	11,839,956	3,575,718	23,168,594

	Bank					31 December 2009
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Financial Assets						
Cash and deposits with the central Bank	29,904,642	-	-	-	-	1,343,829
Deposits with other Banks	2,921,665	252,129	-	-	-	5,000
Trading assets	-	-	99,634	29,645	-	129,279
Financial assets purchased under resale agreements	9,572,387	942,769	-	-	-	10,515,156
Loans and advances	39,098,068	74,664,953	2,183,362	396,868	-	116,343,251
Financial assets classified as available-for-sale	2,247,824	2,551,335	3,286,603	1,196,193	1,190,067	10,472,022
Securities classified as held-to-maturity	5,183,065	380,082	-	21,074,135	-	26,637,282
Securities classified as loans and advances	2,140,349	132,434	204,311	-	745,618	3,222,712
Other assets	-	-	-	-	10,033,839	10,033,839
Total financial assets	91,068,000	78,923,702	5,773,910	22,696,841	13,318,353	211,780,806

The table below illustrates the potential impact from a simple 100 basis point move of interest rate to the financial position of the Group at 31 December on the Bank's reported net interest income in the coming year:

	Group		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
+ 100 basis point parallel move in all yield curves	(161,389)	(170,337)	(158,449)	(169,145)
- 100 basis point parallel move in all yield curves	161,389	170,337	158,449	169,145

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

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

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

13.4 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 7.1)

In addition, the Group limits its loan to deposit ratio at below 75% as required by the PBOC.

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

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

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

The Group set up detailed operating rules for liquidity risk management and rules for liquidity pressure test, and applied new asset and liability information system so as to improve liquidity risk management. The Asset and Liability Management Committee is in charge of liquidity risk management of the senior management. The Planning and Finance Department takes the lead role and responsibility of liquidity risk management. It daily work includes forecast management of big amount, excess reserves management, calculation, monitoring, and control of liquidity ratios, matching assets with liabilities, and liquidity emergency management and pressure test.

(i) Non-derivative cash flows of financial assets and liabilities

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

	Group				
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Financial Assets					
31 December 2010					
Cash and deposits with the central Bank	43,887,936	-	-	-	-
Deposits with other Banks	5,151,350	565,147	23,636	-	-
Placement with other Banks	66,693	19,998	-	-	-
Trading assets	-	-	-	48,000	48,000
Financial assets purchased under resale agreements	4,855,289	2,352,972	968,917	-	1,848,569
Loans and advances	5,901,621	13,579,076	57,855,421	57,593,096	26,089,982
Financial assets classified as available-for-sale	3,100,108	2,698,271	6,068,701	2,797,476	2,121,020
Securities classified as held-to-maturity	105,426	778,442	4,907,001	17,127,034	9,856,382
Securities classified as loans and receivables	19	869,120	785,659	1,012,043	-
Other financial assets	293,236	-	-	-	-
Total financial assets (contractual maturity dates)	63,361,678	20,863,026	70,609,335	78,529,649	39,963,953
273,327,641					
Financial Liabilities					
Due to other Banks and financial institutions	(1,186,981)	-	-	-	-
Placement from other Banks	(100,117)	-	-	-	(100,117)
Financial assets sold under repurchased agreements	-	(5,280,133)	-	-	(5,280,133)
Due to customers	(120,411,205)	(20,606,800)	(50,115,845)	(24,981,531)	(2)
Deposits from wealth management products	(215,946)	(68,789)	(204,507)	-	(489,242)
Bonds issued	(6,752)	(13,504)	(60,768)	(324,099)	(1,824,099)
Other financial liabilities	(3,472,112)	-	-	-	(3,472,112)
Total financial liabilities (contractual maturity dates)	(125,393,113)	(25,969,226)	(50,381,120)	(25,305,630)	(1,824,101)
Net cash flows	(62,031,435)	(5,106,200)	20,228,215	53,224,019	38,139,852
44,454,451					

	Group					
	31 December 2009					
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial Assets						
Cash and deposits with the central Bank	31,294,365	-	-	-	-	31,294,365
Deposits with other Banks	1,787,703	1,159,698	256,138	-	-	3,203,539
Trading assets	-	-	3,875	111,364	31,065	146,304
Financial assets purchased under resale agreements	7,330,494	2,262,824	949,545	-	-	10,542,863
Loans and advances	6,039,160	11,821,051	47,891,967	48,618,188	20,467,904	134,838,270
Financial assets classified as available-for-sale	982,100	889,056	2,584,513	4,533,870	2,538,269	11,527,808
Securities classified as held-to-maturity	4,038,710	1,937,807	3,827,264	14,107,661	6,182,996	30,094,438
Securities classified as loans and receivables	-	201,184	144,199	978,245	-	1,323,628
Other financial assets	553,241	-	-	-	-	553,241
Total financial assets (contractual maturity dates)	52,025,773	18,271,620	55,657,501	68,349,328	29,220,234	223,524,456
Financial Liabilities						
Due to other Banks and financial institutions	(224,272)	-	-	-	-	(224,272)
Financial assets sold under repurchased agreements	(6,526,534)	-	-	-	-	(6,526,534)
Due to customers	(102,997,009)	(15,594,501)	(42,675,418)	(22,557,009)	(2)	(183,823,939)
Deposits from wealth management products	(76,874)	(506,338)	(124,157)	-	-	(707,369)
Bonds issued	(6,752)	(13,504)	(60,768)	(324,099)	(1,905,123)	(2,310,246)
Other financial liabilities	(6,575,842)	-	-	-	-	(6,575,842)
Total financial liabilities (contractual maturity dates)	(116,407,283)	(16,114,343)	(42,860,343)	(22,881,108)	(1,905,125)	(200,168,202)
Net cash flows	(64,381,510)	2,157,277	12,797,158	45,468,220	27,315,109	23,356,254

	Bank					
	31 December 2010					
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial Assets						
Cash and deposits with the central Bank	43,797,230	-	-	-	-	43,797,230
Deposits with other Banks	5,022,356	565,147	23,636	-	-	5,611,139
Placement with other Banks	66,693	19,998	-	-	-	86,691
Trading assets	-	-	-	-	48,000	48,000
Financial assets purchased under resale agreements	4,855,289	2,352,972	968,917	-	1,848,569	10,025,747
Loans and advances	5,901,515	13,579,076	57,535,117	57,451,839	26,081,050	160,548,597
Financial assets classified as available-for-sale	3,100,108	2,698,271	6,068,701	2,797,476	2,121,020	16,785,576
Securities classified as held-to-maturity	105,426	778,442	4,907,001	17,127,034	9,856,382	32,774,285
Securities classified as loans and receivables	19	869,120	785,659	1,012,043	-	2,666,841
Other financial assets	292,986	-	-	-	-	292,986
Total financial assets (contractual maturity dates)	63,141,622	20,863,026	70,289,031	78,388,392	39,955,021	272,637,092
Financial Liabilities						
Due to other Banks and financial institutions	(1,186,981)	-	-	-	-	(1,186,981)
Placement from other Banks	(100,117)	-	-	-	-	(100,117)
Financial assets sold under repurchased agreements	-	(5,280,133)	-	-	-	(5,280,133)
Due to customers	(119,764,821)	(20,606,800)	(49,921,566)	(24,981,531)	(2)	(215,274,720)
Deposits from wealth management products	(215,946)	(68,789)	(204,507)	-	-	(489,242)
Bonds issued	(6,752)	(13,504)	(60,768)	(324,099)	(1,824,099)	(2,229,222)
Other financial liabilities	(3,472,112)	-	-	-	-	(3,472,112)
Total financial liabilities (contractual maturity dates)	(124,746,729)	(25,969,226)	(50,186,841)	(25,305,630)	(1,824,101)	(228,032,527)
Net cash flows	(61,605,107)	(5,106,200)	20,102,190	53,082,762	38,130,920	44,604,565

	Bank					
	31 December 2009					
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial Assets						
Cash and deposits with the central Bank	31,248,471	-	-	-	-	31,248,471
Deposits with other Banks	1,787,703	1,159,698	256,138	-	-	3,203,539
Trading assets	-	-	3,875	111,364	31,065	146,304
Financial assets purchased under resale agreements	7,330,494	2,262,824	949,545	-	-	10,542,863
Loans and advances	6,039,147	11,789,184	47,720,977	48,575,824	20,463,617	134,588,749
Financial assets classified as available-for-sale	982,100	889,056	2,584,513	4,533,870	2,538,269	11,527,808
Securities classified as held-to-maturity	4,038,710	1,937,807	3,827,264	14,107,661	6,079,999	29,991,441
Securities classified as loans and receivables	-	201,184	144,199	978,245	-	1,323,628
Other financial assets	553,241	-	-	-	-	553,241
Total financial assets (contractual maturity dates)	51,979,866	18,239,753	55,486,511	68,306,964	29,112,950	223,126,044
Financial Liabilities						
Due to other Banks and financial institutions	(300,673)	-	-	-	-	(300,673)
Financial assets sold under repurchased agreements	(6,526,534)	-	-	-	-	(6,526,534)
Due to customers	(102,685,804)	(15,594,501)	(42,621,330)	(22,557,009)	(2)	(183,458,646)
Deposits from wealth management products	(76,874)	(506,338)	(124,157)	-	-	(707,369)
Bonds issued	(6,752)	(13,504)	(60,768)	(324,099)	(1,905,123)	(2,310,246)
Other financial liabilities	(6,575,842)	-	-	-	-	(6,575,842)
Total financial liabilities (contractual maturity dates)	(116,172,479)	(16,114,343)	(42,806,255)	(22,881,108)	(1,905,125)	(199,879,310)
Net cash flows	(64,192,613)	2,125,410	12,680,256	45,425,856	27,207,825	23,246,734

(ii) Off-balance sheet items

	Group			
	31 December 2010			
	1No later than 1 year	1-5 years	Over 5 years	Total
Letters of credit issued	176,493	-	-	176,493
Letters of guarantee issued	636,330	146,721	-	783,051
Acceptances	1,949,969	-	-	1,949,969
Unused credit card facility	1,635,517	-	-	1,635,517
Operating lease commitments	49,081	168,222	84,217	301,520
Capital commitments	708,283	720,870	-	1,429,153
Total	5,155,673	1,035,813	84,217	6,275,703

	Group			
	31 December 2009			
	1No later than 1 year	1-5 years	Over 5 years	Total

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	Bank			
	31 December 2010			
	No later than 1 year	1-5 years	Over 5 years	Over 5 years
Letters of credit issued	176,493	-	-	176,493
Letters of guarantee issued	636,330	146,721	-	783,051
Acceptances	1,949,969	-	-	1,949,969
Unused credit card facility	1,635,517	-	-	1,635,517
Operating lease commitments	48,081	160,502	83,057	291,640
Capital commitments	708,283	720,870	-	1,429,153
Total	5,154,673	1,028,093	83,057	6,265,823

	Bank			
	31 December 2009			
	No later than 1 year	1-5 years	Over 5 years	Over 5 years
Letters of credit issued	19,780	-	-	19,780
Letters of guarantee issued	103,218	134,561	-	237,779
Acceptances	1,460,664	-	-	1,460,664
Unused credit card facility	872,063	-	-	872,063
Operating lease commitments	43,086	162,567	89,955	295,608
Capital commitments	305,950	1,774,330	-	2,080,280
Total	2,804,761	2,071,458	89,955	4,966,174

13.5 Fair value of financial assets and liabilities

(1) Financial instrument not measured at fair value

The financial assets and liabilities in the balance sheet that are not measured at fair value include: cash and deposits with the central bank, deposit and placement with other banks, financial assets purchased under resale agreements, loans and advances, securities classified as held-to-maturity, Securities classified as loans and receivables, Due to other Banks and financial institutions, Placement from other Banks, Financial assets sold under repurchased agreements, due to customers, Bonds issued and Deposits from wealth management products.

Except for the financial assets as follows, the difference between carrying value and fair value of other financial assets that are not measured at fair value are quite small. As of 31 December 2010, the financial instruments with differences between carrying value and fair value are showed as follows:

	Group			
	31 December 2010		31 December 2009	
	Fair value	Carrying value	Fair value	Carrying value
Carrying value				
Securities classified as held-to-maturity	29,012,577	28,973,697	26,989,256	26,740,279
Investment securities- loans and receivables	2,628,571	2,616,568	3,433,717	3,222,712
Financial liabilities				
Customer deposits	(212,981,014)	(215,140,009)	(184,869,934)	(182,097,335)
Subordinated debt	(1,472,316)	(1,506,534)	(1,490,043)	(1,506,534)

	Bank		Bank	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	Fair value	Carrying value	Fair value	Carrying value
Carrying value				
Securities classified as held-to-maturity	28,915,546	28,870,723	26,886,259	26,637,282
Investment securities- loans and receivables	2,628,571	2,616,568	3,433,717	3,222,712
Financial liabilities				
Customer deposits	(212,818,720)	(214,297,715)	(184,504,641)	(181,731,647)
Subordinated debt	(1,472,316)	(1,506,534)	(1,490,043)	(1,506,534)

Note: Carrying value of customer deposits includes deposits and interest payable for these deposits and carrying value of bonds issued includes bonds and interest payable for these bonds.

(i) Securities classified as loans and receivables and held-to-maturity

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

(ii) Customer deposits

The fair value of checking, savings and money market accounts is the amount payable on demand at the reporting date. The estimated fair value of fixed interest-bearing deposits and placements without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(iii) Bonds issued

Fair value of subordinated debt 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.

(2) Financial instruments measured at fair value

According to the inputs of the lowest level which has a significant influence over the measurement at fair value, financial instruments measured at fair value are classified into following three levels:

(i) Level 1: Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instrument.

(ii) Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter debt securities. The sources of the parameters such as curve inputs or the counterparty's credit risk are www.chinabond.com.cn.

(iii) Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

	Group			
	31 December 2010			
	Level 1	Level 2	Level 3	Total
Trading assets				
-Debt securities	-	47,432	-	47,432
Investment securities available-for-sale				
-Debt securities	-	6,718,564	-	6,718,564
-Equity securities	3,037,716	-	1,150,893	4,188,609
-Wealth management securities of other Banks	-	-	5,833,555	5,833,555
Total financial assets	3,037,716	6,765,996	6,984,448	16,788,160
 Bank				
31 December 2010				
Level 1	Level 2	Level 3	Total	
Trading assets				
-Debt securities	-	47,432	-	47,432
Investment securities available-for-sale				
-Debt securities	-	6,622,330	-	6,622,330
-Equity securities	3,037,716	-	1,150,893	4,188,609
-Wealth management securities of other Banks	-	-	5,833,555	5,833,555
Total financial assets	3,037,716	6,669,762	6,984,448	16,691,926
 Group and Bank				
31 December 2009				
Level 1	Level 2	Level 3	Total	
Trading assets				
-Debt securities	-	129,279	-	129,279
Investment securities available-for-sale				
-Debt securities	-	7,559,851	222,104	7,781,955
-Equity securities	125,652	-	1,064,415	1,190,067
-Wealth management securities of other Banks	-	-	1,500,000	1,500,000
Total financial assets	125,652	7,689,130	2,786,519	10,601,301

There is no significant conversion between level 1 and level 2.

The financial instruments classified as level 3 mainly include asset-backed security, equity of unlisted financial corporations, and investment in non-principal guaranteed covered other Banks' wealth management securities. As there is no active market for these financial instruments, the Group uses valuation techniques to determine their fair value.

Movement of Level 3 Items:

	Group and Bank		
	1 January 2010		
	Debt securities	Equity securities	Wealth management securities of other Banks
Balance of 1 January 2010	222,104	1,064,415	1,500,000
Total gains or losses	-	-	169,842
-profit or loss	-	-	169,842
-other comprehensive income	-	-	63,555
Purchase	-	86,478	5,770,000
Disposal	(222,104)	-	(1,669,842)
Balance of 31 December 2010	-	1,150,893	5,833,555
Total gains or losses for assets/liabilities held at 31 December 2010	-	-	169,842

	Group and Bank		
	1 January 2009		
	Debt securities	Equity securities	Wealth management securities of other Banks
Balance of 1 January 2010	-	723,529	-
Total gains or losses	-	-	-
-profit or loss	-	-	-
-other comprehensive income	-	340,886	-
Purchase	222,104	-	1,500,000
Disposal	-	-	-
Balance of 31 December 2010	222,104	1,064,415	1,500,000
Total gains or losses for assets/liabilities held at 31 December 2010	-	-	-

13.6 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 maximize 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 on 28 December 2006 and other regulatory requirements.

The table below summarises the composition of regulatory capital and the ratios of the Bank at 31 December 2010:

	31 December 2010	31 December 2009
Core capital		
Share capital	5,000,000	3,745,686
Capital surplus	8,577,457	1,563,574
Statutory reserve	3,738,252	873,708
General Banking reserve	2,625,540	2,625,540
Retained earnings	3,227,345	4,215,837
Adjustment:		
Unrealized gain of available-for-sale securities(i)	(466,399)	(326,158)
Unrealized gain of trading securities(i)	(35)	(272)
Cash dividends(ii)	(341,815)	(337,112)
Sub-total	22,360,345	12,360,803
Less: 50% of equity investment and 50% of investment properties	(755,183)	(752,072)
Net core capital	21,605,162	11,608,731
Supplementary Capital		
Collectively assessed impairment provision (iii)	1,976,721	1,114,089
Long-term subordinated debts	1,500,000	1,500,000
Unrealized gain of available-for-sale securities (i)	233,199	163,079
Unrealized gain of trading securities (i)	35	272
Sub-total	3,709,955	2,777,440
Total capital	26,070,300	15,138,243
Less: Equity investments and investment properties	(1,510,368)	(1,504,144)
Less: Equity investments and investment properties	(50,811)	(50,811)
Net capital	24,509,121	13,583,288

(i) In accordance with "Notice issued by CBRC regarding calculation of Capital Adequacy Ratios for Banks adopting China Accounting Standard" (Yin Jian Fa [2007] No.82):

If the cumulative effect of fair value measurement of the trading securities is a gain, the unrealized gain should be deducted from the Tier 1 capital and added into the Tier 2 capital. If the cumulative effect of fair value measurement of trading securities is a loss, no adjustment should be applied. If the cumulative effect of fair value measurement of the available-for-sale securities is a gain, the unrealized gain should be deducted from core capital and up to fifty percent of the unrealized gain could be added into supplementary capital. If the cumulative effect of fair value measurement of available-for-sale securities is a loss, no adjustment should be applied.

(ii) In accordance with guidance from CBRC, the Bank has excluded estimated cash dividends as part of profit appropriation from retained earnings.

(iii) Represent collectively assessed provision for non-impaired loans and off-balance credit assets.

	31 December 2010	31 December 2009
Risk-weighted assets:		
On-balance sheet	139,932,488	112,459,326
Off-balance sheet	2,298,815	1,240,242
Total risk-weighted assets	142,231,303	113,699,568
Core Capital adequacy ratio	15.19%	10.21%
Total capital adequacy ratio	17.23%	11.95%

SUPPLEMENTARY FINANCIAL INFORMATION PROVIDED BY MANAGEMENT

Financial Statements of Foreign Currency Operation

	31 December 2010	31 December 2009
Assets		
Cash and deposits with the central Bank	18,448,286	3,374,044
Deposits with other Banks	72,108,254	55,913,004
Placement with other Banks	13,000,000	-
Trading assets	-	-
Financial assets purchased under resale agreements	-	-
Interest receivables	111,626	242,175
Loans and advances	41,383,526	3,339,029
Financial assets classified as available-for-sale	-	-
Securities classified as held-to-maturity	-	-
Securities classified as loans and receivables	-	-
Long-term equity investment	-	-
Investment properties	-	-
Fixed assets	-	-
Deferred tax assets	-	-
Other assets	623,276	24,533
Total Assets	145,674,968	62,892,785
	31 December 2010	31 December 2009
Liabilities		
Due to other Banks and financial institutions	-	-
Financial assets sold under repurchased agreements	-	-
Due to customers	62,701,686	23,054,653
Deposits from wealth management products	-	-
Employee benefits payable	-	-
Taxes payable	-	-
Interest payable	33,159	36,090
Provision	-	-
Deferred tax liabilities	-	-
Subordinated debt	-	-
Other liabilities	81,586,864	39,013,009
Including: operation capital	60,000,000	20,000,000
Total Liabilities	144,321,709	62,103,752
Shareholders' Equity		
Share capital	-	-
Capital surplus	-	-
Surplus reserve	-	-
General Banking reserve	-	-
Undistributed profits	1,353,259	789,033
Total Shareholders' Equity	1,353,259	789,033
Total Liabilities and Shareholders' Equity	1,353,259	62,892,785

	2010	2009
1.Operating Income	1,353,259	729,990
Net interest income	1,045,807	517,348
Interest income	1,104,677	554,630
Interest expense	(58,870)	(37,282)
Net fee and commission income	307,738	141,840
Fee and commission income	354,061	189,109
Fee and commission expenses	(46,323)	(47,269)
Fee and commission expenses	-	-
Including: share of losses of associates	-	-
Fair value gains	-	-
Fair value gains	(375)	466
Other operating income	89	70,336
2.Operating Expense	-	-
Business tax and levies	-	-
Operating expenses	-	-
Asset impairment losses	-	-
Other operating expenses	-	-
3.Operating Profit	1,353,259	729,990
Non-operating income	-	-
Non-operating expenses	-	-
4.Total Profit	1,353,259	729,990
Less: Income tax	-	-
5.Net Profit	1,353,259	729,990



上海农商银行 SRCB 2010

Social Responsibility Report



Overview

Reporting period

Jan. 1, 2010 – Dec. 31, certain contents are beyond this period.

Previous report issued

April 2010

Reporting period

Each financial year

Reporting Status

4 consecutive years

Standards referred to

CBRC's Comments on Enhancing the Social Responsibility of Financial Institutions and the Banking Industry, CBA's Index of Social Responsibility for the Chinese Banking Industry and Its Financial Institutions.

Coverage of the report

SRCB and its subsidiaries

Form of report

The report is released in print and on the internet.

For enquiry on the internet version or to download please visit: www.srcb.com

The report is released in both Chinese and English, in case of inconsistency, the Chinese version shall prevail.

Material using for printing

recycling paper

Contact information

Board office of SRCB

Address: 23F, No.8 Central Yincheng Rd, Pudong New District, Shanghai

Zip code: 200120

Tel: 8621-38576709

Fax: 8621-50105085

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SRCB Concept of Social Responsibility

Corporate Introduction
Yearly Achievements
Corporate Governance
Concept of Corporate Social
Responsibility

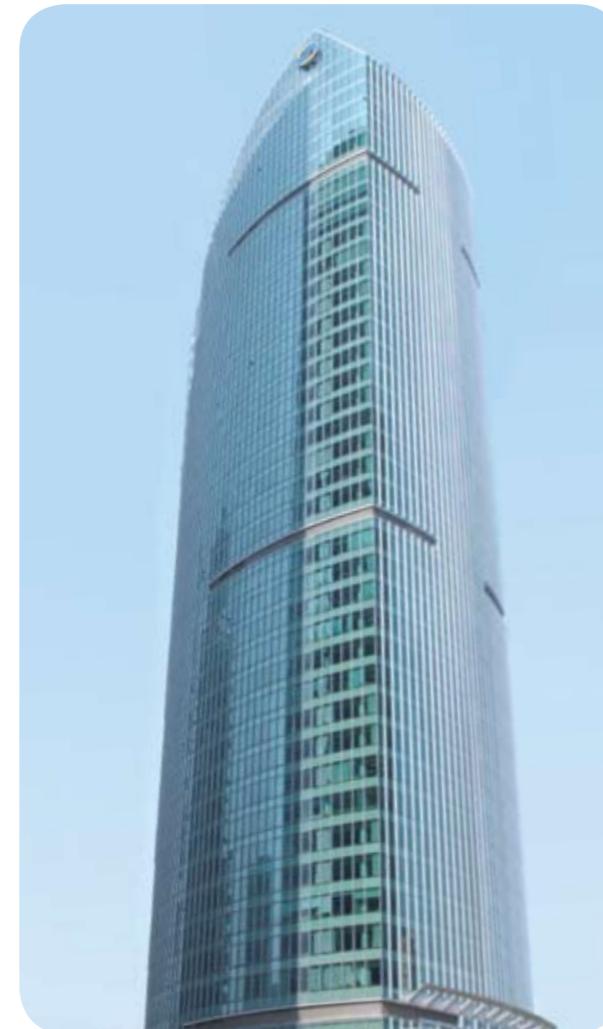
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Corporate Introduction

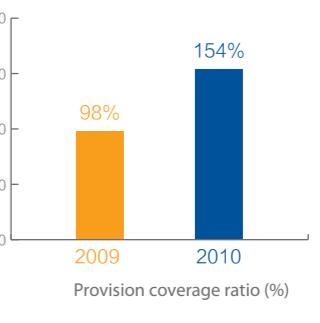
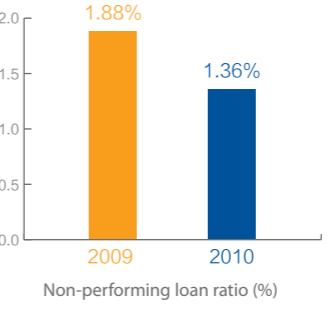
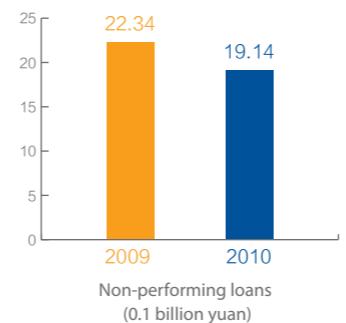
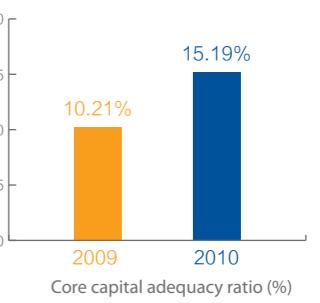
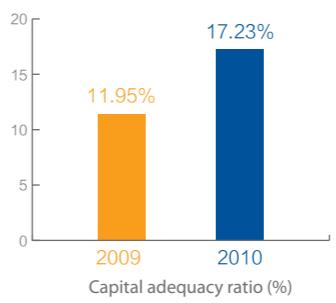
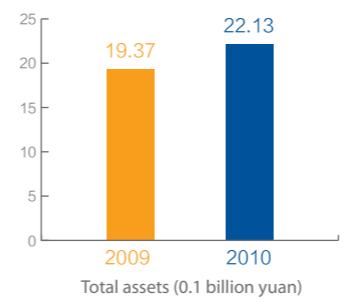
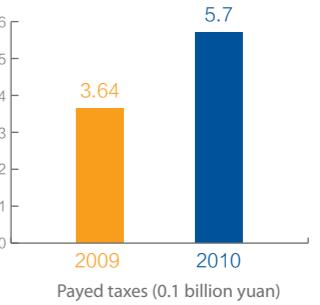
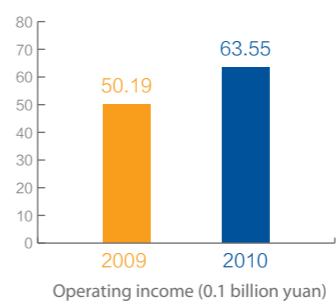
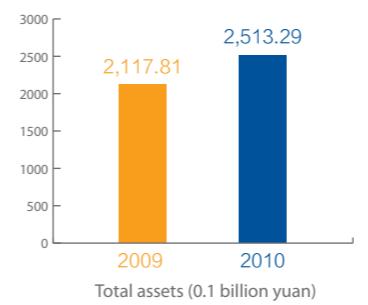
Shanghai Rural Commercial Bank (hereinafter referred to as SRCB) was established on August 25th 2005, from the reincorporated Shanghai Rural Credit Cooperatives which had more than 50 years history. SRCB has registered capital of RMB 5 billion, has established a business network of 330 outlets, and employs nearly 5000 staff.

At 31 December 2010, SRCB had total assets of RMB 251.329 billion, total deposit balance of RMB 210.994 billion, total loan balance of RMB 141.213 billion and realized profit before provision of RMB 3.573 billion. According to the English publication *The Banker*, SRCB was ranked 339 of 1000 in 2010, based on 1st-tier capital, which places SRCB in the top 500 global banks; SRCB also ranked 19th in the selected Chinese banks.

SRCB has developed its strategic objective as establishing a regional convenient bank with sound corporate governance organizational structure and a complete line of products. The strategic objective includes being adequately capitalised, having experienced management, manageable risk and outstanding performance. SRCB is focusing on; the 3 Issues concerning Agriculture, Countryside and Farmers ("3 agricultural issues"), SMEs and community. SRCB is committed to the development of a convenient local bank constantly improving its structure and promoting growth, strictly managing risks, improving service quality and its company image. SRCB is also committed to, strengthening the its banking fundamentals, promoting innovation, enhancing overall management quality, and market competitiveness.



Business Performance



Yearly Achievements

Awarding institutes	Name of award	Category
	Second prize, public education and service day of Shanghai banking industry, 2010	Social Responsibility
	[Advanced Collective of Shanghai credit knowledge propagating week(comprehensive), Rural credit system propagating(single)], 2010	
	China Outstanding Enterprise of social responsibility, 2010	
	[Outstanding prize of Serving the 3-agriculture and supporting the SME for national rural cooperative institutes]	
	Second place in Shanghai comprehensive quality assessment of payment & settlement business, 2010	
	Second prize for assessment of Shanghai enterprise credit system building, 2010	
	Second prize for comprehensive assessment of saving bonds, 2010	
	Best E-bank Security prize for E-bank of regional commercial bank, 2010	
	Outstanding prize of union pay card service Shanghai area, 2010	
	[Top 1000 national demonstrating outlet, advanced collective of Expo financial service]	
	Shanghai Top 100 Demonstrating Outlet	Financial Service
	Advanced Collective of EXPO Financial Service	
	[Advanced Collective of payment environment building for Shanghai EXPO]	
	Excellent Chinabond Valuation Member, 2010	
	Excellent settlement member of national inter-bank bond market, 2010	
	Prize of the most market impact	Bank Ranking
	Ranked 339th of 1000 in 2010 based on 1st-tier capital, which places SRCB in the top 500 global banks; SRCB also ranked 19th in the selected Chinese banks.	
CFETS	Top 100 of inter-bank home currency trade, 2010	

Corporate Governance

In 2010, SRCB used advanced listed banks as a benchmark and enhanced its corporate governance, improved the management structure, ensured the effective balance and close cooperation among the decision, executing and supervising departments, which promoted sustainable development.

I. Strategic Growth

2010 was the starting point of the implementation of SRCB's new 3-year development plan. Through a thorough and detailed understanding of the economic and financial market situation, the board of directors strengthened strategy, management and policy. The development program included the sustainable improvement of; capital management, business planning, risk strategy, technology and staff talent. Every branch and subsidiary formulated and enforced specific measures for implementing the new 3-year development plan issued by the head office. The 3-year strategic plan of "first year, CBD development; second year, urban development; third year, ready for public listing" was under supervision to ensure it was on target. By opening 30 financial convenient outlets, SRCB completed the "one branch per district" CBD layout and realized the first part of the three-year plan. SRCB realized "second year, urban development" plan in advance by acquiring the permission for the establishment of Jiashan, Xiangtan and Kunshan branches. SRCB efficiently completed several major strategic tasks such as; capital increase and share issue, successful settlement of large amount of non-performing assets, the transformation of the business structure, commencement of the building of new generation banking system and database, successful TMT member recruitment from the market, and continuous increase of staff talent, which had been the bottleneck that restrained SRCB from further development.

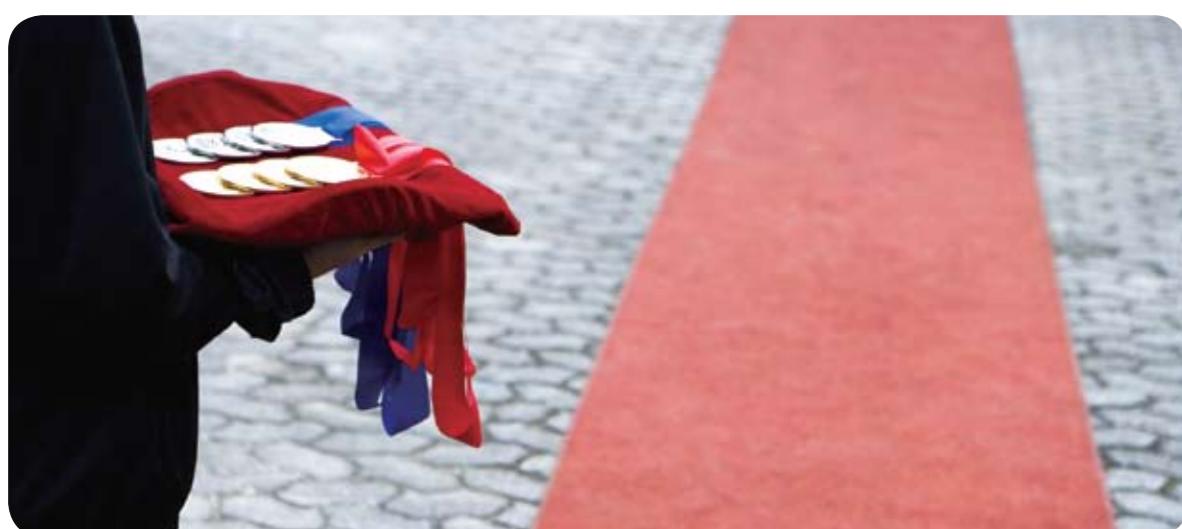
II. Strengthening Risk Management

1. SRCB formulated a risk management strategy which corresponds with the new 3-year development strategy and is adaptable for the actual situation and business development of the Bank.
2. SRCB adjusted the risk management structure across the whole bank and achieved the separation of; risk management, credit approval and asset monitoring functions.
3. SRCB enhanced management of risk preference and exposure limits, improved capacity to identify, measure, monitor and control all types of risks, and improved the level of risk management technology. Moreover, SRCB focused on internal controls and took precautions.
4. SRCB strictly implemented the external audit, increased the reliability of financial reporting and disclosure of the performance of business operations and risk management

III. Improving corporate governance

In compliance with the internal requirements of a modern financial service enterprise, SRCB further enhanced and improved its corporate governance level in 2010.

1. SRCB strengthened the board of directors. Based on the current situation of the bank, SRCB revised the **Articles of Association**. SRCB defined the direction and specified role responsibilities, which improved performance and defined the reporting lines between the shareholders, board of directors, board of supervisors and TMT. SRCB also formulated the **Management Measures for Directors** and the **Measures for Directors' Assessment** to standardize the form of the board and procedures of director nomination, appointment, complaints and resignation. This also defined the director's performance standards and established a director performing assessment system.
2. SRCB strengthened management authority to standardize the operation of TMT reporting lines by exploring a way to establish a authorization system within the whole bank and the formulation of the **Measures on Board Authorization Management**.
3. SRCB enabled a screening process for the board, implemented arms length recruiting and contract management for the appointment of TMT and successfully recruited 4 VPs, which resulted in the optimization of TMT and enhancement of leadership capacity.
4. SRCB promoted the gradual improvement of its corporate governance by adhering to the principals of rectifying deficiencies, system perfection and prudent evaluation.

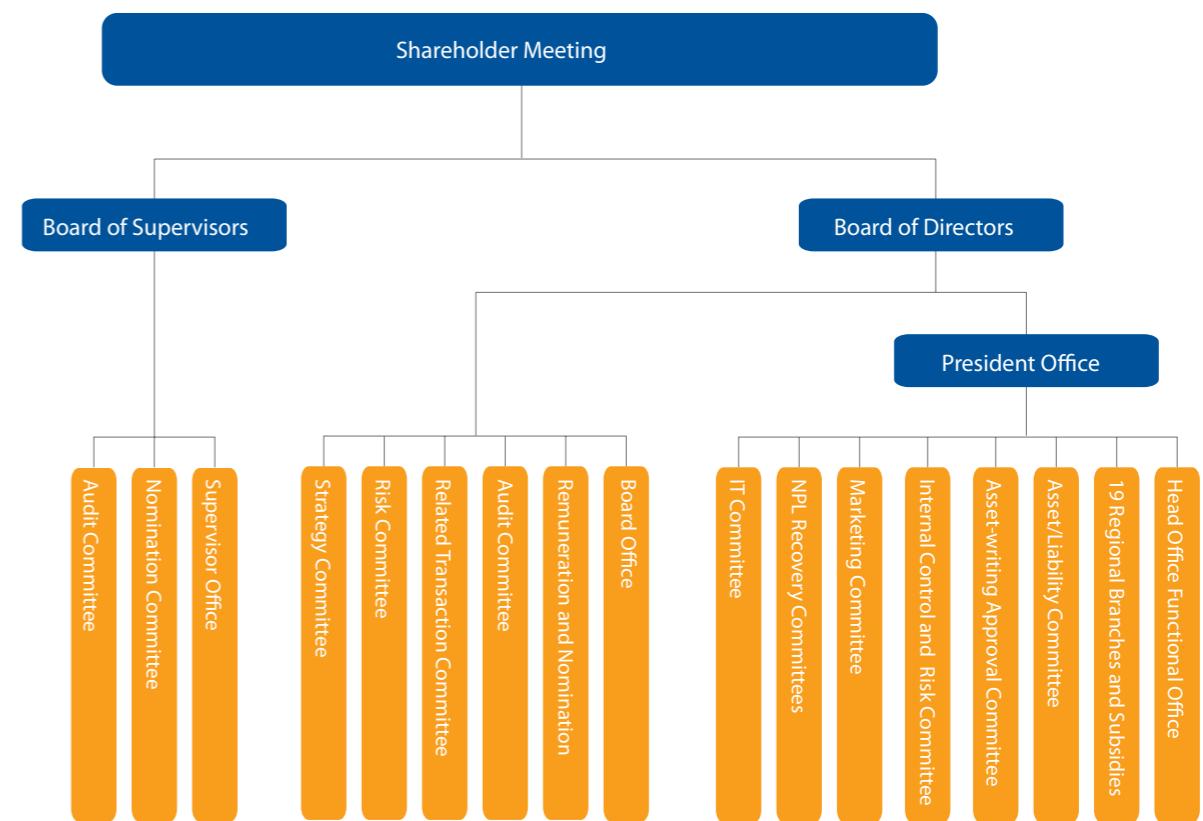


IV. Improving the incentive and restrain mechanism

1. SRCB explored assessment methodologies for TMT members. As part of the plan for arms length appointment and contractual management of TMT members, SRCB undertook the initiative to research arms length appointments, specified performance objectives and assessment system in the appointment agreement, and ensured assessments are conducted with rigorous measurements. SRCB determined assessment measures for all TMT members appointed under both arms length and non-arms length terms, which improved the assessment system.
2. Based on the pilot program in branches, SRCB implemented a comprehensive HR restructure and established a market-oriented job responsibility system, performance appraisal system and compensation system which meets the requirement of a modern commercial bank. An incentive mechanism, which covers short, mid and long term objectives and combines performance and risk management, has been established and the engagement of the staff has been enhanced.
3. In relation to "equal payment for the same position", which is part of the comprehensive HR restructure, SRCB undertook research on incentive mechanisms for branches and subsidiaries in accordance with its development strategy.

V. Strengthening information disclosure

In 2010, by strictly complying with the legal requirements, regulations and corporate policy, SRCB disclosed the relevant information of the company in an honest, standardized and timely manner and ensured fair and timely access to information to all shareholders. SRCB carried out regular disclosures twice, which included the 2009 annual report and 2009 social responsibility report, and interim disclosure 4 times, including timely announcement of the dividend of 2009, shareholder's meeting of 2009, the interim shareholder's meeting of 2010 and resignation/appointment of board members.



Concept of Corporate Social Responsibility

I. Development Strategy

Corporate vision: to construct a diligent, pragmatic, and creative workforce, and to build SRCB into a bank that provides convenient and satisfactory services to the public.

Development strategy: in the next three years, SRCB will focus on:

- scientific development,
- conduct research post-Expo,
- engage the 12th five-year-plan,
- merge the Shanghai international finance center and shipping center,
- focus on advanced manufacture and advanced service industries,
- support the hi-tech industrialization and urban-suburban integration,
- explore SME and intermediary business, and learn from the advanced listed banks to achieve the goals to expand business in urban areas in the first year, operate businesses in areas outside of Shanghai in two years, and lay foundation for a public listing in three years.

In this way, SRCB will grow into a regional convenient bank with complete corporate governance, sound structure, complete business functionality, adequate capital, enhanced management, controllable risks, and outstanding performance.

Market positioning: to expand business to the urban area while strengthening the business provided to the suburban area; and to expand its influence to the surrounding areas while basing itself in Shanghai.

Business policy: to operate business steadily in compliance with laws and regulations with a long term view; and to leverage SRCB's own characteristics.



Stakeholder	Responsibility	Corporate response
Shareholder	Maximize shareholder value and promote sustainable development	<ul style="list-style-type: none"> ● Improve corporate governance system ● Through sound understanding of economic trends and market movements, strengthen all levels of risk management, maintain stable business development, and deliver shareholders a sustainable return of investment ● Enhance information disclosure and make business more transparent ● Comply with laws and regulations and operate the business with prudence
Customer	Build convenient banks, facilitate financial service	<ul style="list-style-type: none"> ● Serve the people, community based ● Provide diversified products and service with simple and transparent procedures ● Promote the building of financial convenience and E-banking
Business partners	Genuine win-win approach	<ul style="list-style-type: none"> ● Integrity-based ● Fair contracting ● Reliable execution ● Mutual benefit and reciprocity
Community, government	Serve 3-agriculture, support SMEs, feedback to society	<ul style="list-style-type: none"> ● Support national economy and social welfare ● Improve business function and service levels ● Provide convenient service to people, focus on long term cooperation ● Co-operate in times of difficulty and succeed together
Staff	People oriented, growth focused, [self value achieving]	<ul style="list-style-type: none"> ● People oriented ● Growth focused ● [Self value achieving]
Environment	Favor low carbon economy, develop cautious society	<ul style="list-style-type: none"> ● Advocate low carbon work and operations ● Explore and utilise new business channels ● Power/resource conservation

SRCB Economic Responsibility

Supporting National Economy
Servicing the 3 Agriculture Issues
Supporting SMEs
Maintaining Financial Security
Superior Financial Service
Promoting Financial Innovation

/02





Supporting the National Economy

I. Support the EXPO

In 2010, Shanghai successfully held the Expo which was a worldwide focus. As one of the major local financial institutions, SRCB played a positive role in the Expo construction and fully accomplished the objective of Expo financial service. SRCB also achieved primary objectives of zero payment system failure, zero [accusable] window service claims, zero accidents, and a [reception] satisfactory rate of 100%, termed "three zeroes and one 100%".

SRCB took an active part in the construction of Expo pavilions and supporting projects. SRCB not only conducted a substantial amount of research on industries such the new industry cluster of modern service, modern agriculture, I-tech and culture, but also provided significant credit support to them. By the 31 December 2010, the balance of credit relating to these industries reached RMB 500 million.

II. Support projects of municipal construction and people's livelihoods

In 2010, in the progress of its self-development, SRCB took an active part in the projects of municipal construction and peoples livelihoods.

Ongoing supporting of transportation facility reconstruction.

SRCB participated in the project of Hongqiao integrated traffic hub and provided RMB 1 billion in comprehensive credit lines, RMB 200 million has already been utilised. SRCB supported the "Bund waterfront project" with RMB 400 million credit line, which is one of the significant municipal projects of the Huangpu District, and provided RMB 150 million loan to Huangpu State-owned Assets management company. SRCB also provided significant funding support to the construction of Shanghai Rail Transit including; the southern extension project of Metro Line 9 in Songjiang Old City, the pre-project of Metro Line 12, the reconstruction of Jinshan Railway sub-line, the reconstruction of roads adjacent to the north square of Shanghai Railway Station, Expo supporting project, the reconstruction of South Railway Station Rd, Phase II of Inland Waterway Dalu Line and Shenze Highway.

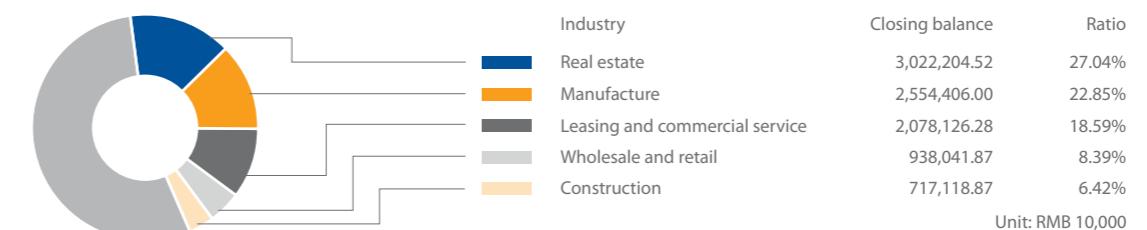
Support old district reconstruction and affordable housing.

SRCB placed a RMB 700 million credit line to the affordable housing project of Xuhui Huicheng Real Estate Co., Ltd. and placed a 170 million loan to affordable housing project of Taopu Town, Putuo District. SRCB participated in four large community construction projects located in Pudong Hangtou, Qingpu, Fengxian Nanqiao and Minhang placing loans of RMB 900 million, RMB 900 million, RMB 600 million and RMB 265 million respectively.

Support the second round of rural land circulation.

According to the list of first 15 approved pilot projects for group housing land exchange, SRCB introduced the special "housing land loan" to support the pilot project and has placed loans of RMB 1.953 billion from the first 8 projects. SRCB commenced placing the 2nd tranche of loans from December 2010. The first project was a RMB 800 million loan credit line for the housing land exchange of Waigang Town Jiading District and RMB 260 million had already been placed. SRCB placed a RMB100 million loan to Shanghai International Auto City Industry Development Co, Ltd, which is a housing land exchange project in Waigang.

2010 Loan ratio on industries





III. Support social welfare

SRCB continues to support insurance businesses in small towns. Such businesses, characterized as [small money and big card requirement], require considerable human and material resources to improve. Nevertheless, SRCB overcame such challenges and promoted different kinds of withhold & pay business products. In 2010, the personal withhold & pay business amounted to RMB 6.618 million and SRCB became the largest financial institution of pension withhold & pay business in the Shanghai rural area.

IV. Continuous increase of paid tax and return to shareholders

In 2010, by adhering to controlled development and comprehensively following the guidance of the economic work conference of the central government and Shanghai and carefully approaching the complicated economic situation and business environment, SRCB accomplished all the business and management objectives, achieved its annual success of the new 3-year development strategy and realized continuous increase of tax paid and return to shareholders.

SRCB realized accounting profit of RMB 2.713 billion before tax, a 9.05% increase compared with that of last year; paid corporate income tax RMB 570 million, a 56.76% increase compared with that of last year; ROE was 12.23%, a decrease of 4.05 percentage compared with last year; net assets per share was RMB 4.63, an increase of 33.26% from that of last year; equity capital reached RMB 5 billion after capital increase and share issue, an increase of 33.49% from that of last year; shareholder's equity reached RMB 23.169 billion, an increase of 77.89% from that of last year; net capital reached RMB 24.762 billion, an increase of 82.3% from that of last year, and staff incentives continued to grow; cash bonus of 2010 was RMB 342 million (pre tax), an increase of 1.48% from that of last year.

Serving the 3 Agriculture Issues

Developing grain and agricultural production, stabilizing consumer price level, accelerating the forming of economic and social development integration in urban and rural areas, and realizing steady economic development as well as social harmony, have been the main operating objectives of all-level governments in 2010. As a community convenient bank that serves the 3-agriculture and rural economic organizations, SRCB, adhering to the spirit of providing financial service to 3-agriculture by central and local governments, has been performing the social responsibility of a 3-agriculture-serving local commercial bank by providing high quality and efficient financial service.

I. Credit support to agriculture

SRCB, adhere to the management principals of "strive to develop, improve the product, offer innovative service and assure the three higher-thans", continues to search for business growth and promote steady development of agriculture-related loan business.

In relation to the credit policy, at the beginning of 2010, SRCB formulated the **Comments on Credit Inclination and Credit Risk Policy** of SRCB and clearly defined the aim as supporting agriculture and primary production, encouraging farmers to work and consume, and accelerating new suburban development. SRCB also proposed prior support for agriculture specialization, industrialization of production operation loans, loans for farmers engaging in modern agricultural production, and project loans for the extension of agricultural products industry-chain. SRCB also supports further processing of agricultural products, tech-agriculture, and low carbon agriculture

In relation to corporate loans, SRCB, adhering to the management principals of "strive to develop, improve the product, innovate the service and assure the [three higher-than]", not only provided competitive interest rates, but also introduced low agriculture credit quota limits with no maximum limit. This resulted in the actual increase and increased ratio of agriculture loans to a level no less than that of last year, and the ratio of total agriculture loans to all loans was increased. By 31 December 2010, the closing balance of agriculture loans reached RMB 39.07 billion, which was an increase of RMB 6.404 billion from the beginning of 2010. The actual increase exceeded that of 2009 by 19.6%, 0.7% higher than the increase rate of all loans at the same period. Agriculture loans accounted for 27.7% of all loans, 0.16% higher than that of the end of 2009, and fully met the requirement of ["three no-less-thans"] by the CBRC.

In relation to personal loans, SRCB expanded their service range, by extending 3-agriculture to agriculture-related, and extended loan target to 3-agriculture and community citizens whose work and living are linked with rural economic development. In 2010 the closing balance of personal loans was RMB 551 million and RMB 429 million was placed in the year accumulatively. In this way, agriculture-related citizen's funding shortage for working activity and living has been improved.

Balance 31 December 2010 (RMB 10,000)





II. Interest discount to support agriculture

Shanghai municipal government provides a 2% fiscal interest discount on average for agriculture loans. SRCB supports this by placing loans to rural household or economic organizations engaging in agriculture production (planting, farming and agricultural goods processing) with contract interest rates no higher than the basic loan interest rate.

In 2010, SRCB successfully borrowed RMB7.1533 million from Shanghai Finance Bureau through the agriculture supporting interest discount program. From 2006 to 2009, 641 rural economic organizations and 183 households received fiscal interest discounts from their loans. The daily loan balance reached RMB 70.878 million and the discount interest fund reached RMB 14.176 million respectively. The fiscal interest discount policy effectively reduced the risk of our agriculture-related loans, protected return of our loan capital and promoted development of our credit support to 3-agriculture.

III. Financial service to rural specializing cooperatives

Relying on the gradually improving agriculture credit risk compensating system by municipal and district government, SRCB increased policy loan support to rural cooperatives. Support through commercial loans placed to rural specializing cooperatives by means of collateral, guarantee from district or town agricultural guarantee centre and other third party guarantees has also been enhanced. SRCB, relying on the three specialized loan products of:

- the rural specializing cooperative loan under Anxin Agriculture Insurance Co., Ltd.;
- the credit loan of rural specializing cooperative; and the rural specializing cooperative loan under China national investment & guaranty Co. Ltd;

formed a pattern of mutual integration and compensation between policy loan and commercial loan, and in this way strived to realize comprehensive coverage of rural household and economic organization which have urgent demand for loans, as was requested by the Government. Up to Dec. 31, 2010, rural specializing cooperative loans of SRCB reached 414 households and amounted to RMB 446 million, an increase of RMB 133 million from that of last year at a rate of 42%. The balance of three kinds of rural specializing cooperative loans under the 50-million special guarantee fund reached RMB 248 million.

Shanghai Wansheng Poultry Cooperative Co., Ltd.

Shanghai Wansheng Poultry Cooperative Co., Ltd. was established in Dec. 2004 with RMB 0.5 million of registered capital. In 2006, the company was just one of 150 cooperatives in Fengxian and primarily bred poultry of high quality. When SRCB first visited the company, its annual sales volume was about 300 thousand and the lack of production equipment and ice storage were the factors that restricted the company from further development. As part of the implementation of 3-agriculture policy, SRCB provided funding and placed an initial loan of RMB 1.5 million shortly

after analyzing the customer's production, management capacity, and market. Now, the company has become a functional production base of breeding and processing, employs 208 staff with professional breeding skills, and its production procedures and equipment has been significantly improved. Its daily processing capacity is now 10 thousand to 15 thousand, production area covers 13.8 thousand square meters and achieves annual sales over volume 40 million.

Shanghai Tongyao Fruit & Vegetable Cooperative

Shanghai Tongyao Fruit & Vegetable Cooperative, was one of the first newly registered rural specializing cooperatives after the enforcement of the **Rural Specializing Cooperative Law**. It is located in Yongle Village of Nanhui District Huinan Town and was established in August 2007 by local supply and marketing cooperatives. The company has registered capital of RMB 500 million and mainly engages in the R&D, planting and sale of new variety fruit and vegetable. Three months after its establishment, SRCB provided an agriculture-supporting loan of RMB 2 million and resolved its working capital issues. SRCB continued to

provide loan support of approximately RMB 5 million annually. In Feb. 2008, the cooperative signed a direct picking-at-location agreement of Nanhui agriculture products with Carrefour and became the first rural specializing cooperative in China to cooperate with a leading Multi National Corporation and gained access to the supermarket chain at zero-expense. In recent years, the cooperative keeps developing as sales volume continues to increase, income of its employees has also significantly increased, and over 100 households have prospered.

3-agriculture Score Sheet of Shanghai Rural Cooperatives

2010.2.7 Jiefang Daily

.....
 [Finance innovation points to "hard financing"]
 Cooperative acquires loan without guarantee and collateral

 Score sheet ♦♦♦ In regards to financial support, by the end of 2009, SRCB's balance of loan to

cooperatives has reached RMB 310 million, a net increase of RMB110 million over that of the previous year. According to research, in 2005, the government, in order to solve the funding shortage of cooperatives in their progress of industrialization, provided RMB 5 million of loan interest discount funding to encourage farmers to actively apply for loans. In

2006 a further 5 million was provided to set up a "compensating fund for rural specializing cooperative loan risk" which helped to lower the banks' risk so that they could simplify their procedures and provide financial support to cooperatives. In 2008, 36 rural cooperatives had the title of "Creditworthy Cooperative". A Cooperative with such credit grade

will be able to obtain a loan of no more than RMB 0.3 million within 3 days of application with no collateral or guarantee required. Loan application factors, channels and approving procedures have been simplified in Shanghai, and further obstacles for Cooperative loan will be removed.

IV. Agriculture related products

Focus to improve rural supply chain financing products.

SRCB investigated; guarantee channels, improved the guarantee product, introduced financial guarantee companies and positively explored agriculture-related credit business under commodity trading companies or special fund guarantees. We improved product selection at each stage of production, supply and sales, strengthened financial support to cluster trading markets for agriculture& [avocation] goods and agriculture goods trading, and search for [blue sea] of agriculture related credit.]

Research and replicate SME mutual fund loans in the 3-agriculture context.

SRCB enhanced cooperation with relevant government departments, adhered to the Shanghai agriculture development "12th 5-year-plan" and explored the significance and range of agriculture financial service support. By relying on their finance department and the chamber of commerce and industry, SRCB sought to replicate the SME mutual fund loan model in a 3-agriculture context and create a new business platform for cooperation between banks, government and enterprises.



Insurance supports 3-agriculture.

SRCB strengthened cooperation with agriculture insurance institutions, conducted further research on rural production risk diversification and sought effective ways to simplify the application of loans in rural areas. Relying on the cooperation model of Anxin agriculture insurance, SRCB sought to increase the number of introductions insurance institutions to this model to benefit cooperatives. By the 4th quarter of 2010, the credit lines under the Anxin agriculture insurance model had been increased from RMB 500 thousand to RMB 1 million. SRCB explored limits and the types of agriculture related policies and business models relating to account receivables or policy guarantee of agriculture goods exporting companies.

V. Rural bank

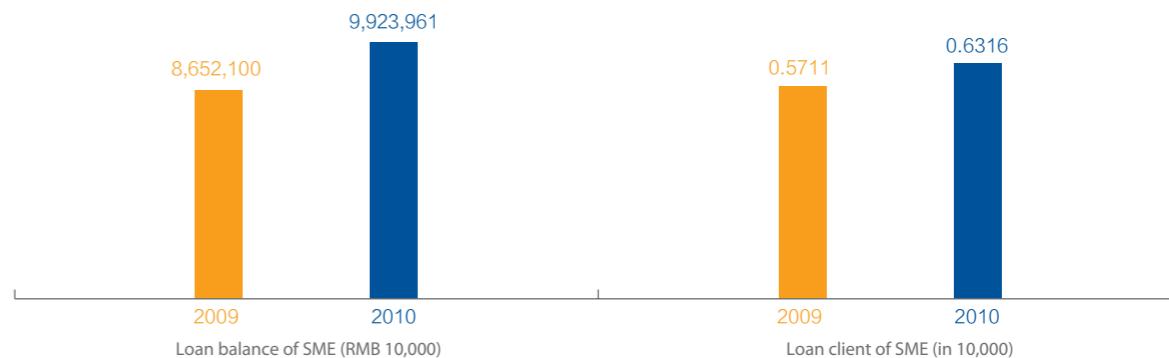
SRCB established the first town bank in the Shanghai area, Chongming Changjiang Rural Bank(CCRB), in 2009. In 2010, CCRB by using its fast and flexible features, satisfied a market niche by focusing on providing service to town,3-agriculture and SMEs. CCRB adhering to the principal of "taking from rural area, using for rural area", successfully performed its social responsibility and realized social benefits while promoting construction of a socialist new village and improving the financial service in Chongming rural areas.

In 2010, CCRB provided agriculture related loans amounting to RMB 464.01 million, accounting for 98% of its total loans; and provided accumulated loans of RMB26.3 million to 8 rural specializing cooperatives, which increased RMB15.3 million on that of last year at a rate of 139% ,and realized the strategy of "taking from rural area, using for rural area". To improve support to 3-agriculture development to meet the credit requirements of rural specializing cooperatives as well as increasing the proportion of low risk loans, CCRB signed the Memo of Small Credit Guarantee Insurance with Shanghai Anxin Agriculture Insurance Co, Ltd. Based on local industry, CCRB launched 6 new credit products; planting express, breeding express, agri-machine express, consuming express, agri-trade express and small express. This attracted many customers and the status of the rural area finance improved.

Backing up the SMEs

I. SME credit status

The SME segment is a priority service target. By 31 December 2010, the closing balance of SME loans reached RMB 99.24 billion, an increase of 14.7% on 2009, the number of SME customers reached 6316, an increase of 10.6% on that of last year.



II. Policy focus and product improvement

SRCB established a special department for SME financial service. The marketing and business management department for small enterprises was established under the HQ finance department and a credit approval department was set under the HQ risk management department. A technical SME financing center was also established.

In 2010, SRCB continued to focus on supporting the SME development and enlarge its advantages in the SME credit business. SRCB fully supported SME credit for businesses with stable operations and prudent financial management. SRCB reviewed SME customers with credit lines under RMB 30 million and launched products such as "SME real estate mortgage credit". SRCB has provided previous support to SMEs that follow the industry development trend, especially those with strong innovation, technical advantage and market potential, or energy efficient and environmentally focused businesses. SRCB provided support on technical SME credit, including credit demand of enterprises at state level or city level high-tech development districts. SRCB has also provided previous support to SME credit with high quality guarantees.

SRCB optimized the SME model of product design and guarantee and formed a preliminary series of SME finance products. Firstly, SRCB re-designed the procedures for SME real estate collateral credit, introduced revolving loans, operational property mortgage loans and operational housing mortgage loans for the legal profession. SRCB also provided diversified policy according to different single credit or mortgage rates, optimized business procedure correspondingly and established a clear pathway for credit management. Secondly, based on good quality existing SME property mortgage, SRCB, through the introduction of a commercial guarantee company, launched combined credit service on property mortgages, placing credit multiples as the determinant to assess the price of the mortgage, broke up the limit of traditional mortgage rate and maximized usage of mortgaged resources. Thirdly, focusing on groups of market clients, SRCB promoted a market-company-guarantying enterprise credit service by cooperating with these groups of market management companies. The market management company provides guarantee for its recommended clients and in this way, a guarantee system, which is under market supervision and separates risks, is formed and provides the financing requirement for the small market enterprises without collateral. SRCB has developed a linkage model involving deposits and loans and promoted the deposit aggregate loan business. By providing enterprises with a combined service of account set-up and loan application, SRCB reviewed funding activities of the enterprises with credit concerns, assessed client's changing operational status and satisfied the financing needs of small enterprises. Lastly, SRCB examined enterprise all-purpose ticket business as well as discounting business, specified operational patterns and optimized business procedure according to the characteristics of our clients. This resulted in market acceptance for such products have been improved.

SRCB enforces “2 no-lower-than” and supports SME

2010.10.1,
 Shanghai Financial News

At CBRC's request for the banking industry to increase input to SMEs and stipulating a supervising indicator of 2 no-lower-thans, which are “increase of SME loan balance no lower than 2009” and “SME loan increase rate no lower than average increase rate of all loans”, SRCB promptly introduced the annual operating target for SME loans known as “2 no-lower-thans”, adjusted credit policy and strengthened timely support while keeping risk under control, and promoted SME development.

According to reports, SRCB formulated a the following set of measurements to ensure achieving of the “2 no-lower-than” target.

1. Specify the preceding year support target of each SME product. Fully support loans to SMEs that exhibit a steady operation, prudent financial management and follow the trends of industry development, such as enterprises involved in advanced manufacturing including logistics & warehousing, community commerce and IT, advanced service and production service. Grant priority to SME loan demand with a good quality guarantee such as loans guaranteed by China Investment Guarantee Co., Ltd., or housing mortgage, and properly introduce other government or commercial guarantee companies. Provided prior year support to hi-tech SMEs loans, support for hi-tech enterprise in nine key areas such as new energy and materials.

2. Ensure sufficient volume of credit for SME loans. SRCB ensures the prior years' credit placement to SMEs while formulating credit quota. Although the total quota loan increase is under strict control, arrangements are still made to those branches with increasing SME credit business. SRCB conducted focused training according the business target which should enable SRCB is able to operate business while meeting the needs of the customer, improving financial service and supporting the rapid and strong development of small enterprises.

Shanghai XX Compressor Co., Ltd., one of SRCB's small enterprise

billion, which increased RMB 9.384 billion from that of the beginning of this year, and ranked 1st in Shanghai. SRCB achieved a collective increase in account number and volume, especially for the SME credit business under RMB 5 million. SRCB now has 3446 clients with loan balance RMB 7.37 billion and plays a leading role among all financial institutions in Shanghai.

3. Define performance appraisal system and stimulate engagement of the staff. SRCB actively builds and enhances staff financial service awareness to SME business and has formulated a performance appraisal system to fully generate staff engagement so that they take the initiative to explore SME credit business. SRCB conducted focused training according the business target which should enable SRCB is able to operate business while meeting the needs of the customer, improving financial service and supporting the rapid and strong development of small enterprises.

Shanghai XX Compressor Co., Ltd., one of SRCB's small enterprise

customers, was established in March 2000 with registered capital of RMB 1 million. Through gradual development, the company established branch offices in cities including Beijing, Tianjin and Chongqing. The increase of fixed asset acquisition led to tightening of cash flow. SRCB initially contacted the company after becoming aware of this issue and assisted the company overcome the cash flow difficulty by providing the company with a timely mortgage loan for its project under construction to ensure its normal business operation and completion of the project on time. SRCB also initially contacted government financial departments to recommend the company and finally won the support of China Investment Insurance Company so that the funding need of the company has been satisfied. To date SRCB has provided to the company comprehensive credit of RMB 30 million, which fully satisfied its loan needs as its business operation progresses.

III. Characterized financial service

(I) SRCB advocates cooperation between itself and security companies, and put forward an outline of corporate finance under a mutual guarantee fund

Example of corporate finance under a mutual guarantee fund

In 2010, SRCB cooperated with Chamber of Commerce and Industry Putuo District and launched the technology enterprise financing service under mutual guarantee fund. Putuo Finance provides half of the funding and the company provides the other half. The bank then multiplies 5 times of the mutual fund to provide guarantee to the company. In 2010, SRCB placed RMB 40 million to 19 companies, under such a structure, including many Hi-tech enterprises such as Shanghai Jiacheng Rail Transit Security System Co., Ltd, Shanghai Lingchan Information Technology Co., Ltd, Shanghai Hacheng Electronic Technology Co., Ltd, Shanghai Yitongguangda Information Technology Co., Ltd, Shanghai Angtailanjier Information Technology Co., Ltd. and Shanghai Weipeng Information

Technology Co., Ltd. Shanghai Lingchan Information Technology Co., Ltd, as a local leading art outsourcing provider for games of all platforms and an independent PC game developer, released 3 i-phone games in 2010, among them, “princess fury” ranked 2 on Japan Paid Game Board and “Zombie Neighborhood” ranked 6th on US i-pad Paid Game Board. The company is a typical high-tech company with minimal assets as its fixed asset consisted primarily of PCs for game-developing. With SRCB funding support, the company has been developing rapidly and is planning for IPO on Taiwan Game Board.

(II) SRCB took the initiative to develop a new technology financing system and solve the difficulty of technology SME financing. On March 23rd, 2010, Loan-placing Alliance of Yangpu National Innovation Experimental District was formally established, which is setup by SRCB, the municipal government of Yangpu District, Shanghai Venture Capital Co., Ltd. and Shanghai Re-assurance Co., Ltd. Through the platform of Shanghai Venture Capital Association and Shanghai Service Center for Hi-tech achievement transformation, SRCB established a strategic loan-placing alliance with many local and foreign venture capital enterprises. By using the Private Equity model,



SRCB effectively identified and prevented risk, actively promoted the link between investment and loan, and provided loans to Private Equity participated technology enterprises by means of innovative credit products such as share pledges and order loans.

By 31 December 2010, the technology financing center in HQ has provided credit of RMB 357.28 million by means of investment-loan linkage to 13 enterprises such as Shanghai Nongle Bio Production Co., Ltd. and Shanghai Duoli Agriculture Development Co., Ltd., and provided actual loans of RMB 219.78 million to 10 enterprises.

Shanghai Nongle Bio Production Co., Ltd., founded in 1998, is a high-tech enterprise engaging in R&D, production and sales of bio-pesticide and green-pesticide. The company achieved sales income over RMB 40 million in 2007 and over RMB 80 million in 2008. In the second half of 2009, the company planned to finance working capital of RMB 10 million

from banks without a mortgage. SRCB visited the company several times to meet its management team and proposed share pledge credit to assist it. Since the share pledge credit solution was provided, the company's sales income and net profit of 2009 exceeded RMB 130 million and RMB 15 million respectively.

IV. Support enterprise with technology innovation

SRCB developed innovative credit products for technical SMEs, promoted innovative credit products such as share pledge loan and order form financing, and completed development of loans for property rights pledge.

SRCB established strategic loan-placing alliance with onshore and offshore private equity, actively promoted the linkage system of loan-placing and conducted effective research on enhancing financial services provided to technology SMEs.

SRCB researched new financial services provided to technology enterprise and enterprise with private equity participation such as financial advisory and asset custody.

Support the high-tech enterprise

Shanghai Qixiangqingcheng New Material Technology Co., Ltd. was established on July 21st, 2004 and with registered capital of RMB 3 million. This is a private high-tech company and leads the water-based adhesive industry. In the process of researching and manufacturing water-based adhesives, the company overcame a number of challenges and successfully developed a high performance product of emulsion polymers. The company's core product water-based membrane solvent adhesive has already acquired state patent for invention, Shanghai High-transformation Project and 1st prize of Jinshan District Technology Development, and is also a state-identified high-tech company. Since its settlement in Tinglin Industrial District in 2004, SRCB has been providing

to it with significant financial support, which amounted to RMB 40 million by 31 December 2010. With the support of SRCB, the company has been developing rapidly in recent years. In 2008, it achieved sales volume of 128.35 million and total profit of RMB 30.62 million; in 2009, it achieved sales volume 146.77 million and total profit of RMB 41.37 million; in 2010, it achieved sales volume 166.76 million and total profit of RMB 20.22 million, making it a leading company in Tinglin Town of Jinshan District. At present, its product is on sale in Southeast Asia, Africa, America and other places and the company has built a sales network with nationwide coverage.



V. Active participation in financial service activities

SRCB actively participated in the launching ceremony for the provision of financial services into technology garden campaign as well as "Bank Youth Supporting Enterprise Development", which was sponsored by Shanghai CBRC, Shanghai Financial Industry Committee and Shanghai committee of Chinese Communist Youth League. In this campaign, SRCB participated in a signing ceremony with both the Youth Committee of Xuhui District and the science and technology incubator center of Caohejing High-tech Development District. SRCB through the influence of its young financial service volunteer team, penetrated into the district and community, supported garden enterprises with a convenient and efficient Expo financial service, and made a contribution to the enhancement of the level of Shanghai financial service.

Sponsored "the first integrated SMEs award ceremony as well as signing ceremony of bank-enterprise cooperation"

The campaign adhered to the principal of building an integrated society, aimed at actual improvement of SME service level and represented SRCB enhancement of its SME brand service. Relevant officials from the Shanghai agriculture committee, Shanghai financial service office, Shanghai committee of economy and information, PBOC Shanghai branch and Shanghai CBRC, and representatives of guarantee institutions, garden and market as well as of the small enterprises, were invited to participate in the signing ceremony. In this campaign, SRCB presented the award of Integrated Enterprise to 180 small enterprises and committed to provide them with quality comprehensive service such as business approval, expense deduction and credit support.

Strategic cooperation to solve difficulty for SME financing.

SRCB signed strategic cooperation agreement with 16 policy-base guarantee companies, commercial guarantee companies, working material markets and development gardens such as China investment guarantee company, housing guarantee company, Shanghai Yingguangqi Guarantee Company and Nanhui Industrial Garden, which amounted to RMB 10 billion, to solve the difficulty for SME financing.

Maintaining Finance Security

Finance is critical to the whole economy and society. The security and stability of finance directly influences the national economy and social development. The loss of financial security may lead to society turbulence. In 2010, SRCB enhanced compliance management and internal controls, as well as enhancing customer security awareness, prompted E-bank security, proposed safe use of credit cards, promoted credit education and increased advertising of anti-money laundering and anti-counterfeit measures.

I. Strengthen compliance and internal control

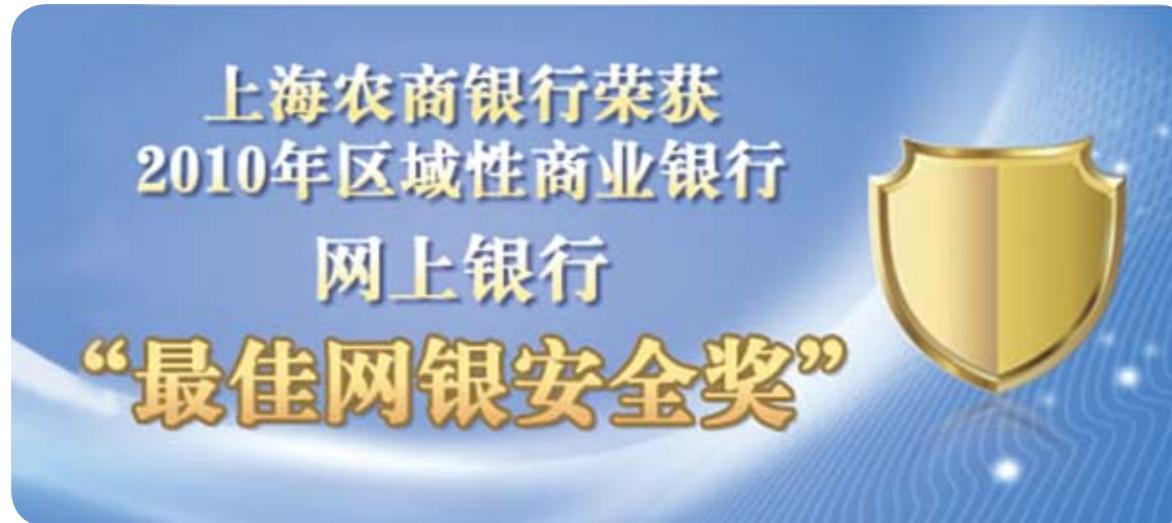
In relation to compliance management, SRCB put the "interlink" function of compliance supervision into full force, undertook supervision feedback and made amendments, conducted transmission, analyzed and implemented relating supervision laws and regulations, and standardized the reporting procedure of supervision information. Secondly SRCB strengthened prior identification and concurrent evaluation of compliance risk, realized compliance's effective support to business, effectively promoted supervision communication and business approvals for different kinds of new products or business, and positively supported non-local branches, targeted fund raising and financial convenience. Thirdly SRCB held graduated and multiform compliance training, organized the 3rd SRCB compliance knowledge competition and achieved excellent results in breach-prevention and compliance culture education. Fourthly SRCB carried out customer focus process optimization and added a supervision module into GRC system. Fifthly SRCB enhanced regulation management and system construction, continually improved laws and compliance risk management system and formulated the Measurement of Property Rights Management, the Basic Regulation of Internal Control, the Rules of Compliance Operation (2010 Revision) and the **Law Application Handbook for Commercial Bank Compliance**.

In relation to internal control management SRCB promoted reformation of the auditing vertical management system, innovated audit content and pattern, and enhanced assessment and evaluation of internal controls. SRCB strengthened breach prevention and established board of supervisors' supervising and evaluating function during the implementation of the internal control system.

II. Improve E-bank safety management

As well as focusing on business development, SRCB always places its first priority of providing safe, convenient and highly effective service to customers. SRCB undertook several assessments in the process of risk application and risk protection for its customers. SRCBs efforts have been accepted by society and industry. In the campaign "2010, Year of joint promotion for E-bank use security" sponsored by the China finance certification center together with its member institutions, at the E-bank annual meeting, SRCB won the "Best E-bank Security Award, 2010" for E-bank of regional commercial banks.

1. SRCB established additional robust E-bank regulations, continuously improved internal management, strengthened E-bank business training and risk education to outlet staff, standardized E-bank business operation, and built staff awareness of breach prevention and raised capacity of risk management.



2. SRCB strengthened E-bank business supervision, built a multi-layer supervision system of branch supervision, head office supervision and so on within the bank, and ended practices such as insufficient implementation of regulations, violation of regulations, and loose supervision.
3. Utilising both local and overseas advanced IT technology, SRCB provided security to customers by multiple technical methods including: passing the national leading safety identification known as "dual-channel, dual-factor", a monitoring system for unusual transactions, an E-bank tool for virus scanning and clearing, a strong functioning E-bank channel, diversified products and high security efficiency, and provided a modern financial service of safety, reliability and convenience.
4. SRCB actively promoted the establishment of "E-bank transaction risk monitoring and anti-fraud system" and "Counter unusual transaction monitoring system". SRCB strived to establish a pre-warning system of internal control and external prevention, and aimed for realizing detection, identification, settling and recording of E-bank fraud activities at both customer and bank level by technical means to track suspicious activities for the whole process and resolved different kinds of operation risks in a timely manner.
5. SRCB marketed E-bank security knowledge by website and multi-media channels, increased public awareness of security and risk prevention capability, built satisfactory E-bank environment and formed an accurate E-bank operation practice.
6. SRCB actively carried out drills of E-bank emergency disposal, improved the emergency disposal system, defined disposing procedures of all emergencies and enhanced capacity of prior and concurrent control to business risks to ensure timely and effective disposal in emergencies.

III. Enforce safe-use of cards education and credit education

SRCB, according to requirements of the **PBOC General Office's Notice on Undertaking Marketing Campaign of Bank Card Safe Use** (Y.B.F. [2010] No.166) and the **About Forwarding "PBOC General Office's Notice on Undertaking Marketing Campaign of Bank Card Safe Use"** (S.H.Y.F [2010] No.195), proceeded top down and undertook a sustainable marketing campaign of safe card use. SRCB conducted the campaign in and outside its business outlets, marketing knowledge of safe card use by different means including: flyer, handbook, leaflets, website and statement of account. SRCB performed its social responsibility of marketing financial knowledge, enhanced customer awareness of safe card use, and received widespread acclaim.

According to the requirements of PBOC, SRCB actively marketed credit knowledge, issued advertising pamphlets to 300 business outlets and arranged large posters at prominent positions in its outlets to promote credit education.

SRCB's active role in the activity of "credit knowledge marketing week, 2010"

From Nov.11th to Nov.19th 2010, PBOC Shanghai branch launched "credit knowledge marketing week" campaign with the theme "cherish your credit record, protect credit rights" throughout Shanghai. SRCB undertook the campaign of "marketing credit knowledge into rural households" in Fenxian District with PBOC, and it was the first marketing activity of the city focusing on rural households and cooperatives. Officials from PBOC Shanghai branch joined the marketing on site and presented marketing picture albums to representatives of agricultural households and cooperatives. Leaders from Fenxian agriculture committee, officials from joint association of district rural economic organizations and 16

agricultural household representatives/directors of rural specialized cooperatives were invited to participate in the campaign.

During the campaign, SRCB, under unified outlook of PBOC Shanghai branch, actively carried out marketing in outlets. Posters were displayed, marketing folders were displayed and circulated at every business outlet. SRCB established a "credit enquiry window" at every business outlet to answer credit questions from customers. SRCB also displayed the marketing slogan of "Cherish your credit record, please update your information on time" by electronic rolling screen at every business outlet.

Jinshan Branch carrying out campaign of safe card using knowledge

On April 2nd 2010, Jinshan branch Jinshan police station joint-sponsored marketing campaign of card use security knowledge with the theme "police and bank cooperate, using environmentally friendly cards, guarantee Expo payment" to assure card use security during the Expo. The Branch not only distributed a single page of the **Notice for Card**

Use Security to customers, but also created an atmosphere for safe use of cards by using a marketing stand and rolling screens. The campaign achieved positive effect in preventing card crime and maintaining good environment for card use.

IV. Anti money laundry & anti counterfeit money marketing

By distributing PBOC's marketing pamphlet "Be aware of money laundering traps near you-stay away from crime", booth consulting and electronic anti money laundering slogan, SRCB created a positive environment for anti money laundering and effectively promoted anti money laundering within society. In the marketing campaign, over 2000 pamphlets were distributed. Based on the major anti money laundering marketing campaign in May, there was increased knowledge and public awareness of the importance of anti money laundering.



In relation to counterfeit money, SRCB started at the branches. Adhering to the principle of [protect public benefit, base in the city, facing rural areas, from point to surface, advance steadily"], SRCB established an information desk of anti-counterfeit money enquiry at every business outlet and placed the **Anti-counterfeit Money Handbook** for customers` for easy access and enquiry. Based on the key task of anti-counterfeit money described as "use the genuine, boycott the fake", SRCB released different kinds of anti-counterfeit money posters and featured the introduction of RMB anti-counterfeit money knowledge at business lobbies or electronic screens to enhance public awareness of anti-counterfeit money. Secondly, SRCB strengthened the establishment of the anti-counterfeit front. SRCB established 6 community marketing stations for anti-counterfeit money, which included Jinshan Zhujingzhonglou Village, Chongming Chengqiao Town Yixiang Village, Songjiang Yueyang Street, Baoshan Fourth Songnan Village, Fenxian Guangming Town Yangwang Village and Qingpu Qinghu Community, to carry out daily marketing to community residents. By adhering to the principle of "New, lively, effective and penetrating", SRCB carried out different kinds of anti-counterfeit marketing campaigns in different ways. SRCB proactively marketed anti-counterfeit to enterprises with high cash involvement and high risk of receiving counterfeit money.

Branch examples

Feb 24th, Xuhui Branch launched advertising campaign of anti-counterfeit in Tianhua Technology Garden Under The Rain.

Feb 27th, Jiading, Nanhai and Chongming branch launched promotion campaign of "Together for Expo, Colorful life with SRCB"

March 5th, Songjiang branch launched a special anti-counterfeit advertising campaign in Tawan community.

March 12th, Jinshan branch launched a promotion campaign of "Serve

the Expo, build good paying environment" in Zhujin Zijin Square. At the end of June, Pudong branch launched anti-counterfeit promotion

into community and set a special advertising counter at the door of Yijiang convenience store.

In Sept., Changning Branch launched 2 anti-counterfeit campaigns to Liuyi and Liusan community committee near the Quankou outlet.

Jinshan Branch actively contacted companies with high cash involvement such as department stores, supermarkets, hospitals and agricultural goods trading markets, and visited them for anti-counterfeit marketing and training. Since a teller's daily work involves large amount of cash and has a high risk of receiving false notes, Jinshan branch trained staff

on the skills for identification of counterfeit notes, on site by showing counterfeit notes, comparing counterfeit notes with genuine ones. Through the interactive training which included quizzes and providing anti-counterfeit handbooks, small gifts, the tellers' knowledge has increased. The training achieved a satisfactory result.



Superior Financial Service

In 2010, SRCB, taking the Expo opportunity, comprehensively improved its level of financial service and provided solid financial service security to Expo.

I. Branch layout

Reorganise the branches and improve brand image.

Based on the brand management of a modern commercial bank, SRCB improved its visual identify system, formulated the **Visual Identification Manual** and design for business outlet standardization, and upgraded door lighting and VI system for over 300 business outlets. SRCB completed the refurbishment and reconstruction of 132 branches in the year, realized optimization of internal layout, facility and functions as well as unification of its visual image, and enhanced comprehensive brand image of the bank.

Layout adjustment, "one branch for one district".

SRCB conducted a layout adjustment to 88 business outlets according to the district economy development status and population density. In accordance with the market strategy of "exploring urban areas", SRCB established Jingan, Luwan, Bingjiang, Hongkou, Zhabei and Yangpu Branches in downtown and realized its target of: "one branch for one district".

First to set a financial convenience store and build a convenient bank.

Through its implementation of the convenient bank strategy, SRCB commenced construction of new-generation financial conveniences and built 30 financial conveniences in the year. The financial convenience stores, based on penetrating the community and serving community residents, and by introducing differentiation, conducting specific operations and providing alternative hours of operation, were well received by all. Financial convenience stores effectively filled the gap of business outlets in the downtown area and provided a new platform for the sustainable development of SRCB.

Jiading Branch promotes marketing of "convenient bank" brand

In October, Jiading branch launched a public relations promotion campaign of a convenient bank with the theme of "convenient service and leisurely life" at the branch operations department.

At the branch, SRCB staff introduced the following products: saving of local and foreign currencies, social insurance agency, personal loan, [heart-to-heart], wish card China pay service and SME financing, as well as



II. Star window service

In the **Shanghai Assessment Report on Bank Window Service Quality Index, 2009**, among local banks with over 100 outlets, SRCB ranked 5th in "for Expo" window service quality, which was the second fastest ranking increase.

Establish rules and regulations.

SRCB Formulated regulations such as the **Business Outlet Service Standard Handbook**, the **Regulation of Business Outlet Counter Display**, the **Regulation of Business Outlet Propagating Display** and the **Standard of Extended Visiting Service**, and further standardized window service behaviors. During Expo, SRCB further improved the management team for window service, set up window service regulations such as regular meetings regarding the Grade 2 system window service, supervising grade 4 system window service and supervising the 5-management-quality system, established a service appraisal system to select the leading demonstrating outlet and leading service periodically, and comprehensively improved service level and brand image.

Strengthen the team building of lobby managers.

There are 52 business outlets with lobby managers. During Expo, SRCB completed a dual-language system improvement of queue managing machine for all Expo or downtown business outlets and released multi-language service handbooks and volunteer service cards to help foreigners.

Conduct window service training.

SRCB conducted different kinds of window service training on location and business techniques including quality of window service, body language, security staff, lobby manager, office work president, personal FX and identification of foreign counterfeit currency. SRCB also introduced training courses such as "civilized and standardized service of business outlets" through the online educational platform to improve staff service capacity comprehensively, from service awareness to business quality. During Expo, SRCB HQ organized 49 training sessions with a staff attendance of over 13000. The SRCB Expo training programme won the organization prize of 2009 Shanghai systems identification for the finance sector, and the Shanghai occupation systems competition. Our E-courseware "professional ethics of accounting" won the first prize of the 3rd financial education and technology committee courseware competition.

Organize the staff to participate in different kinds of position technique identification tests.

In 2010, SRCB organized 2228 counter staff to participate in the Shanghai "Bank Counter Staff" professional identification systems of Shanghai. 433 passed level-4 identification, 13 passed level-3. SRCB also organized AFP training and the first 55 participants all attained the certificate.

Improve foreign exchange service function.

SRCB promoted the authorized operation of FX business in outlets, as well as increasing the number of outlets with foreign currency exchange capability to 42, and the type of FX products was increased from 5 to 8. All outlets were equipped with unified notice board and a dedicated foreign currency exchange counter known as the green channel to separate customers and ensure the orderly operation of foreign currency exchange business during EXPO.

Replenish Counter Service ("CS") team.

SRCB replenished the staff of the CS center, strengthened business training and management, launched 24-hour English manual service and green passage for complaint, and increased successful connection rate of manual service for 85% to 97%. SRCB improved their customer complaint system, significantly increasing their efficiency of complaint settlement and maintained a high rate of complaint settlement. SRCB promoted online CS on our webpage and provided instant cyber consulting service.

Counter service of Pudong Branch wide well received

In May, Pudong branch received customer's calls and letters regarding its high quality service of its outlets'. A Japanese tourist who came to visit Shanghai EXPO called to thank counter staff Lu Xin of Lujiazui branch because Miss Gu is proficient at Japanese and assisted the tourist locate his accommodation. Ms. Cai telephoned to show her gratitude to counter staff of Cailu Branch for their assistance with a telephone-fraud. Ms.

Zhao from Liulixincun wrote a letter to praise our lobby manager of Liuli branch who forwarded her lost baggage to her. Gaonan Transportation Machine Company showed it's appreciation to Gaoxing branch for the counter staff's warmhearted, thoughtful and comprehensive service. There are messages of acknowledgment from customers for the quality service they received in the guest book of every outlet.

Qingpu Zhujiajiao Branch counting change of 7 thousand for customers

March 30th, several customers entered Qingpu Zhujiajiao branch with a number of heavy boxes. The lobby manager discovered that they were monks from Baoguo Temple wanting to deposit donated change and coins they had received during the year. In order not to affect the business of other customers, the office work president invited them into wealth management room and organized

staff to count the coins. The workload was significant as the money consisted of one-yuan coins and jiao notes. There were no complaints and staff maintained their patience until counting of the last roll of coins finished. Their responsible working attitude was well received by the monks from Baoguo Temple. On the next day, the monks brought the remaining coins into the branch. In total there were 7 thousand coins.

III. Improve technical system

In 2010, SRCB promoted the gradual development project of a new-generation banking system and developed the structure of the system to provide technical support for the comprehensive improvement of SRCB's financial service level and capacity. SRCB completely supported the development of financial convenience stores, utilised technology innovation to achieve business innovation, provided more convenient service and greatly improved the customer experience. SRCB also promoted projects such as the enterprise service hotline, the data warehouse system, the customer relationship management team and video platform. Through these initiatives the customer-oriented development principal has been implemented and SRCB has achieved its social responsibility in the progress of business development. By providing a comprehensive established system, operation and maintenance service, SRCB actively supported banking development in Chongming Changjiangcun Town and the construction of a new village. The details include:

1. SRCB successfully implemented an upgrade for the main hosting of the comprehensive business system and storage equipment to increase the stability & reliability of IT system as well as system processing capacity and system availability.
2. SRCB successfully launched the Taopu Data Backup Center, improved basic facility hardware, expanded the central computer room and added several significant new disaster recovery business systems such as video flow and concentrated over the counter exchange. In this way, the main IT system backup coverage in disaster situations has been improved. SRCB also revised the planning of IT emergency systems, organized disaster simulation training and greatly enhanced the capacity of its backup system.
3. SRCB conducted sound operations and maintenance during EXPO, standardized breach management, strictly controlled change of production, strengthened the control process, enhanced outsourcing management and improved quality of IT system security and service level.

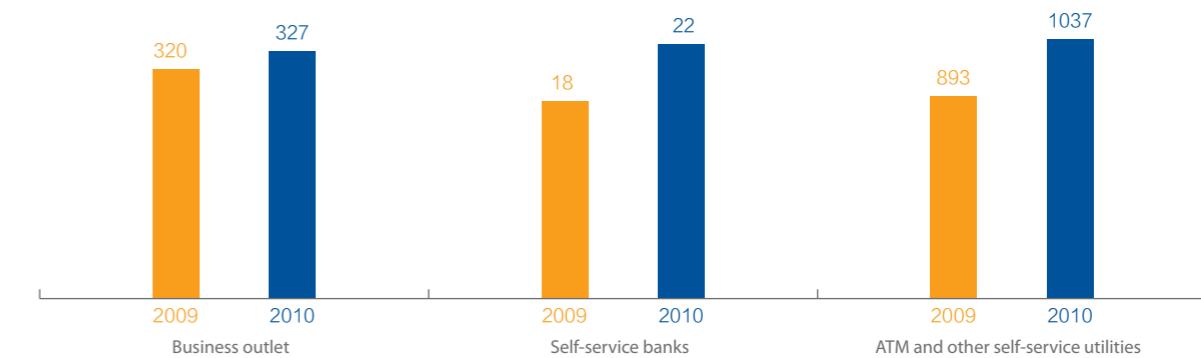
IV. Building service channels

Improve outlet layout, enhance outlet image.

SRCB completed layout adjustments to 88 business outlets, built branches in downtown and realized "one branch for one district". SRCB also undertook the development strategy of a convenient bank, launched a new-generation financial convenience store building and established 30 financial convenience outlets during the year, SRCB upgraded door lighting and identification system in over 300 business outlets, finished decoration or refurbishment of 132 outlets and realized business outlet's optimization of internal layout, facilities and functions as well as consistency of external image.

Optimize functions, promote establishment of electronic channels.

SRCB explored POS relating to specially connected commercial units and improvements to the payment environment of bank card. Since 2009, the company has developed over 1300 specially connected commercial units, installed over 2800 sets of POS system and effectively satisfied the card-use demand of local or overseas card holders. SRCB increased the number of self-service machines and upgraded their service functions. From 2009 to the close of Expo, the company has installed 312 new sets of ATMs (including those with deposit functionality) and the total number of ATMs in operation reached 699 (including those with deposit functionality). The company upgraded the ATM functionality and increased business compatibility with cards from other banks. The company accelerated the establishment of E-bank, integrated E-bank platform, launched personal E-bank & credit card E-bank service, finished the reconstruction of internet portal, advanced the development of electronic products, successfully launched system of electronic commercial draft, bank enterprise direct linking and interbank paying and clearing, and introduced an online enterprise message service platform.



V. Improving Customer Service

Increase rate of manual service answering.

To guarantee the 95% manual service answering rate required by CRBC during the EXPO, the SRCB customer service center successfully increased the manual service answering rate, through; additional recruiting , introduction of excellent talent management, strengthening business training, simplifying business procedures and management staff participation during peak hours.

Settle complaints on time.

In order to solve issues in the first instance and prevent the occurrence of follow up complaints, the customer service center thoroughly examined concentrated hotspots and complaint difficulties and established a well defined complaint resolution system and supervision procedure on non-working days. The center maintained good contact with the supervising institution, business department and related branches, in the process of every complaint settlement, and ensured complaints from customers were resolved as soon as possible. During EXPO, our rate of CS satisfactory reached 99.61%.

New business platform.

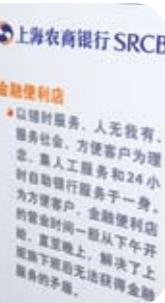
The CS center added 3 service channels which are batch message sending, online CS and Direct dial for financial convenience stores. This enhanced the SRCB E-bank service channel and customer experience.

Optimize system setup.

SRCB optimized its existing phone bank function, realized self-service charge of public utilities cost and enquiry of [heart-to-heart] notice deposit account as well as foreign currency company accounts, and added functions such as greetings, Ruyi card service and customer satisfactory survey. This has resulted in improved customer satisfaction and decreased operational risk.

Improve service quality.

SRCB prepared the **Quality Supervision and Management Measures**, revised the **Performance Management Measures** and the **Employee Handbook** and standardized the work requirements of CS staff. SRCB held different kinds of staff competitions, service appraising and business training, as well as comprehensively improving CS staff's working ability and service procedures. The customer-centered credit card department focused on customer experience, establishing a system of monthly CS center in-bound call checking, strengthened instructions for call representative's wording precision and solved card problems for credit card users.



Promoting Financial Innovation

I. Initiatives for financial convenient stores, develop public-convenient bank

Through the active implementation of the development strategy of a public-convenient bank, SRCB initiated construction of new generation financial convenient stores in 2010. It developed the service concept of "you finish work, we start operations" and opened 30 financial convenience stores in communities. The Bank was widely commended for a different approach, characteristic operation, staggered and extended operation times. SRCB filled the gap of downtown outlets.

Financial convenient stores make debut in Shanghai

May 19, 2010

Xinmin Evening Paper
 SRCB undertook an initiative in China's banking industry by opening its first "financial convenient store" yesterday in Tianping Street Xuhui District for staggered hours of operation to meet the financial demands of

residents after work, which broke the traditional operation mode of "open at 9:00 and close at 17:00". Different from ordinary self-service banking, "financial convenient stores" of SRCB featured a combination of self-service technology and staff service. They are equipped with staff

to offer flexible operational hours. The staff service time is normally from 16:00 to 21:00 and subject to adjustment according to areas, customers and seasons. For instance, the operation time of stores in downtown can be extended to 22:00 and operation time for summer can

be adjusted to 16:00-22:00. The financial convenient stores will be set mainly in the communities that have large population and are very popular with residents. SRCB plans to open 30 to 50 stores in the center downtown centre and across all of Shanghai this year.



Layout of financial convenient stores/ outlets

No.	Name	Address	Contact telephone	Staff service time
1	Tianping Store Xuhui	153 Guangyuan Rd, Xuhui District, Shanghai	64375766	Monday-Friday 16:00-21:00 Saturday and Sunday 13:00-17:00
2	Yijiang Store Pudong	121 Yijiang Rd, Pudong New District Shanghai	50582654	Monday-Friday 8:30-21:00 Saturday 10:00-17:00 Sunday 8:30-17:00
3	Quankou Store Changning	152 Quankou Rd, Changning Shanghai	62387857	Monday-Friday 15:30-21:00 (Business unavailable on Saturday, business is available at neighboring Xinqing Branch)
4	Changzheng Store Putuo	1665 Daduhe Rd, Putuo Shanghai	52657302	Monday-Friday 16:00-21:00 Saturday 8:30-11:30 12:30-16:30
5	Gaoling Store Putuo	525 Gaoling Rd, Putuo Shanghai	52781730	Monday-Friday 16:00-21:00 Saturday and Sunday 8:30-11:30 12:30-17:00
6	Humin Store Minhang	2088 Dongchuan Rd, Minhang Shanghai	64352210	Monday-Friday 13:00-21:00 Saturday and Sunday 9:00-11:30 12:30-17:00
7	Jinding Store Putuo	1680 Jinding Rd, Putuo Shanghai	32552382	Monday-Friday 8:30-12:00 13:00-21:00 Saturday and Sunday 8:30-12:00 13:00-16:30
8	Yonghe Store Zhabei	102 Pingyao Rd, Zhabei Shanghai	36323461	Monday-Friday 9:00-21:00 Saturday and Sunday 9:00-16:00
9	Kongjiang Store Yangpu	1063 Kongjiang Rd, Yangpu Shanghai	65192549 35121125	Monday-Friday 8:45-21:00 Saturday and Sunday 8:45-16:00
10	Newtown Store Songjiang	1296 Songjiang Rd, Songjiang Shanghai	57757140	Monday-Friday 8:30-21:00 Saturday and Sunday 8:30-16:30
11	Luban Store Luwan	465 Xietu Rd, Luwan Shanghai	63012102	Monday-Friday 9:00-21:00 Sunday 9:00-12:00 13:00-17:00 (Business unavailable on Saturday)
12	Chuansha Store Pudong	5228 Chuansha Rd, Pudong New District Shanghai	38711150	Monday-Friday 16:00-21:00 Saturday and Sunday 10:00-17:00
13	Taikang Store Luwan	618 Xujiahui Rd, Luwan Shanghai	60938126	Monday-Friday 13:00-21:00 Saturday 10:00-17:00 (Business unavailable on Sunday)
14	Changjiangnan Road Store Baoshan	593 Changjiangnan Rd, Baoshan Shanghai	51277517	Monday-Sunday 16:00-21:00
15	Fengle Store Yangpu	408 Yinxing Rd, Yangpu Shanghai	35080658	Monday-Friday 8:30-21:00 Saturday and Sunday 8:30-16:00
16	Caoxi Store Xuhui	235 Caodong Rd, Xuhui Shanghai	34241661	Monday-Friday 16:00-21:00 Saturday and Sunday 13:00-17:00
17	Qibao Store Minhang	338 Qingnian Rd, Minhang Shanghai	34110029	Monday-Friday 16:30-21:00 Saturday and Sunday 8:30-11:30 13:00-16:00
18	Xibei Road store Jing'an	1250 Xinzha Rd, Jing'an Shanghai	61905069	Monday-Friday 16:00-21:00 (Business unavailable on Saturday and Sunday)
19	Tonggang Store Pudong	206 Qingxi Rd, Pudong New District Shanghai	38711120	Monday-Friday 9:00-21:00 Saturday and Sunday 10:00-17:00
20	Qilian Store Baoshan	588 Jufengyuan Rd, Baoshan Shanghai	36386016	Monday-Sunday 16:00-21:00
21	Baili Store Putuo	26 Yinxing Rd, Putuo Shanghai	66276260	Monday-Friday 8:30-11:30 12:00-21:00 Saturday and Sunday 8:30-11:30 12:30-16:30
22	Changfeng Store Putuo	718 Jinshajiang Rd, Putuo Shanghai	52664702	Monday-Friday 9:00-11:30 12:00-21:00 Sunday 9:00-11:30 12:30-16:30 (Business unavailable on Saturday)
23	Beitan Store Hongkou	701 Dongchangzhi Rd, Hongkou Shanghai	35051159	Monday-Friday 9:00-21:00 Saturday and Sunday 9:00-16:30
24	Yuqiao Store Pudong	1970 Yuqiao Rd, Pudong New District Shanghai	33925921	Monday-Friday 9:00-21:00 Saturday and Sunday 10:00-17:00
25	Lianyang Store Pudong	1139 Yingchun Rd, Pudong New Shanghai	38711185	Monday-Friday 16:00-21:00 Saturday and Sunday 10:00-17:00
26	Xiuchuan Store Pudong	5558 Xiuchuan Rd, Pudong New Shanghai	38460390	Monday-Friday 9:00-21:00 Saturday and Sunday 10:00-17:00
27	Jing'an Store Jing'an	770 BeijingXi Rd, Shanghai	62711561	Monday-Friday 9:00-17:00 Saturday and Sunday: Rest
28	Tianlin Store Xuhui	588 Tianlindong Rd, Xuhui Shanghai	64820277*101	Monday-Friday 16:00-21:00 Saturday and Sunday 8:30-11:30 13:00-17:00
29	Qipu Road Store Zhabei	225 Qipu Rd, Zhabei Shanghai	36329350	Monday-Sunday 9:30-17:30
30	Xizhangnan Store Huangpu	888 Xizhangnan Rd, Huangpu Shanghai	33660586	Monday-Friday 17:00-21:00 Sunday 9:00-17:00 (Business unavailable on Saturday)

II. Innovation in financial products

New supporting loan extended to small enterprises.

To further satisfy the diversified financing demands of SMEs, SRCB introduced 4 types of new supporting loan for small enterprises in 2010, namely, the real estate pledged combined credit facility product for small enterprises, collective loans for small enterprises, financing for trading enterprises operating with market guarantee companies, credit facility for SMEs guaranteed by China National Investment & Guaranty Co., Ltd.

Shipping and finance related products.

To support two sectors (advanced manufacture industry and modern service industry), SRCB developed two types of shipping and finance related products, namely, loan pledged by listed company equity and mortgage loan for ship purchase. In addition, the Bank provided commercial billing discount and loan to specialized farmers' cooperatives under Anxin Agriculture Insurance, as two alternatives to businesses which provided more effective support for trade financing and "three agriculture" business.

Innovative credit products including equity-pledged loan, order financing and intellectual property-pledged loan.

In consideration that most small and medium-sized technological enterprises were asset-light and lacked mortgageable assets acceptable to banks, SRCB developed innovative credit products including equity-pledged credit service, purchase-order financing and intellectual property-pledged loan.

"Xinlianxin".

SRCB introduced "Xinlianxin" business (RMB seven-day call deposit combination products), Foreign currency seven-day call deposit business, personal comprehensive credit facility business, personal mortgage loan for affordable housing and personal physical gold intermediary business.

"Xinju Card".

The Bank introduced "Xinju Card" ——the first joint-name credit card issued by Bank, the Housing Accumulation Fund and the loan guarantee party. This card was introduced especially for customers of SRCB for housing loans, whereby the customers could enjoy the discounted service from a wide variety of suppliers providing; housing materials, general merchandise, horticulture products and decoration and design service.

III. Financial business innovation

Online application for loans by small enterprises.

To further enhance the service for SMEs and to facilitate SMEs to apply online without contacting the client manager, the Bank made available the online application for loans by small enterprises in the small enterprise area of the SRCB portal website. Relevant customer information could be sent to the client manager through the network link, expanding the marketing and service channels establishing the foundation for special marketing and promotion.

Integrated mechanism for investment.

Yangpu Investment League was founded through mutual cooperation among the government, investment companies, commercial banks and guarantee institutions so that an integrated investment service could be provided for high-tech SMEs in the early and mid stage development, which had financing demands, excellent management teams and sound development prospects.

Acceptance business of debit cards outside China.

SRCB made available ATM acceptance business in Malawi, POS acceptance business in Tonga (trial) and Fiji (trial), further expanding the scope of debit cards use.

Guarantee and security business for personal enterprise-start loan.

SRCB developed guarantee and security business for personal enterprise-start loan in cooperation with Shanghai Estate Guaranty Co., Ltd.

Installment payment business through credit cards.

In order to increase the income proportion from intermediate business of credit cards, expand the revenue source from high-profit business and better satisfy customers' demands, the Bank officially introduced the installment payment business through credit cards in December 2010 and the lead a trial of flexible installment payments for Bank staff.

Marketing channel assisted by credit cards.

In order to further perfect the existing marketing channels, the Bank made an attempt to build up its out-call platform and undertook telephone marketing for the current credit card customers and house stock loan customers within the Bank. The success ratio of 22.6% for out-call marketing was higher than the average figure in the industry.

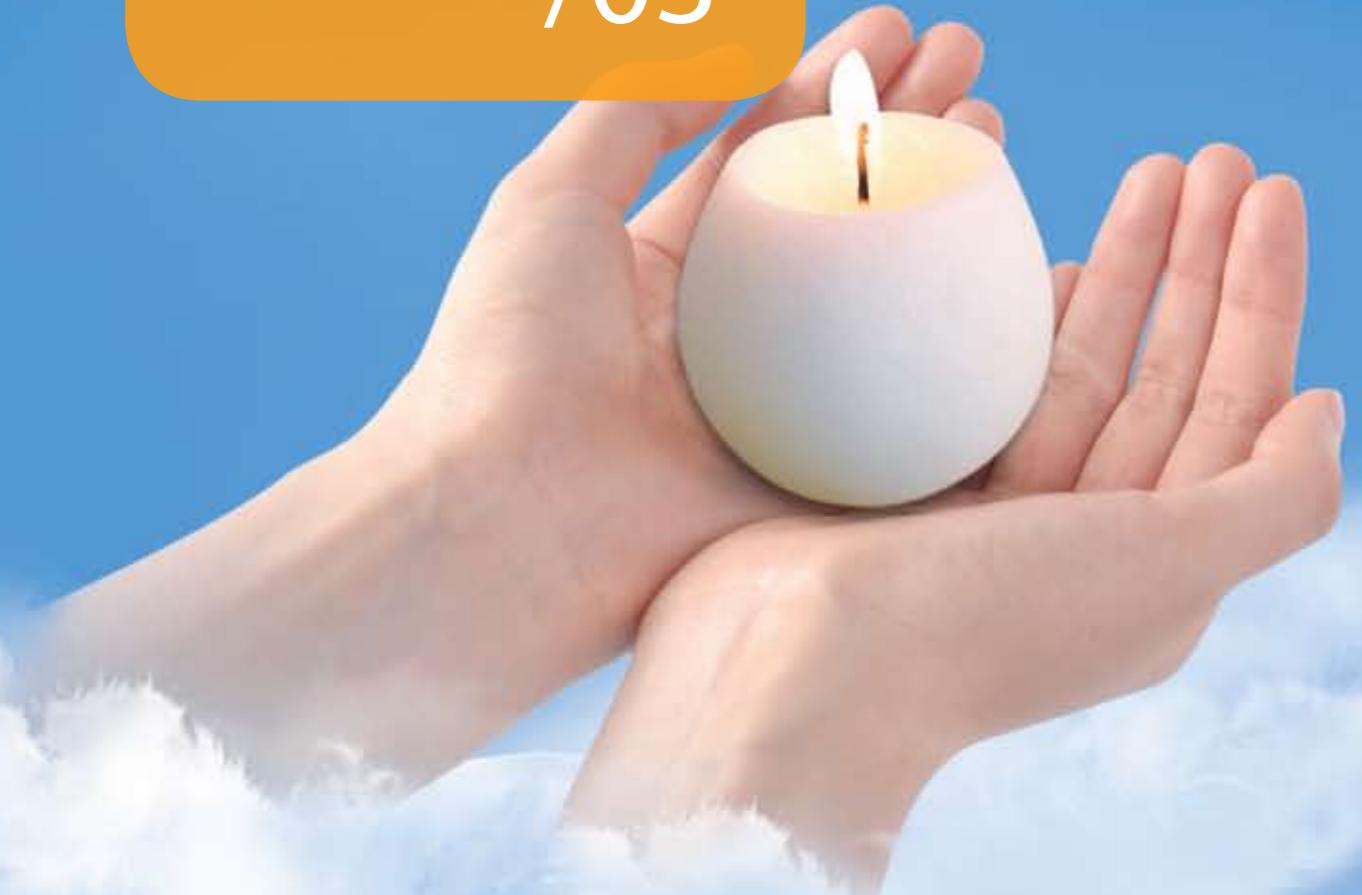




SRCB Social Responsibility

Employee Development
Financial Education
Voluntary Programs
Public Interest Activities

/03



Employee Development

I. Sincere care about employees

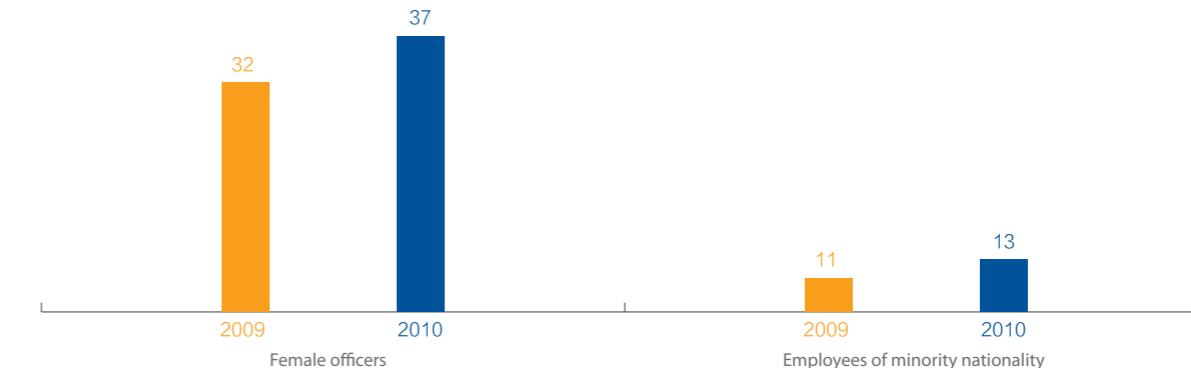
SRCB is people-focused and cultivates a "diligent, pragmatic, effective and harmonious" corporate culture. By protecting the rights and interests of its employees, endeavoring to create a comfortable environment, improving the well-being for employees, building up broad platform for its staff, the Bank has created a sound employment environment.

1. Labor contract laws are strictly observed, a harmonious labor relationship is developed and labor contracts are completed for 100% of the staff.
2. Employees' well-being is safeguarded. The Bank manages its remuneration and well-being system on four principles, namely, work distribution is fair and reasonable and based on staffing levels; salaries are determined by positions at unified standards; bonuses are determined by performance to reflect incentives and benefits are subject to dynamic adjustment in light of market condition. The job grade salary system for employees is established to match the employees' job grade system and salary is paid in full and on time. Basic social insurance and housing reserve fund are paid in full and on time for each employee, and other complementary staff well-being plans are continuously perfected, including enterprise pension plan, housing allowance, supplementary reserve fund, comprehensive security plan for employees, nursery and kindergarten subsidies, health care reimbursement for family members, paid annual vacation, recuperation and relaxation and physical examination.
3. Staff basic rights are guaranteed. The Bank establishes employee vacation management measures in accordance with relevant state-promulgated stipulations to guarantee the rest rights of employees as well as to build up sound work order and improve work efficiency. We have regard to employee's normal religious belief and treat all employees equally regardless of their nationality, gender, and religion and cultural background.
4. Democratic construction is actively progressing. SRCB, in an effort to build a more employee-representative model, established systematic and regular complaint and expression mechanisms for employees. The Bank held two employee representative conventions in 2010 at which the Second SRCB Labor Union Committee and Fund Audit Committee were elected and SRCB Interim Measures for Employee Hierarchy Management, SRCB Interim Measures for Remuneration Management and Interim Measures for Appraisal and Appointment of Business Line Employees were passed. In 2010 there were three "surveys of employees' thinking" and a survey of special purpose for 12 aspects in employees' interests was conducted across all 320 outlets of the Bank. All surveys were communicated, fed back and implemented among 21 branch management teams and relevant departments of the HQ. These surveys indicated substantial achievement for democratic management.
5. SRCB care about employees in difficulty and the retired. SRCB arranged mutual help supplementary security coverage and claim work for all its employees in 2010. Records of colleagues in difficulty and a condolence system for colleagues with serious diseases were completed. Employees' physical examination health management archives and arrangements for cases of serious diseases amongst employees were gradually established. Basic level labor unions sent heatstroke preventive articles to the basic level employees during the World Expo and summer. SRCB provided assistance to staff in need and assisted 395 employees, spending RMB 556,100 during the whole year.]

Many branches conducting "one day" donation

With the approach of the Spring Festival, Jiading, Changning and other branches carried forward our fine tradition and conducted "one day" donation for warmth and love, which was saw active responses and participation by all cadres and employees. The activity further enriched

the labor union's employee assistance fund and provided personal security for a merry and auspicious Spring Festival for all employees in need.



II. Defined career plan

In response to demand for career development, SRCB established a three-year strategic plan for staff talent, completed innovations in the talent development system and perfected the talent development environment. A cadre engagement and tenure system was applied throughout the bank to standardise the procedures for recruitment and engagement of cadres. Holistic human-resource reform was conducted and a job grade system was established so that administration line and business line were categorized to broaden career development channels and to encourage full development of employees' skills. Positive incentives were fully established and performance-oriented salary distribution was followed so that employees with better performance could be better rewarded.

In 2010, the Bank employed in 336 staff with higher degrees, among which, 248 were recruited from campus, and 88 were introduced from outside university. Through improved efforts in recruitment in recent years, SRCB has more sustainable staff development and makes its due contribution to mitigation of employment pressure amongst college students, providing employment positions for the benefit of society overall.

III. Diversified and reasonable employee training

In 2010, SRCB took the opportunity of providing combined comprehensive training on prevention and control of breaches, new regulations for lending and World Expo service. Focusing on its strategic development target, the Bank actively carried out training on "trade financing", "E-banking" and "financial convenient store" and other items to help employees adapt to the demands of business development. SRCB also strengthened its training for obtaining social position qualification certificates, encouraged our staff to obtain social vocation qualification and enhanced staff competitive power by setting up targeted education reward policies, reimbursement of expenses and introduction of internal training by expert institutions. Various training channels were applied with emphasis on E-learning, simulating the bank environment commenced so that the employees were able to take part in various training in a convenient and flexible way.

Year	2009	2010	Year-on-year increase by (%)
Number of training items (in ten thousand)	/	1140	/
Person times of Trainees	18629	29844	60.20%
Per capita expenditure (RMB ten thousand)	22	74	236.36%
Per capita training days	3167	4985	57.40%





IV. Exciting corporate culture activities

In 2010, the Company promoted a "diligent, pragmatic, effective and harmonious" corporate culture to develop a people-oriented and people-convenient bank in an effort to realize common development of the Bank and its employees.

1. SRCB explored the combination of "mental and physical health management" with staff wide sport activities. With the help of the third staff sport games, we organized series of sporting matches featuring competition, interest and innovation with a view to increasing the attraction and influence of sports. During the year, SRCB organized 21 sporting matches covering 7 categories, with 2300 staff, which significantly increased the collective staff respect and unity.
2. The Bank strengthened the development of compliance culture, promoted development of its employees and built up a harmonious internal culture atmosphere under the concept that "compliance creates value". Essay writing related to breach prevention and control was organized and conducted under the title of "Coexistence of youth and regulations, bloom and compliance", in which 230 young staff took part in and they gave a detailed prevention and control education to their colleagues. The Bank also held the third successful knowledge competition on compliance and breach prevention and control, which saw participation by cadres and staff at a considerably higher rate and with more accuracy in their responses than in the prior year.

HQ held the first "June 1st" talent show for children of employees

During the June 1st International Children's Day of 2010, the labor union direct under the HQ held the first talent show for employees' children to enrich our culture and focus attention on children's health development. On June 1, the venue was surrounded by colorful balloons and decorated

with cartoon pictures. Children's favorite songs were being sung on the huge projection screen. These reflected the happiness of the festival. Almost one hundred people watched and more than 20 children participated.

SRCB participation in the "Rich Country Cup" basketball match

On July 23, 2010 the SRCB basketball team, among many other teams from Shanghai based financial institutions took part in the "Enter World Expo—2010 Shanghai Finance Industry Culture Series Activities / "Rich Country Cup" basketball match" sponsored by Shanghai Finance Industry Staff Culture and Sport Association. In the matches against teams from

SPD Bank and Bank of Communication, our players fought strategically and aggressively and won 32 to 14 and 36 to 27, respectively. In the matches against the stronger teams from CCB, China Minsheng Bank and ICBC, SRCB competed strongly but were defeated.

Collection from branches and sub-branches

Various sports games like billiards and football were held by Chongming, Fengxian and Changning Branches to enhance outside-work life of young staff.

"Open the book for benefit" reading month activity was held by Zhabei Sub-branch.

"Seek the Cool in Summer · Film Festival" was held by Fengxian Sub-branch.

The dragon-boat team from Jinshan Sub-branch had another success with the seventh prize in the dragon-boat match of the 14th sports game of "Caohejing Industrial Development District Cup".

V. Notable achievement on clean practice education

SRCB conducted clean practice education during 2010 in multiple levels and aspects on the basis of the actual situation and with concentration on Party members and cadres, and based on awareness education, which laid a solid basis for anti-corruption and promotion of clean governance. First, we placed more governing endeavor on the source, and set up important regulations such as "Several Detailed Rules on Leaders' Implementation of Clean Practice, Management Measures on Reporting of Violation and Procedure Rules of CPC SRCB Discipline Committee". Second, awareness education was strengthened so that knowledge of laws and discipline was improved. We organized two-month "Three Comparisons" caution education activities across the bank to identify weak links in the unit by comparison with the "Rules on Clean Practice of Enterprise Leaders", finding loop-holes in implementation by comparison with "Rules on Punishment of Staff in Violation of Discipline", and finding out whether Party members and cadres violate regulations or discipline by comparison with "Punishment Rules on Party Member in Violation of Discipline". All leaders, cadres and staff were organized on different occasions to watch the awareness education films that were sent by our superior units or produced by ourselves and that were for this dedicated purpose and they were also organized to watch "Construction Exhibition of Anti-corruption and Building Clean Team in Financial System" jointly hosted by PBC, CBRC and the Municipal Discipline Work Committee of Finance. According to statistics, a total of 1,300 persons throughout the bank watched the exhibition. The awareness education yielded remarkable results and no serious economic cases and discipline violations occurred in the Bank throughout the whole year of 2010. Third, we took the chance of the clean hosting of World Expo to honor our own clean practices. In promotion of high-quality services at outlets in the World Expo zone, we focused on teller services and achieved "zero incidents" and "zero reporting" in financial convenience store construction, cash center completion, commencement of the Zhangjiang business center, data system upgrading and other significant projects.

HQ held a forum on breach-prevention report writing and innovative works.

On December 18, HQ organized a case-prevention report writing and innovative works forum as part of "Coexistence of youth and regulations, bloom and compliance". Participants from all units actively and creatively applied innovative media such as video, comedy skits, RPG games, cartoons, singing of adapted songs to spread compliance awareness, breach-prevention concepts and commend advanced models.

As part of the activity, the HQ League Committee expressed three requirements for league members in strengthening of employment discipline, improvement of compliance awareness and enhancement of case-prevention ability. That is, to convert short-time learning into long-time continuous thinking and internize into rational self-consciousness;

to convert passive follow-up into active leading practice and internize into spontaneous action; to convert single education into comprehensive discipline management and internize into action.

Mr. Shen Xunfang, deputy party secretary, party secretary of the Discipline Committee and Director presented three wishes to young staff: youth is the most valuable, while compliance is the safest, hence you should cherish your youth and set examples in compliance; writing is like action, but action is not just writing, hence you should take what you write into practice and be models of pragmatic staff; youth knows no bounds, yet society has bottom lines, you should observe laws and discipline and be the example to watch.

Collections from branches and sub-branches

Jiading and Fengxian Sub-branches commenced dedicated work of "striving to be the first" and governance on business bribery. Pudong Branch commenced the work conference dedicated to "governance on department coffer". Chongming Sub-branch held dedicated lectures on breach prevention education.

Fengxian Sub-branch held a debate on breach prevention. Xuhui Sub-branch held the lecture on anti-corruption and promotion of clean governance. Songjiang Sub-branch organized cadres and staff to visit "clean governance culture park".

Publicizing Financial Education

SRCB endeavored to strengthen customers' financial education, enhance their risk awareness and ability of risk identification so that interests of the financial customers and stable operation of commercial banks were safeguarded. First, the Bank took the opportunity of annual marketing activities on Lantern Festival to provide a professional counseling service on personal deposit and lending, personal wealth management, E-banking, financial services for small enterprises and for communities and publicized the SRCB social image of people-convenient bank. Second, SRCB marketed financial knowledge, innovations in the financing environment and enhancement of residents' financial awareness through sponsorship of activities with the theme "bringing financial knowledge to the countryside" in 2010. Third, SRCB marketed financial knowledge and provided financial facilities through activities such as "bringing financial service to Park", "public education service day" and "publicity month of fiduciary operation".

The Bank participated in the activity of "2010 Shanghai Banking Industry Public Education Service Day"

On November 28, 2010, Shanghai banking industry public education day and Shanghai banking industry public wealth management and investment education series activities officially started. Themed as "Harmonious finance and good life", this activity had the main purposes of marketing of financial knowledge and enhancement of public financial safety awareness. The leaders of the Bank attended the opening ceremony and the Personal Finance Department of HQ undertook marketing at the site. On the same day, 115 outlets of the Bank undertook marketing of public financial education service, among which, nearly half the outlets set up on the street or in the community to provide publicity and face-to-face conversion. This was well received.

Collections from branches and sub-branches.

Huangpu Sub-branch took active part in public-convenient stalls on East Nanjing Road.

Luwan and Minhang Sub-branches ran the community financial school and set finance classes as a practical measure to spread their brand and enrich the neighboring financial life, and publicized bank knowledge for the purpose of "Being a community bank, serving the residents".

Jing'an Sub-branch held the competition of financial knowledge for community.

The activity with the theme "bringing financial knowledge and financial service into community and the Park" was conducted by many branches including; Jinshan, Songjiang, Putuo, Nanhui, Qingpu, Fengxian and Baoshan Sub-branches.



Enhancing the Spirit of Voluntariness

SRCB publicized the opening of financial convenient stores as a platform to carry out community financial volunteer work in 2010. SRCB organized 89 elaborate community financial knowledge publicity activities primarily undertaken by the art publicity team at the opening of financial convenient stores in different districts. SRCB also undertook community financial knowledge publicity, Lantern Festival publicity and 5-year birthday celebration, with over 20 thousand people attending.

Combining with the World Expo Pioneer action, the Bank made a joint-construction effort to service the World Expo. In response to the call from the Organization Department under the Municipal Party Committee, all grass-root party organs established Party construction and joint-construction relationships at their work places to keep committed to community work. They made efforts to serve as volunteers for "Smooth subway" and "Preservation of public communication order" and did their jobs of security and service for World Expo.

Activity items by volunteers	Number of items	Number of person times	Capital contributed (RMB 10,000)	Aided person times
Assist the poor, old and disabled	6	25	1.1	27
Financial publicity and education	32	805	11	300
Assist teaching and learning	6	293	5.19	9
Environment protection and communication	8	317		
health care (including unpaid blood donation)	1	288		

The Bank assisted in a collection of songs and fellowship activity with youth from Africa World Expo exhibition countries.

On August 14, a collection of songs and fellowship activity by youth from Africa World Expo exhibition countries, organized by the Municipal League Committee and assisted by the Bank, was held in Datuan Town Pudong New District. Under the elaborate arrangement, business representatives from Africa World Expo exhibition countries and African youth representative, in

total 54 persons, participated in peach-picking in the park, tea party with peaches, dinner in countryside and visited Donghai Bridge and Yangshan Deepwater Port. The collection of songs and fellowship activity enabled African youth to learn more about local conditions and excitement of Shanghai and participate in Chinese dining and drinking culture. They extended their sincere thanks for the SRCB reception.

SRCB young staff were designated for Safety World Expo

22 young staff from the Bank served as volunteers for Safe World Expo and completed duties for social order at Exit 5 of the People's Square Subway Station under unified arrangements by municipal competent departments.

With vigorous, diligent and steadfast work, these young staff successfully completed the duties of 36 work shifts in 18 days, fully reflecting their sound social responsibility, and actively contributing to promotion of brand value and the social reputation of the Bank.

Multiple languages youth volunteer service team was established in the Bank.

In order to participate in and serve World Expo in practice, League Committee of HQ compiled and printed 60 Sentences for Basic Bank Service and Contact Book for Multiple Language Service Volunteers and established a multiple languages youth volunteer service team in conjunction with human resource of multiple languages youth. The multiple languages youth volunteer service team established by the Bank, had 12 members from sub-branches of Baoshan, Minhang,

Jiading, Hongkou, Songjiang and departments of HQ. In the contact book of volunteers, volunteers elaborately compiled sentences for basic bank service, each accompanied by translation in English, Japanese, German, French and Korean. During the World Expo, volunteers also provided language services in English, Japanese German, French and Korean through their employment at the outlets and in telephone interpretation.

Collections from branches and sub-branches

Volunteers from Huangpu Sub-branch took part in Safety World Expo clear communication for bus stations. General League Committee of Fengxian Sub-branch organized youth volunteer series activities on May 4. Jiading Sub-branch took part in Service World Expo stationed guardian work with responsibility. Pudong Branch set up volunteer service team from lobby managers from outlets.

Party members from Changning Sub-branch took part in subway clear communication activities as volunteers. Jinshan Sub-branch participated in civilized traffic marketing volunteer activities. Volunteers shock brigade from Nanhui Sub-branch completed the assistance in exchange of World Expo commemorative coins.

Public Interest Activities to Return the Society

I. Concern about disaster-stricken area

SRCB Interim Measures on Donation Management was revised in 2010 to help authorization management of donations. Donation in total of RMB 4.16 million were made available for disaster relief, education aid, poverty alleviation and other undertaking of public interest. A strong earthquake on the scale of 7.1 grade occurred in Yushu Qinghai province in April, causing substantial loss of life and property. Leaders of the Bank paid high attention to this disaster and donations in total of RMB 1 million was made for the Yushu affected area. Another donation of RMB 1 million dedicated to Yushu rural cooperatives was also made after the earthquake, fully reflecting the spirit of "when disaster strikes, help comes from all sides". In November, a large fire occurred in Shanghai. The Bank donated RMB 1 million to the affected people through Civil Affair Bureau of Jing'an District to help them through the difficulty and to rebuild their homes. The Bank also contributed RMB 500000 to the Foundation for Justice and Courage of Changning District to praise good people and deeds and to encourage healthy trends.

Collection from branches and sub-branches

Jingshan Sub-branch provided counterpart assistance through "bringing warmth and contributing love" to poverty disaster-stricken area in Yunnan and Sichuan.

Donations to Yushu disaster-stricken area was made in Pudong Branch, Putuo and Jinshan Sub-branches.

II. Assistance to people in poverty and difficulty

SRCB continued its undertaking in 2010 in "Establishing partnership between urban and rural areas to jointly build up new countryside". First, based on prior partnership, joining in-depth building with Guanghui Village Xuanqiao Town of Pudong New District, the Bank contributed RMB 160 000 in total to building leisure and bodybuilding facility, countryside roads, construction of infrastructure like farmland improvement and condolence visit to 297 senior people over 80 years old. Second, the Bank contributed RMB200 000 in 2010 to counterpart assistance in poverty alleviation and infrastructure construction at Hexing Village Yankou Town Chongming County. Third, the Bank contributed RMB100 000 in total in 2010 to counterpart assistance in support of collective economy development, construction of practical projects, life improvement of villagers in poverty, and education aid of poor college students at Tangwei Village Fengcheng Town Fengxian District. Fourth, SRCB contributed RMB 100000 to sewer building for Hongmiao Village Fengcheng Town Fengxian District to improve villagers' living environment.

Changning Sub-branch donated for "Love Angle Fund"

Changning Sub-branch has been assisting impoverished students under a partnership between Shanghai Jiao Tong University and Fudan University through "Love Angle Fund" since 2008. A proposal by General Party Committee and General League Committee of this sub-branch that Party and League members pay special member fees to assist students in

poverty till they complete their higher education was widely responded and the leaders, Party members and League members donated goodwill money of RMB 18000. This sub-branch will promote the assistance of the students in poverty through support until they complete their education and assist them realize their goals.



Songjiang Sub-branch held a bazaar for charity in 100-day countdown welcome to World Expo.

On January 9, Songjiang Sub-branch held a bazaar for charity in 100-day countdown welcome to world Expo. This bazaar is jointly sponsored by League Work Committee of Yueyang Street and Songjiang Charity Fund. Many league members provided their strong support and participation

in this activity with 120 articles donated by 40 members. Goodwill proceeds from the bazaar were all donated to Songjiang Charity Fund, which resulted in this sub-branch having the highest fund raising on that day.

III. Counterpart assistance in construction

On April 18, 2010, the Dujiangyan Project, under assistance in construction by SRCB, officially started with the hope to further enhance the outlet function and design through joint endeavors from both parties. The aim was to improve the content and quality of projects under assistance in construction through the outlet development concept of "1+N". Xue Chao, Deputy General Secretary of Shanghai Municipal Government and the General Director of Post-Disaster Rebuilding Direction Department of Dujiangyan under Counterpart Assistance in Construction by Shanghai, and Mr. Liu Junlin, the Mayor's Aide of Chengdu and Secretary of Party Committee of Dujiangyan attended the ceremony. Liu Junlin expressed sincere thanks to SRCB for its assistance in Dujiangyan Sub-branch of CDRCB after the May-12 powerful earthquake disaster.

On August 28, the Dujiangyan Qingchengshan Sub-branch of CDRCB under SRCB's assistance in construction, was officially completed and opened. Smooth opening of the sub-branch reflected the mutual aid and brotherhood between SRCB and CDRCB and that "all rural cooperatives are in the same family", passed forward sincere wishes towards fellow CDRCB from our 5,000 cadres and staff, and carried forward the Chinese traditional virtue of helping the distressed and pulling together to tide over difficulties.

IV. Actively supporting charitable activities

SRCB sponsored Shanghai Women Table Tennis Team in 2010 in support of sports development. To render support for the development of such team and continuous skill improvement of its players, the Bank, after mutual negotiation, contributed RMB 500 000 to sponsor the Shanghai Women Table Tennis Team in a common development endeavour.

Producing leading edge marketing and cultivating youth talents. The Bank contributed RMB 350000 to the SRCB CUP 2010 Shanghai Top Ten Youth Economic Figures Selection Contest for the second successive time. In the selection contest, a number of excellent youth entrepreneurs, managers, economic experts and financial commentators, reporters and other economic talents were praised and publicized for their outstanding contribution to World Expo, and for their outstanding performance in the economic field and influence on society.

General League Committee of Jiading Sub-branch cared for special children

On May 31, General League Committee of Jiading Sub-branch came to Jiading Assisted Education School to bring their support to special needs children. They distributed gifts and interacted with the children. "Come on, hold the left hand of Haibao." A Youth League member switched on the phonie sensors and the intellectual Haibao began to ask witty questions and guess riddles with the children, making children laugh joyfully, even Tangtang, a boy with infantile autism clapped

happily. What a lively and merry day. The General League Committee encouraged the children to learn basic knowledge well and develop special skills and grow into self-confident, self-reliant and helpful persons. Meanwhile they expressed their honor toward the teachers for their hard work of and respect toward the children.

SRCB Environmental Responsibility

Creating A Low-carbon Bank

Building Green Finance

/04





Creating A Low-carbon Bank

I. Environmental activities of public interest

SRCB organized its staff to plant trees for forestation. We distributed environmentally friendly bags and publicized environment protection concepts when bringing financial knowledge into community; and on the basis of the theme "City makes better life", we initiated the activity of "Joining the green account paper campaign" and advocated our staff to collect waste paper, magazines and newspapers in categories for reuse of limited recoverable resources. The Bank conducted the volunteer work of civilized persuasion of "You smile, I pick it up" to advocate spontaneous practice of social virtue, service for city public interest and building of sound trends.

II. Advocating environmentally friendly work

SRCB adhered to the principle of "Environmentally friendly and conservation-aware work" and set up Energy Conservation and Emission Reduction Team. Calling for conservation in electricity consumption, the Bank asked its staff to turn off lights before leaving, to control temperature of the air conditioners with a view to creating low-carbon work environment. Through effective concentrated purchase and competitive negotiation, we kept the total purchase of office stationary basically unchanged despite increasing staff. We adopted OA system to promote no-paper work to the fullest extent.

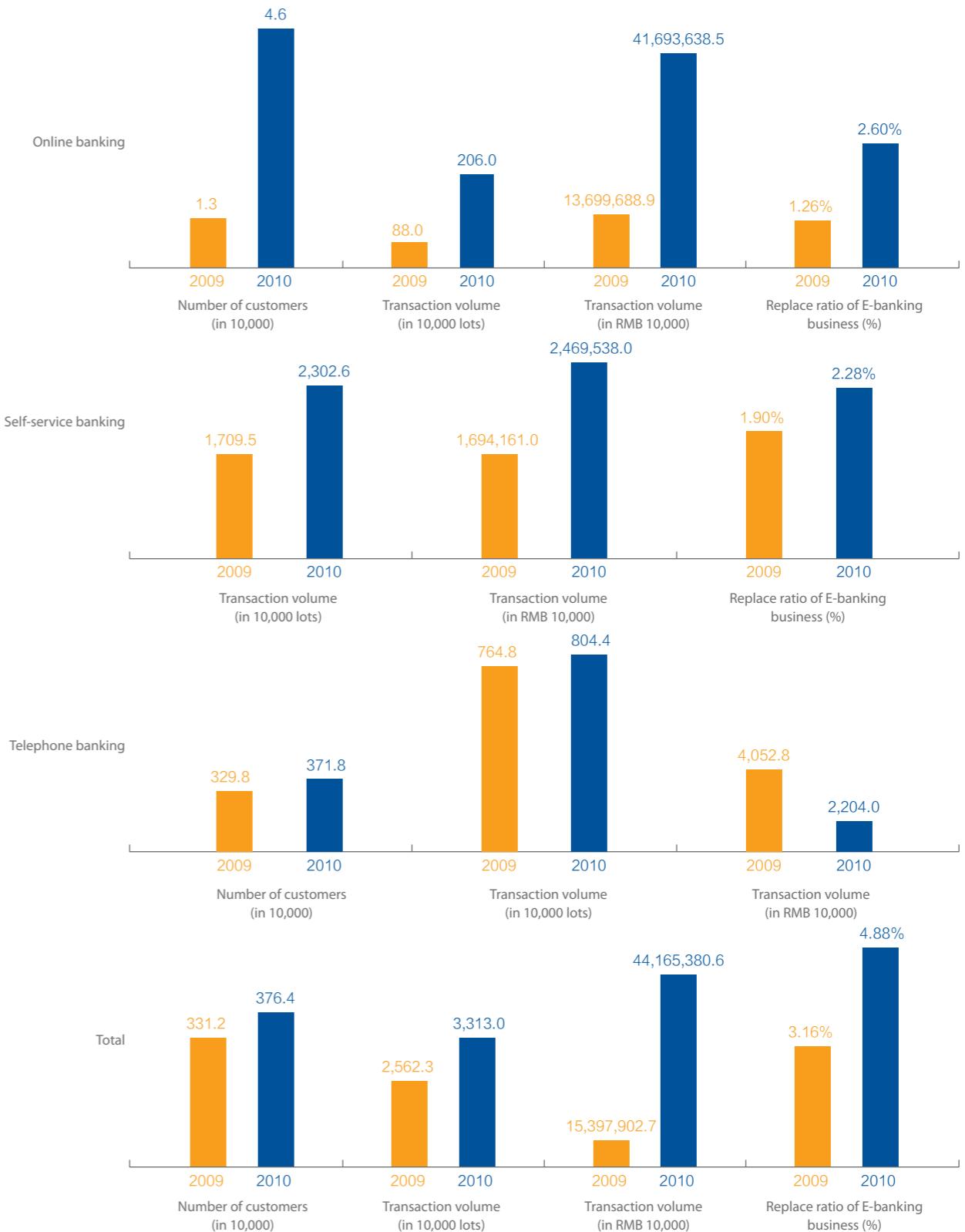
III. E-banking

SRCB fully realized the importance of E-banking in conversion of growth mode, creation of low-carbon enterprise and undertook significant efforts to establish and perfect its E-banking service system.

Service channels were diversified. The Bank can provide a 24/7 online service through five electronic service channels, namely, telephone banking, online banking, mobile phone banking, portal website and self-service equipment, which creates a home operational environment for customers so that branch visits by customers was reduced and energy consumption was decreased.

The size for E-banking consumers was enlarged to reduce the pressure on counters. Customers were encouraged to bank through E-banking, telephone banking and other business. Speed and distribution of banking service were extended effectively and transactions were sped up from traditional counter banking into electronic channels. At present, SRCB has transferred 36.21% of its counter business with a ratio for replaceable businesses at 78%, which saved large amount of time for customers and significant resources for our society.

Service channels were further expanded through research and development of products. SRCB provided new services and offered more options for customers by active research and development of new products. The Bank introduced E-financial service, bank-enterprise direct connection service and other products that were dedicated to SMEs and "Three Agriculture". Research and development of new service platforms such as mobile banking, video banking and online shopping enabled customers to work on desk with more convenience and ease.





Building Green Finance

I. Green credit policy

Under the complicated economic and financial situation and in adherence to the state macro economic policy guidance of "Conversion of modes and adjustment of structure", SRCB strictly followed the state's industrial policy and environment policy and expressly put priority of loan extension direction on low energy consumption and environmentally friendly SMEs and on environment-supporting and energy saving construction projects. Loans were prohibited to be extended to enterprises not in compliance with demands on energy saving and emission reduction. Enterprises on the state's black list of "Energy saving and emission reduction" were not prohibited to access loans; and existing loans to such enterprises were subject to rapid termination. Loans are prohibited to be granted to projects that should undergo environment examination and approval but failed to pass or that should undergo acceptance procedures for environment equipment but failed to pass.

II. Support energy-saving and environment-friendly projects

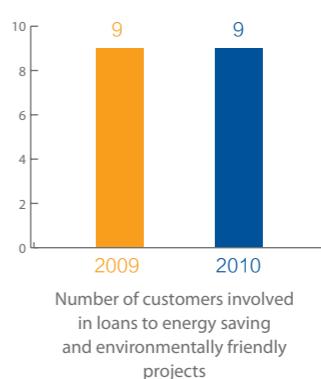
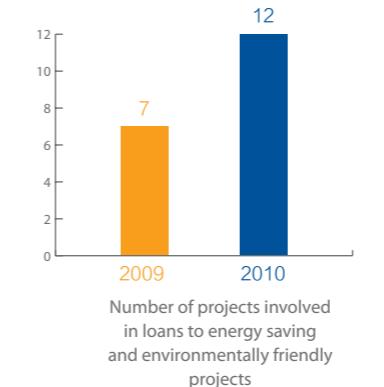
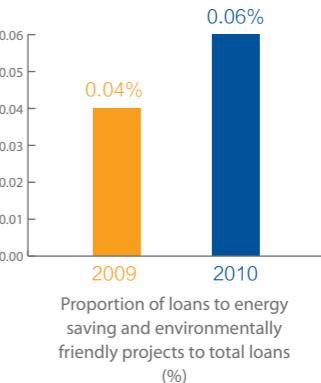
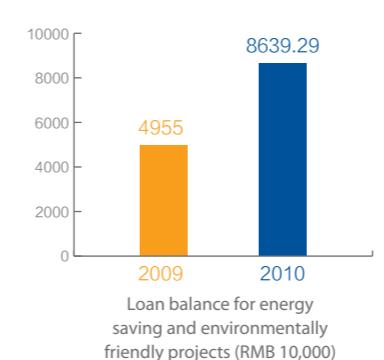
By the end of 2010, SRCB had a loan balance of RMB 86,392,900 for energy-saving and environmentally friendly projects, an increase by 74.35% over the previous year and the amount of such loans increased by 46.38% over the previous year.

Shanghai Old Port Solid Waste Comprehensive Development Co., Ltd., established on March 30, 2010, has the main business of investment and construction of ecological environment projects for comprehensive use of solid waste at the old port. This project could effectively mitigate the difficulty of rubbish disposal and enhance capacity in rubbish reduction, conversion of rubbish into resource and harmless handling. It could also

promote pollution abatement in old port area and facilitate harmonious development among economy, society and environment of that area. SRCB provided RMB 243 million credit support for such project, and had issued RMB 5 million by the end of 2010 in accordance with the construction scheduling.

Shanghai Qiongpu Industrial Park Thermoelectricity Co., Ltd., established in September 1998, has the main business of production of steam for concentrated heat supply for Qingpu Industrial Park and electricity for the Power Company. SRCB offered credit support of RMB 30 million for the second phase of an expansion project. This expansion project, approved by National Development and Reform Commission, was an energy saving and emission reduction project encouraged by the State

for the purpose of meeting the concentrated heat supply demand from Qingpu Industrial Park so that energy can be used in an effective way and urban air quality can be improved. After full commissioning of the project, the company could create double its production capacity and a significant increase of its heat use ratio; the revenue was expected to reach RMB 216 million with net profit of RMB 16.62 million.



Prospects for the Next Year

Both the international and domestic economic and financial situation in 2011 will remain complicated and difficult to predict. At the Central Economic Work Conference it was expressly presented that adjustment of economic structure should be accelerated and rapid, stable economic development should be maintained under the theme of scientific development and with the focus of rapid conversion of economic development. SRCB will, in strict adherence to the policies and demands by the central government, accelerate business conversion, adjust its structure in a scientific way, make significant endeavors in innovation, enhance service capacity, support "Two-centers" construction of Shanghai, endeavor to support "Three Agriculture" projects and development of SMEs. At the same time, SRCB will continue to care for public interest, care about the development of our staff and fulfill our sound performance and corporate social responsibility.

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Shanghai Financial News	SRCB Jing'an Sub-branch sounds the bulge to expand in downtown
Oriental Morning Post	SRCB marching into downtown
www.hexun.com	SRCB marching into downtown
Financial News	SRCB made another step in downtown layout
Shanghai Evening Post	SRCB made another step in downtown layout
Jiefang Daily	"Three agriculture" performance report of rural cooperatives in Shanghai suburban
Shanghai Financial News	SRCB made another step in downtown layout
Shanghai Business Daily	SRCB Luwan Sub-branch goes listed for operation
Financial News	SRCB is granted "2009 Best Corporate Social Responsibility Prize"
www.xinhuanet.com	SRCB is granted "2009 Best Corporate Social Responsibility Prize"
Shanghai Evening Post	SRCB conducts financial counseling service
Smg Smg Radio News Center	SRCB conducts financial counseling service
www.xinhuanet.com	SRCB gets close to residents on Lantern Festival
Shanghai Morning Post	SRCB enhances service
Shanghai Financial News	SRCB welcomes World Expo and enjoys Lantern Festival together with residents
Xinmin Evening News	Financial convenient stores will be opened before World Expo
Shanghai Evening Post	Shanghai delegates consider government report in groups, time limit of 10 minutes is not enough.
CRI Online	Congress deputy expresses the desire to make contribution to World Expo
www.cnr.cn	Congress deputy expresses the desire to make contribution to World Expo
Wen Hui Bao	"Financial convenient stores" will make debut in Shanghai with operation time 5:00 to 22:00.
Jiefang Dailyshanghai Financial News	"Financial convenient stores" will make debut in Shanghai before beginning of World Expo
www.xinmin.cn	"Financial convenient stores" will make debut in Shanghai
Shanghai Financial News	"Financial convenient stores" will offer 7*24 service during the World Expo
Shanghai Evening Post	"Financial convenient stores" will make debut in Shanghai
Shanghai Financial News	SRCB convenes mobilization conference for World Expo financial service
Jiefang Daily	SRCB preliminarily completes its downtown layout
www.shanghai.gov.cn	SRCB preliminarily completes its downtown layout
Shanghai Business Daily	SRCB completes network coverage in downtown
Shanghai Financial News	SRCB completes network coverage in downtown
www.xinhuanet.com	SRCB preliminarily completes its downtown layout
www.sohu.com	Yushu earthquake concerns the nation, SRCB donates one million
Jiefang Daily	Financial convenient stores of new generation make debut in Shanghai, SRCB expects to open 40 stores this year
Xinhua News Agency	SRCB makes exploration in "bank night markets" through "Financial convenient stores"
International Finance News	"Financial convenient stores" finally made debut in Shanghai
Shanghai Morning Post	Bank offers wealth management service at night
Shanghai Evening Post	First Financial convenient store opens, loan for second housing handled after work.
Xinmin Evening News	"Financial convenient stores" finally make debut in Shanghai, SRCB takes imitative for stagger operation time
Oriental Morning Post	First "Financial convenient store" opened by SRCB
Laodong daily	"One-stop solution" for second housing loan, first "Financial convenient store" appears in Shanghai
Shanghai Business Daily	SRCB night financial convenient stores make debut in Shanghai
Shanghai Financial News	Financial convenient stores of new generation finally made debut in Shanghai,
Economic Information Daily	SRCB makes exploration in "bank night markets" through "Financial convenient stores"
www.shanghai.gov.cn	Financial convenient stores of new generation made debut in Shanghai, SRCB expects to open 40 stores this year
www.xinmin.cn	"One-stop solution" for second housing loan, first "Financial convenient store" appears in Shanghai
www.xinmin.cn	"Financial convenient stores" finally make debut in Shanghai, SRCB takes imitative for stagger operation time
www.ifengw.com	First "Financial convenient store" opened by SRCB
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www.ifengw.com	SRCB night financial convenient stores make debut in Shanghai
www.sina.com.cn	First "Financial convenient store" opened by SRCB
www.sina.com.cn	SRCB night financial convenient stores make debut in Shanghai
www.sina.com.cn	Chinese first "Financial convenient store" opened by SRCB
www.yicai.com	Chinese first "Financial convenient store" opened by SRCB

Issuing media	Heading
www.jrj.com	"One-stop solution" for second housing loan, first "Financial convenient store" appears in Shanghai
www.finance.qq.com	"Financial convenient stores" operated in community till 22:00
www.cnFOL.com	SRCB makes endeavor to create a public-convenient bank
www.cnstock.com	SRCB makes endeavor to create a public-convenient bank
www.hexun.com	SRCB makes exploration in "bank night markets" through "Financial convenient stores"
www.online.sh.cn	"One-stop solution for second housing loan, first "Financial convenient store" appears in Shanghai
SMG TV News Center	"Financial convenient stores" finally made debut in Shanghai for stagger and extended operation time
SMG Radio News Center	"Financial convenient stores" operated in community till 22:00
CCTV2 CNTV	Shanghai sees its first "Financial convenient store"
Dongfang TV	Shanghai: "Financial convenient stores" make debut, counter service is available at night
SMG TV News Center	"Financial convenient store" will be opened in Shanghai
www.sina.com.cn	Shanghai "Financial convenient stores" make debut, counter service is available at night
www.vodvom	Shanghai "Financial convenient stores" make debut, counter service is available at night
www.boosj.com	Shanghai "Financial convenient stores" make debut, counter service is available at night
Shanghai Evening Post	SRCB gave birth to financial convenient stores in Minhang and Jiangchuan
Shanghai Financial News	SRCB League Committee organizes multiple languages youth volunteers team
Domestic Dynamic Press Proof of Xinhua News Agency	SRCB gets popularity with exploration and setting up of Financial convenient stores
www.emcsino.com	SRCB successfully issues the first contract energy management project financing loan in Shanghai
Shanghai Business Daily	SRCB: Enhance its service in hot temperature
www.shanghai.gov.cn	First financial convenient store born in Songjiang, SRCB endeavors for "public-convenient bank" brand
Shanghai Financial News	SRCB shows its mien in World Expo financial service while combating heat
Internal Reference Compilation of Xinhua News Agency	SRCB financial convenient store night operation gets on new way
Financial News	Handling customer complain by Shanghai banks adds satisfactions to World Expo financial service
Shanghai Morning Post	SRCB opens another financial convenient store
Shanghai Financial News	SRCB implement "two not less than" to assist small enterprise in full development
Shanghai Financial News	World Expo financial service no limits
Xinmin Evening News	Experience World Expo, feel SRCB
http://money.163.com	SRCB donates RMB 1 million
www.sina.com.cn	SRCB donates RMB 1 million
Shanghai Finance	SRCB donates RMB 1 million
Shanghai Morning Post	SRCB speeds up financial convenient stores layout
Shanghai Financial News	SRCB donates RMB 1 million to fire-stricken people
China Finance Net	SRCB donates RMB 1 million to fire-stricken people
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www.hexun.com	SRCB donates RMB 1 million to fire-stricken people
Shanghai Securities News	Well-tended operation in financial night markets
www.business.sohu.com	Well-tended operation in financial night markets
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Financial News	Well-tended operation in financial night markets, Financial convenient stores for foreign trade
www.hexun.com	Well-tended operation in financial night markets, Financial convenient stores for foreign trade
Wen Hui Bao	SRCB donates to build sewer for Hongmiao Village
Youth Daily	SRCB holds "the first ceremony of granting good-faith SMEs and bank-enterprise cooperative contract signing" amounting over 10 billion.
Shanghai Financial News	SRCB grants the first batch of "Good-faith SMEs"
Shanghai Business Daily	SRCB executes bank-enterprise cooperation agreement with good-faith SMEs