2012
SRCB Annual Report

上海农商银行 SRCB

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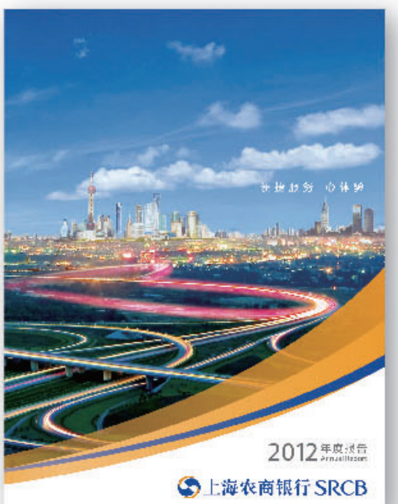
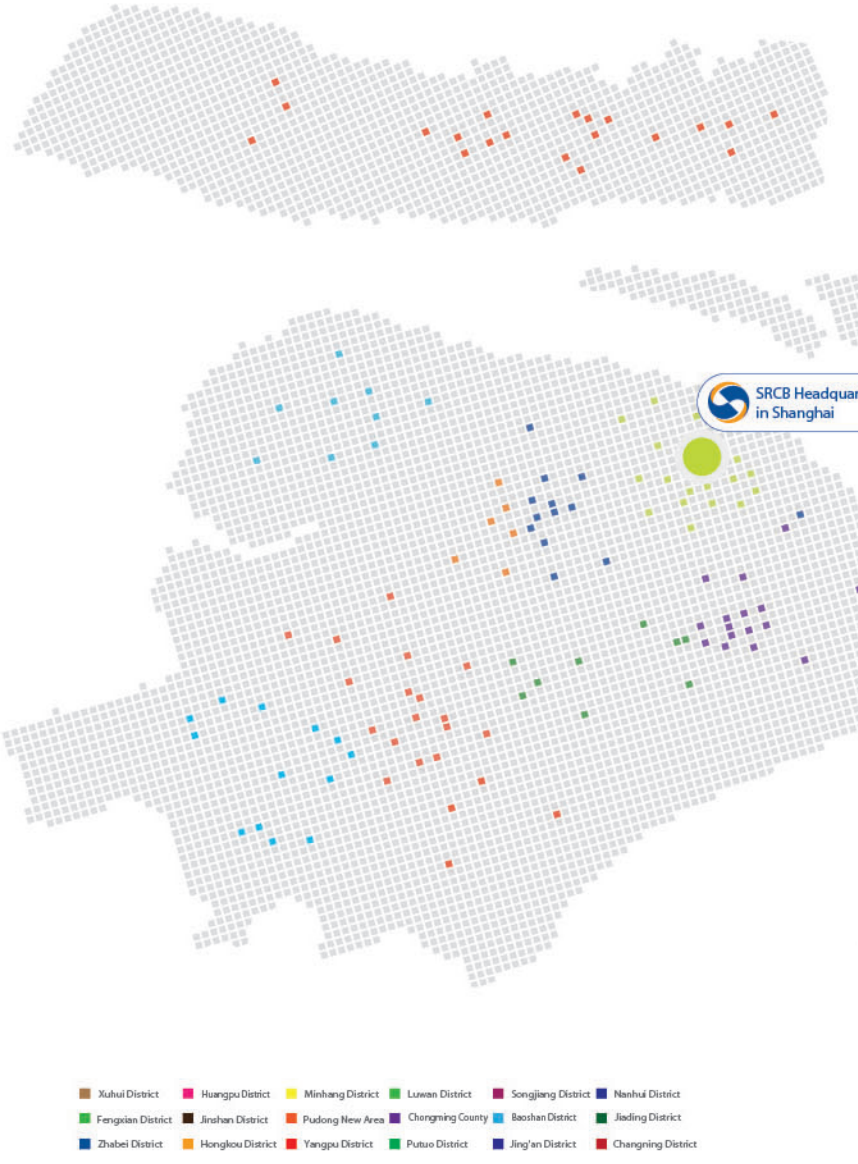


Based on statistics from the Banker, a British magazine, SRCB ranked 213th among the 1,000 large banks in the world at the end of June 2012 (vs. 235th in 2011) based on its tier one capital. SRCB has been a Global 500 bank for many years, and ranked 19th amongst Chinese banks in the list. SRCB became one of the first domestic banking organisations granted official approval to offer domestic inter-bank gold quotation service. It is also the only rural commercial bank to be granted such privilege.

Branches Distribution List



373

Number of SRCB outlets

100

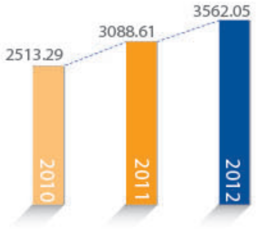
Number of kiosks in different districts and counties in Shanghai

3

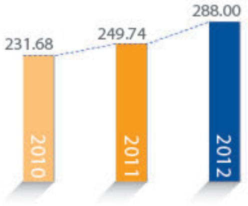
The branches opened in Jiashan country, Xiangtan country and Kunshan to explore business opportunities outside Shanghai

Business Highlights

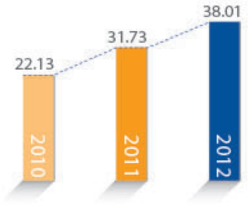
Total assets in the last three years
(Unit: RMB100 million)



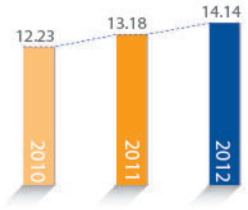
Shareholder 'equity in the last three years
(Unit: RMB100 million)



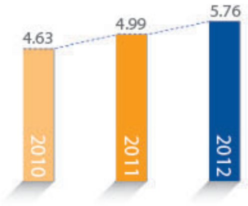
Net profit in the last three years
(Unit: RMB100 million)



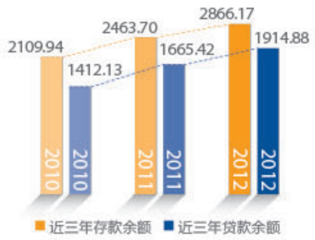
Rate of Return on Common Shareholders' Equity in the last three years
(Unit: %)



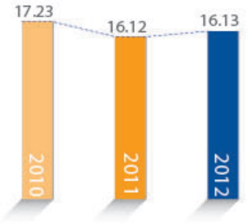
Net assets per share in the last three years
(Unit: Yuan/Share)



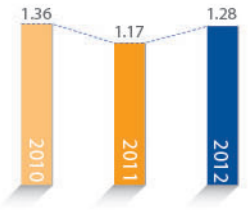
Deposit balance and Loan balance in the last three years
(Unit: RMB100 million)



Capital Adequacy Ratio in the last three years
(Unit: %)



NPL ratio in the last three years
(Unit: %)



上海农商银行
SRCB

Convenient Services Centering Customer Experiences

In May 2010, SRCB became the first bank to launch financial kiosk that provides off-hour manual services and 24-hour automatic services in China. Kiosks feature in off-hour services in e-banking, cash transaction, personal wealth management (including credit cards), personal loan, micro business loan, and community support etc. Over 70 products are provided through 6 platforms, including the Australia pre-account opening service developed jointly with ANZ - a one-stop financial service covering Australian account pre-opening, foreign currency purchase/remittance, and account activation. SRCB aims to become the “neighbourhood bank” in the community to further build its “convenience bank” brand.

As one of the banks that possess the largest small enterprise customer base with the biggest transaction amount, SRCB has been putting on responsibilities in serving micro, small, medium, agricultural, high-tech, and trade enterprises. SRCB has been dedicated to service improvement and product innovation. Its initiatives include launching the “Xinyidai” portfolio loan product and “Xinyongdai” unsecured loan product for micro businesses only, the “Xintongrong” property mortgage loan for small enterprises, catering customers' financing needs through a variety of products and services with convenient procedure and flexible repayment plan. SRCB has also opened the first high-tech branch in Shanghai – Zhangjiang High-tech Branch, providing end-to-end financial support to high-tech growth companies under designated credit approval procedure, credit limit, and risk management policies.

As the first shareholding commercial bank successful reorganized from rural credit cooperative, SRCB has been focusing on the cross-regional development out of Shanghai, into the Yangtze Delta Region and China nationwide. In 2012, SRCB opened 32 rural banks in Shandong, Yunan and Hunan Provinces, and planned to set up two more in Beijing and Shenzhen Cities respectively. This will enable SRCB to meet the government' s call of supporting rural area development and fulfilling social responsibilities. It is also a strategic initiative for business transitioning.

The first shareholding commercial bank successful reorganized from rural credit cooperative

One of the banks with the largest number of outlets in Shanghai

One of the banks with the largest small enterprise customer base contributing the biggest transaction amount

One of the regional banks with the most sophisticated e-banking channels

The first bank to launch financial kiosk that provides off-hour manual services

Business Processing Center is a major infrastructure project set in the SRCB three-year strategy. It centralizes middle and back office operations including data processing, system development/testing/maintenance, credit cards, accounting and settlement, customer service center, and also training functions. The Center is critical to the bank' s strategic transitioning specifically its middle and back office operations improvement.

In the past years, SRCB has been receiving compliments from customers on its e-banking services. Featuring speed and convenience, the whole range of services provided - including corporate/personal internet banking, phone banking, automatic service banking, and mobile banking etc. - have marked another important step in building a convenience bank.

SRCB credit cards business saw rapid development by launching a variety of card products and services. Ever since the first credit card was launched in 2008, SRCB has issued standard credit card, Taobao credit card, QQ credit card, and also the first platinum credit card amongst all rural commercial banks in China – World Travel Platinum Card. The Platinum card caters consumption needs at home and abroad and provides featured value-added services to customers seeking a quality life.

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 2012 Annual Report of Shanghai Rural Commercial Bank Co., Ltd. has been reviewed and endorsed at the sixteenth meeting of the Second Board of Directors and the fourteenth meeting of the Second Board of Supervisors.

- The 2012 Annual Financial Report has been audited by PricewaterhouseCoopers Zhong Tian CPAs, 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 of Shanghai Rural Commercial Bank Co., Ltd.

March 26, 2013

Company Profile

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

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

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

  Abbreviated English Name of the Company: SRCB

- Legal Representative of the Company: Hu Pingxi

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

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

  200120 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 website 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

Events of 2012

January

● Our Customer Service Centre was honoured with the "2011 Best Customer Service Award" in the Shanghai banking sector.

February

● Formal opening of the first out-of-Shanghai rural bank founded and controlled by the SRCB – Ningxiang SRCB Rural Bank in Ningxiang County, Hunan Province.

March

● Signed "Strategic Cooperation Agreement between Shanghai Rural Commercial Bank and Yunfeng (Group) Limited" with Yunfeng (Group) Limited.

● Grand launch ceremony for the "Labor Union Member Service Card" held at the East Shanghai Community Centre.

● Signed "Strategic Cooperation Agreement between Shanghai Rural Commercial Bank and Shanghai United Assets and Equity Exchange (SUAEE)" with SUAEE.

● Successful issuance of the first two cross-border RMB letters of credit for a Pudong Branch customer, marking a groundbreaking event in cross-border RMB letter of credit business.

April

● Grand opening of the third out-of-Shanghai branch – Kunshan Branch

● Awarded "The Best Risk Management Bank" at the "Prize Award Ceremony for the Most Outstanding Small to Medium Bank in 2011 & the 1st Medium to Small Banks Development Summit Forum" sponsored by "Modern Bankers" magazine.

● A gala ceremony was held in Changsha, Hunan Province to mark the en masse establishment of 12 rural banks in Hunan Province.

● Signed "Strategic Cooperation Agreement between Shanghai Rural Commercial Bank and Junyao Group Company Limited" with Junyao Group Company Limited.

● Won the "Award for Excellent Progress in Retail Banking Service" offered by "The Asian Banker".

May

● Formal introduction of "bank-securities transfer business" - enabled third party private customer fund transfer between bank settlement account and securities dealing accounts"

● A gala ceremony was held in Jinan, Shandong Province to mark the en masse establishment of rural banks in Shandong Province.

● Annual increase of active credit cards went over 100,000.

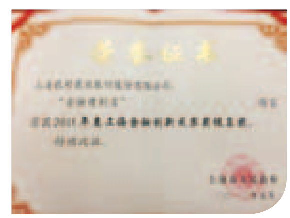
● SRCB financial kiosks received Nomination Prize for the 2011 Shanghai Financial Innovation Award conferred by the Shanghai Municipal Government.

● The Bank was honoured with the "2011 Outstanding Organisation for Security Grading and Protection" granted by the Shanghai Critical Information Systems Security Grading and Protection Coordination Office.

● Signed "All-round Strategic Cooperation Agreement between Shanghai Rural Commercial Bank and Shanghai Waigaoqiao (Group) Company Limited" with Shanghai Waigaoqiao (Group) Company Limited.

● Received the "Best Financial Service Innovation Award" voted by the Banker magazine.

● Honoured with "2011 Award for Outstanding Contribution on UnionPay Cards Promotion" and "2011 2nd Prize for Issuing UnionPay Cards amongst Small to Medium Bank" offered by China UnionPay.



June

● A gala ceremony for the opening of 17 rural banks, founded by SRCB and 4 other commercial banks, was held in Kunming, Yunnan Province. 10 of these rural banks were founded by SRCB.

● The Off-Site Auditing (Risk Early Warning) System for Rural banks was successfully switched launched on 27 June, 2012.

July

- Publication of the 2012 global rankings of 1000 banks around the world by the British magazine "The Banker". These 1000 major banks were ranked in order of their tier-one capital, where SRCB ranked 213rd (as against to 235th in 2011). The Bank also ranked 19th amongst all domestic banks listed in which.
- Signed "Banking Business Strategic Cooperation Agreement between Shanghai Rural Commercial Bank and Renheng Property Group Limited" with Renheng Property Group Limited.
- Gala opening of a dedicated branch offering high-tech financing services – the Zhangjiang Technology Branch.

August

- The customer service hotline for rural banks (4009-962999) went online for trial service on 1st August, 2012. This customer hotline will be serving customers of the 35 rural banks founded and controlled by the Bank.
- Accumulative active SME owner cards issued went over 500,000.
- Gala opening of the first "Xinyi Wealth Management Centre" in Xuhui Branch.
- Introduction of the first bank-trust wealth product – Futong 2012, Issue No. 88 RMB wealth product.
- Media review meeting for the "Shanghai Rural Commercial Bank - Competition for the Top 10 Ancient Towns in the Yangtze Delta", sponsored exclusively by SRCB and organised by the Yangtze River Delta News Centre of Xinhua News Agency, was held in 16 August, 2012.

September

- "Xin e-Motion" mobile banking platform was officially launched.
- Formal opening of "Shanghai Rural Commercial Bank Cup - 2011-2012 Competition for Top 10 Business Characters of Shanghai" on 12 September.
- "Shanghai Rural Commercial Bank Cup - Competition for the 10 Major Ancient Town in the Yangtze Delta" prize awarding ceremony was held on 16 September.
- The newly developed nationwide electronic payment system for customs duties and levies formally went online on 16 September.
- The Bank became the sole strategic partner bank for the Shanghai Pudong International Talent Website.

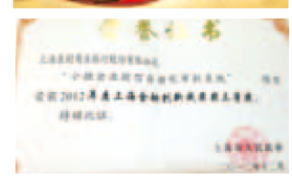
October

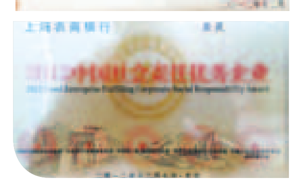
- Honoured with the "2012 Shanghai Shopping Festival - Best Event Planning Prize" jointly awarded by the Shanghai Business Council and Shanghai Branch of China UnionPay.

November

- Honoured with "2012 China Enterprise E-Learning BooAoo Prize – Optimal Hybrid Training Application Prize" awarded by the online learning authority online-edu.org.
- Honoured with the title of "Rural bank of the Year" in the "2012 CBN Financial Value Bill Board" competition sponsored by CBN Journal.
- The Bank became one of the first domestic banking organisations granted official approval to offer domestic inter-bank gold quotation service. It is also the only rural commercial bank to be granted such privilege.

December





- Opening of the Yangpu Yanji financial kiosk. Up to this point, we have successfully achieved our target of opening 100 financial kiosks to cover all Shanghai districts within 3 years.
- The successful issuance of 5 billion worth of RMB-denominated 3-year micro-enterprise bonds with fixed interest rate on the nationwide inter-bank debt debenture market has made the Bank the first provincial-level rural commercial bank to have successfully issued such bonds.
- The SME auto-approval system was awarded third prize for the 2012 Shanghai Financial Innovation Award.
- The Bank was awarded the prize of "2012 Corporate Social Responsibility Outstanding Enterprise" during 2012 CSR Annual Meeting for China Enterprises, organised and sponsored by the China Association of Enterprises with Foreign Investment (CAEFI) and others.


Hu Pingxi
Party Secretary and Chairman

Board Chairman' s Oration

Looking back on 2012, it was a year marked by our active efforts to adapt to changes in the external environment of the financial world. We have seized upon the opportunities and responded to the challenges with joint endeavour by all staff members while making steady progress in various business areas, accomplishing our strategic objectives, and achieving rather commendable operating results. As of the end of 2012, the Bank had total assets of 356.2 billion Yuan, up by 47.3 billion Yuan with a 15.32% increase compared to the beginning of the year; total deposit balance of 286.6 billion Yuan was up by 39.1 billion Yuan with a 15.88% increase compared to the beginning of the year; loan balance of 191.5 billion Yuan was up by 25 billion Yuan with a 15.01% increase compared to the beginning of the year; the total balance of non-performing loans of 2.45 billion Yuan was marginally up by 500 million Yuan compared to the beginning of the year, and the ratio of non-performing loans at 1.28% was slightly up 0.1 percentage point compared to the beginning of the year; total net profit of 3.801 billion Yuan was up by 630 million Yuan, representing YoY growth of 19.79%; ROA of 1.14%, ROE of 14.14%, and capital adequacy ratio of 16.13%, and provision coverage ratio of 221% - all are maintained at standards higher than before.

At the same time, as the Bank has accomplished positive progress in business restructuring by exercising control over government platform and property lending, we have significantly expanded the scale of lending to medium, small, micro, agricultural, high-tech, and trade enterprises. Innovative products for the agricultural sector were developed to meet the ever-growing needs; establishment of the Zhangjiang Branch has expanded the channels for high-tech financing. By emphasizing on both traditional and emerging businesses, we have achieved significant growths in areas like e-banking, trade financing, financial institutions, credit cards and so on. By focusing on the strategy to offer customer-convenient banking service, and by consistently adopting differentiated market positioning and offering distinctive services, 40 financial kiosks have started gliding-hour service operations over the past year and the number of gliding-hour outlets topped 100 by year-end. Whilst the kiosk business was developing rapidly, our brand image was further improved, bringing notable economic and social benefits. Over the past year, the 32 rural banks incorporated en masse in Shandong, Hunan, and Yunnan have opened for business at various time periods and their current business operation are very encouraging. The 2 rural banks in Beijing and Shenzhen have also started business operation to serve customers, giving rise to a diversified cross-regional development outlook with "dynamic eastern, central, western regional integration and south-north interaction". As risk management is further strengthened, the responsibility system for post-lending monitoring is also enhanced while no efforts are spared in bolstering administration for the bulk of existing loans, and formulation of various fine-tuned risk policies (non-credit assets management etc.), emphasis on the long-term mechanisms for risk incidents prevention, and optimisation of the functions of risk early-warning systems have all resulted in tangible benefits. Great efforts was put to further implementation of the New Capital Accord in order to adopt a capital-saving development path. Resources in the Bank were reorganized for better coordination and back office support to rigorously push ahead development of the new-generation system and the Zhangjiang Data Centre, so that the projects can be completed on time and fit in quality requirements, and in time provide technological support to the Bank' s sustainable development.

Progress was recorded in the area of Party development. We have been earnestly instilling the spirit of the 18TH National People' s Congress by relating theory to practice, renewing our thinking, improving our working style, and designing the solution for a new phase of development. We have intensified reforms in human resources management by strengthening leadership team building, undertaking business performance assessment, paying attention to training and development of multi-skilled personnel, thus the calibres of our teams of staff personnel are continuing to improve. I would like to take this opportunity to express my heartfelt thanks to all those in the community and our customers who have demonstrated interest in and supported our development!

Looking ahead to 2013, as the shadow of rather significant uncertainty is continuing to cast over the global economy, domestic demands have become a key element driving economic growth. Urbanisation will act as an important engine for economic development in the foreseeable future, as domestic income will maintain a relatively rapid and stable growth while more attention will be directed to the qualitative measures and efficiency of national economic development. As the financial markets will continue with the deregulation process, a disintermediation tendency is becoming evident, which would bring changes in financing structure and business operation (more portfolio products) of banks. The reforms in the interest rates and exchange rates will be furthered; there will be greater integration between the financial market and the internet as scientific and technical innovations will drive business transformation and various consumer electronics technology and e-banking will likely undergo burgeoning development. We are facing both opportunities and challenges under such a new environment. While the next term of the Board of Directors is come into shape, we will formulate the new three-year development strategies, and we will steadfastly adhere to the principle of scientific development, focus on deposit and high-tech businesses, guide the senior management team to instil the notion of structural adjustments, transformation of business approach, capital saving, return on capital, risk prevention and sustainable development; penetrate local market, provide more service to the real economy, demonstrate branch network advantage, vigorously expand retail banking business, develop featured e-banking business; focus on developing the rural banks, promoting bank-wide risk management; build the Bank into a convenience banking organisation.

We earnestly look forward to your support to Shanghai Rural Commercial Bank's development; we will adopt a proactive, forward-looking and innovative approach to further enhance the standard of our services and business performance, as well as fulfilling our corporate social responsibilities in practical ways to repay the care and concern of our shareholders and the community.

Chairman:

Shen Huiqi

Chairman of Supervisory Board

Hou Funing

Deputy Party Secretary, Vice Chairman and President

Bank President' s Oration

2012 saw Shanghai Rural Commercial Bank' s three-year development strategy drawing to a successful conclusion. Under the leadership of the Shanghai municipal Party committee and the municipal government, the Shanghai municipal Party committee for the financial sector and the municipal financial services bureau, and under the guidance of the financial supervisory authority with the aim of adhering to the overriding principle of scientific development, meeting the essential requirement of striving for development progress whilst maintaining stability, and in order to accelerate restructuring development and accomplish better results in achieving the annual business objectives, we have fully accomplished our set target objectives embodied in the three-year development strategy.

The sustained rise in profitability level has put our business operation on a firmer footing. The current year net profit of 3.801 billion represents a 20% growth over 2011 level. A provision of 1.547 billion has been allocated to cover asset write-downs, with NPL provision coverage topping 221%, and LLR/loan ratio reaching 2.83%. Capital sufficiency is currently standing at 16.13%.

As the scale of our business operation is steadily growing, our market share continues to expand. The balance of local and foreign currency deposits are currently standing at 286.6 billion Yuan, up by 39.1 billion Yuan from last year. The balance of local and foreign currency loans are amounting to 191.5 billion Yuan, up by 25 billion Yuan from last year. Our shares of the RMB loan and deposit markets in this city are respectively 5.44% and 6.02%, up by 0.29 percentage point compared to last year. Saving deposits have maintained fast-paced growth, with the growth rate ranking fourth in this city, which enabled us to capture 7.15% of market share, up by 0.4 percentage point compared to last year. Various categories of non-interest incomes totalling 1.143 billion Yuan accounting for 10.64% of total operating revenues are recorded.

Business restructuring is showing clear benefits while service for the community has become a distinct feature. Financial services for the small and micro enterprises have been fully rolled out, enabling us to capture a ten percent share of this segment of the lending market. In the inter-bank market, five billion worth of small and micro enterprise bonds were successfully issued. Development in emerging businesses is accelerating, as shown in the quick growth of trade financing, high-tech financing, wealth management, bank card, and financial markets business, while debt financing vehicle underwriting and precious metals trading have also made a good start. "Bank-Securities Platform", mobile banking, e-banking, IC bank card, and labour union member service card were launched, and Zhangjiang technology branch was opened for business. Development for financial kiosks is intensifying, with the total number of kiosks topping 100, while the number of micro-enterprise service outlets reached 40, and the number of VIP wealth service branches arrived at 10 as the first wealth management centre opened for business. By directing efforts into implementing the requirements of the municipal government, actively taking part in development of affordable housing and large-scale community facilities, supporting development of medium to small enterprises, and supporting the management of Social Security Funds, our business benefited from strong support of the municipal government at the city and district levels.

Strengthened risk management to enable business activities to be undertaken in a steady manner. By focusing on credit risk management and fraud/violation case prevention and undertaking development of bankwide risk management system, total asset quality has largely remained stable. Execution of a well-planned project to develop the new generation banking system and the Zhangjiang business processing centre and the task of clearing the backlog of property ownership titles have achieved preliminary results.

In addition, in accordance to the decision of the board of directors, the Bank' s resources are mustered to support planning and development of the rural banks, as a total of 32 village and rural banking have started business operations in the three provinces of Hunan, Shandong and Yunnan.

During 2013, we will intensify implementation and fully instil the spirit of the 18th National People' s Congress and the 10th Municipal Party Congress to focus on the overriding central theme of scientific development and restructuring development, keeping a firm grasp of the overall situation, capturing opportunities, meeting challenges, and further enhancing the capacity for sustainable development to usher a new era of reform and development in Shanghai Rural Commercial Bank.

By firmly establishing ourselves in serving the real economy, we emphasized on expanding the scope and level of business development. While keeping a focus on the "12th Five-Year Plan", the advantages of our branch network, geographical location, and people connections are fully utilised for us to actively take part in urbanization and supporting facilities construction and major industry development projects. vigorously developed businesses in advanced manufacturing, modern service industry and other strategically emerging industries. By linking up with the "one district, eight zones" in the Pudong Zhangjiang area, we are looking at manifesting the features of our high-tech branch and further develop high-tech financing business.

We emphasised community service and serving the well-being of the people to create a community-centred financial service brand name. We took the strong positioning of community-centred convenience banking and paid close attention to the needs of the community residents' in their everyday life and work and also wealth management. By opening financial kiosks, micro-enterprise service outlets, wealth management centre, we have helped the establishment of the community financial service system through our quality financial services.

We seized the opportunity for adapting to interest rate deregulation and the new capital rules, accelerated the pace of restructuring development. We directed efforts into optimising the credit structure and vigorously developping retail lending, trade financing, and other low capital-consuming business to increase return on assets. We increased the source of non-interest income businesses, accelerated business innovation in areas like like cash management, wealth management, e-banking, and bank card service to improve profit contribution. We tried to contribute more in developing Shanghai into an international financial hub while furthering collaboration with peer banks to significantly expand emerging businesses like investment banking, trust funds management, assets management, precious metals trading and so on.

Aimed for refined management to further enhance the capacity for risk prevention. Efforts include adapting to changes in the business environment and the needs for restructuring development; strengthening analysis and research on industry trends to guard against systemic risks; improving general risk management capabilities while adopting both "manual control" and "system control" to constantly improve the ability to identify, control and resolve the different categories of risks.

President: 

Shen Xunfang

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

Shen Xingbao

Vice President

Ye Guorong

Vice President

Wang Guanrong

Vice President

Li Jin

Vice President

Jin Jianhua

Vice President

Shi Meiliang

Vice President

Development Initiatives Centering Deposit Business and Technology Support

Summary of Accounting Data and Financial Indicators

I. Key Financial Data During the Reporting Period

Unit: RMB1,000

Item	The Group	The Bank
Gross profit	4,581,791	4,748,988
Net profit attributable to shareholders of parent company	3,724,416	3,801,144
Net profit attributable to shareholders of parent company after deducting nonrecurring profits and losses	3,498,531	3,596,634
Operating profit	4,280,611	4,476,308
Return on investment (Note 1)	2,267,597	1,983,531
Net non-operating income	301,180	272,680
Net cash provided by operating activities	6,483,292	6,802,914
Net increase in cash and cash equivalents	-3,938,559	-4,850,391

Note 1: Return on investment includes interest income from bonds investment.

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

Unit: RMB1,000

Item	The Group			The Bank		
	2012	2011	2010	2012	2011	2010
Operating income	10,870,670	9,027,067	6,377,360	10,741,232	8,984,663	6,355,422
Net profit attributable to shareholders of parent company	3,724,416	3,187,001	2,219,629	3,801,144	3,172,714	2,213,162
Total assets	361,968,419	309,927,083	252,100,924	356,205,353	308,860,735	251,329,289
Deposit balance (Note 2)	295,017,698	247,548,151	211,834,300	286,617,116	246,370,084	210,993,639
Loan balance	195,425,380	167,254,605	141,742,075	191,487,597	166,541,981	141,212,789
Owner' s equity attributable to shareholders of parent company	28,741,996	24,992,860	23,172,783	28,800,248	24,974,384	23,168,594
EPS (yuan) attributable to shareholders of parent company	0.74	0.64	0.51	0.76	0.63	0.51
EPS (yuan) attributable to shareholders of parent company after deducting nonrecurring profits and losses	0.70	0.45	0.44	0.72	0.45	0.44
Net assets attributable to shareholders of parent company (yuan)	5.75	5.00	4.63	5.76	4.99	4.63
Net cash per share provided by operating activities (yuan)	1.30	1.06	0.13	1.36	1.06	0.11
Income-to-cost ratio (%)	39.39%	38.70%	44.01%	37.75%	38.76%	44.00%
Weighted-average return on net assets (%)	13.87%	13.20%	12.23%	14.14%	13.18%	12.23%
Weighted-average return on net assets after deducting nonrecurring profits and losses (%)	13.03%	9.33%	10.55%	13.38%	9.32%	10.53%

Note2: Deposit balance includes the capital for wealth management funds as shown by the table.

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

Unit: RMB1,000

Item	The Group			The Bank		
	2012	2011	2010	2012	2011	2010
Beginning balance	5,273,882	3,400,736	2,730,732	5,267,709	3,396,005	2,728,343
Accrued from profit or loss of the year during the reporting period	1,640,381	2,107,738	862,381	1,547,089	2,106,296	860,039
Other transfers during the reporting period	3,854	9,739	5,942	3,854	9,739	5,942
Recovery during the reporting period	1,337	5,113	3,456	1,337	5,113	3,456
Roll-out during the reporting period	53,352	38,568	55,959	53,352	38,568	55,959
Cancellation after verification during the reporting period	53,763	210,876	145,816	53,763	210,876	145,816
Ending balance	6,812,339	5,273,882	3,400,736	6,712,874	5,267,709	3,396,005
Balance of provision for loan losses	5,522,799	4,974,726	2,956,477	5,423,334	4,968,553	2,951,746
Provision during the reporting period	642,312	2,071,531	861,838	549,020	2,070,089	859,496
Transfers during the reporting period	5,191	14,852	9,398	5,191	14,852	9,398
Cancellation after verification or roll-out during the reporting period	46,079	68,134	112,791	46,079	68,134	112,791

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

Unit: RMB1,000

Item	The Group			The Bank		
	2012	2011	2010	2012	2011	2010
Total liabilities	332,368,351	284,860,738	228,875,114	327,405,105	283,886,351	228,160,695
Deposit balance	295,017,698	248,687,652	212,323,161	286,617,116	247,509,585	211,482,500
Total interbank borrowing	6,364,387	8,051,822	100,000	6,364,387	8,051,822	100,000
Loan balance	195,425,380	167,254,605	141,742,075	191,487,597	166,541,981	141,212,789
Including: Corporate loans	144,819,353	131,622,513	111,606,765	142,409,787	131,113,653	111,247,285
Discount	31,258,628	18,768,291	14,951,512	31,254,008	18,673,004	14,895,214
Personal loan	19,347,399	16,863,801	15,183,798	17,823,802	16,755,324	15,070,290

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

Unit: RMB1,000

Item	The Group			The Bank		
	2012	2011年	2010年	2012	2011年	2010年
Operating profit	4,280,611	2,875,213	2,312,501	4,476,308	2,847,081	2,303,656
Net profit attributable to shareholders of parent company	3,724,416	3,187,001	2,219,629	3,801,144	3,172,714	2,213,162
Net profit attributable to shareholders of parent company after deducting nonrecurring profits and losses	3,498,531	2,247,375	1,909,433	3,596,634	2,243,253	1,905,849

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

Item	Standard value	The Group			The Bank		
		2012	2011	2010	2012	2011	2010
CAR	≥8%	17.07%	16.12%	17.23%	16.13%	16.12%	17.23%
Core capital adequacy ratio (CCAR)	≥4%	13.96%	13.36%	15.19%	13.57%	13.36%	15.19%
Liquidity ratio: RMB	≥35%	43.47%	36.77%	41.26%	44.36%	36.77%	41.26%
Foreign currency		52.77%	148.64%	134.98%	57.11%	148.64%	134.98%
Deposit-to-loan ratio: RMB	≤75%	66.11%	67.23%	66.99%	66.67%	67.23%	66.99%
Deposit-to-loan ratio: RMB		173.64%	238.21%	66.00%	173.64%	238.21%	66.00%
Lending-borrowing ratio: Borrowing ratio		4.35%	7.32%	2.54%	4.48%	7.36%	2.55%
Lending ratio		6.75%	9.36%	4.72%	6.98%	9.41%	4.74%
Non-performing loan ratio	≤5%	1.26%	1.17%	1.35%	1.28%	1.17%	1.36%
Provision ratio of loans		2.83%	2.97%	2.09%	2.83%	2.98%	2.09%
NPL provision coverage ratio		224.79%	255.09%	154.47%	221.04%	254.77%	154.23%
Percentage of loans to the largest customer	≤10%	4.76%	4.12%	4.00%	5.00%	4.12%	4.00%
Percentage of loans to top ten customers	≤100%	28.36%	31.35%	32.23%	29.85%	31.35%	32.23%

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

Unit: RMB1,000

Item	The Bank		
	December 31, 2012	December 31, 2011	December 31, 2010
Net assets	32,645,729	28,565,357	24,509,121
Core net assets	27,463,253	23,666,209	21,605,162
Total weighted risky assets	201,469,177	174,188,264	142,231,303
Market risky assets	72,615	240,341	-
CAR	16.13%	16.12%	17.23%

VIII. Changes in Shareholder Equity During the Reporting Period

Unit: RMB1,000

Item	The Bank					
	Paid-in capital	Capital reserve	Surplus reserves	General provision	Undistributed profit	Total shareholders' equity
Beginning amount	5,000,000	7,552,349	4,260,171	2,625,540	5,536,324	24,974,384
Increase in the period	-	624,720	839,176	-	3,801,144	5,265,040
Decrease in the period	-	-	-	-	-1,439,176	-1,439,176
Ending amount	5,000,000	8,177,069	5,099,347	2,625,540	7,898,292	28,800,248

Management Discussion and Analysis

I. Overall Operation During the Reporting Period

(I) Operating income, operating profit, net profit, increase in cash and cash equivalents

Item			Unit: RMB1,000
			The Bank
	Reporting period	Same period of last year	Increase and decrease
Operating income	10,741,232	8,984,663	19.55%
Operating profit	4,476,308	2,847,081	57.23%
Net profit attributable to shareholders of parent company	3,801,144	3,172,714	19.81%
Increase in cash and cash equivalents	-4,850,391	2,439,972	-7,290,363

(II) Comparison of total assets and shareholders' equity

Item			Unit: RMB1,000
			The Bank
	Reporting period	Same period of last year	Increase and decrease
Total assets	356,205,353	308,860,735	15.33%
Owners'equity attributable to shareholders of parent company	28,800,248	24,974,384	15.32%

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 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 check, advisory and witness services, acting as agent to make collections and payment and other agents service, safe deposit box service, and other services approved by CBRC including foreign exchange service.

(II) Review on the operations of the Company

1. Business indicators

During the reporting period, the Company has insisted on a scientific outlook on development, made progress while ensuring stability, responded actively to changes in economic situations, market circumstances and regulatory policies, accelerated the transformation of development patterns, strengthened risk prevention and control, completed operation and management tasks for this year and achieved various goals set in the three-year development strategy.

——The pre-provision operating profit and net profit of the Company reached RMB6.023 billion and RMB3.801 billion, with an increase of RMB1.069 billion and RMB624 million, up 21.6% and 19.7% respectively over the previous year. The return on assets and the return on capital of the Company tallied 1.14% and 14.14% respectively.

——The deposit balance denominated in RMB and foreign currencies totaled RMB286.6 billion, growing RMB39.1 billion compared with early 2012 and topping the annual growth target by 22%. Specifically, corporate deposit balance and savings deposit balance came to RMB142.4 billion and RMB144.2 billion, adding RMB13.8 billion and RMB25.3 billion respectively compared with the beginning of this year. Average daily deposit balance hit RMB260.5 billion, growing RMB34.5 billion over last year and topping the annual growth target by 8%. The Company took a 5.44% market share in RMB deposits among all Chinese-funded banks in Shanghai, 0.29 percentage points higher than early 2012.

—— The loan balance denominated in RMB and foreign currencies increased RMB25 billion from the beginning of this year to RMB191.5 billion. Specifically, proprietary loan balance came to RMB164.5 billion, increasing RMB15.7 billion compared with the beginning of this year; while the balance of transfer discount and credit asset transfers totaled RMB27 billion, RMB9.3 billion up over early 2012. The Company took a 6.02% market share in RMB loans among all Chinese-funded banks in Shanghai, 0.29 percentage points higher than the beginning of 2012.

—— The Company recorded non-interest income of RMB1.143 billion, accounting for 10.64% of its operating income.

—— The balance of nonperforming loans (the latter three categories of loans according to the five-category asset classification rules) of the Company was RMB2.454 billion, RMB504 million more than the beginning of this year. The ratio of non-performing loans was 1.28%, up 0.11 percentage points over the beginning of this year.

—— The assets depreciation reserves withdrawn during the reporting period by the Company totaled RMB1.547 billion, RMB872 million more than the target set at the beginning of this year. The loan provision coverage ratio and the provision-to-loan ratio reached 221% and 2.83% respectively, while CAR was 16.13%, up by 0.1 percentage points compared with the beginning of this year.

2. Operation of all business

Development of corporate banking business

During the reporting period, we deepened and expanded corporate liability market, achieved phenomenal breakthroughs in fiscal deposits, and kept making great achievements in municipal fiscal deposit bidding, leading the banks in Shanghai in terms of the number of bids won. We made great strides in the marketing of treasury single accounts and our branches took active part in the establishment of the "Government Finance Management Information System" (GFMIS) in different districts and counties. As a result, more treasury single accounts at regional levels were opened and represented a higher proportion of the new accounts opened with our bank. We also recorded steadily rising market share in RMB-denominated corporate deposits among our competitors in the city. In addition, we accelerated the adjustment of business, customer and profit structures, stuck to development of key regional and industry customers, promoted balanced development of various asset businesses and continuously reduced the growth rate of large loans. A number of bank-enterprise cooperation agreements were concluded due to our efforts to beef up group customer marketing. We advanced the adjustment of credit structure, focusing on "micro, small and medium-sized enterprises of agricultural science". Thanks to our positive promotion of innovative businesses, we launched share acquisition loans to SMEs, and made outstanding achievements in the leading bank business of syndicated loans. We also provided good services for "agriculture, rural areas and peasants" and strongly supported the construction of government-subsidized houses and the projects of large residential communities. Loans to national standard SMEs accounted for an increasingly large proportion of our loan business. At the same time, we penetrated into development zones and scientific parks, broadened business linked to Hong Kong, served communities, vigorously constructed a variety of financing platforms for small-sized enterprises, and achieved rapid growth in loans to sci-tech enterprises. By way of seeking new resources and speeding up development of financial fee income, the Company was accredited as the custodian bank for Shanghai Shipping Exchange' s deposit. The Company also became the first in the national system of rural commercial banks and rural credit cooperatives to obtain the qualification to conduct electronic payment transactions for customs duties and fees, and the product marketing system "Xin Yin Customs Card" it developed was implemented and has been operating smoothly.

Development of retail banking business

During the reporting period, the Company actively developed the following three kinds of important platforms: financial convenience store, service outlet for micro and small enterprises, and wealth management center. The Company saw its RMB deposits grow RMB25.256 billion to RMB144.180 billion, and offered 726 more or a total of 3,699 loans worth RMB5 million or less in each account to small and micro enterprises. The loan balance of the Company, which added RMB2.371 billion to RMB9.720 billion, took up 10.90% of the city' s total, ranking third among the 128 domestic and foreign banks in the city. Balance of personal loans amounted to RMB17.127 billion, a rise of RMB643 million. The Company also disbursed RMB17.3 billion of housing accumulation fund loans, whose balance tallied RMB38.65 billion. Taking a 77.49% market share in pure housing accumulation fund loans, the Company topped all banks in Shanghai in terms of the increase and balance of the loans. In comparison, supervised loans for second-hand housing totaled RMB11.9 billion, accounting for 84.2% of the market. The Company earned RMB164 million fee income, raised funds of RMB28.423 billion from 285 series of new personal finance products, and achieved sales of RMB1.63 billion in commission-based insurance products. The Company also issued 760,000 new or a total of 5.81 million debit cards, of which 455,000 were valid. Moreover, the Company added 1,344 point-of-sale (POS) machines, issued savings bonds worth RMB1.104 billion, paid agency salaries of RMB24.847 billion on behalf of corporate units, and handled 259 transactions of the Australia pre-account opening business. 58 more outlets started providing personal foreign exchange services, with the total amount reaching USD45.6335 million in the total 185 outlets. In addition, a total of 63,000 service cards for trade union members and 1,600 financial IC cards were issued. We also put 40 new financial convenience stores into operation and upgraded the services of the total 100 convenience stores to include fixed investment in funds, sales of physical gold, and the launching of special finance products in convenience stores located in central city areas. We set up 17 more service outlets for micro and small enterprises, which brought the total number of the outlets to 40, and built up 44 professional teams of marketing targeted at small and micro businesses. The 10 VIP financial centers and 1 wealth management center we established also started business.

Development of trade financing business

During the reporting period, the Company continued to promote the linkages between RMB and foreign currency business, accelerated the development of trade financing business, increased efforts to seek out new customers, built platforms for cooperation with counterparties, developed new products and product portfolios, facilitated the operation of foreign currency funds, enhanced human resource training, and sped up team-building process, all of which have contributed to the relatively fast growth in our foreign currency exchange businesses. The total trade financing volume for the year amounted to USD1.4 billion and the international settlement volume surpassed USD6.6 billion, representing a year-on-year increase of 141% and 41% respectively. Revenue from foreign exchange fee income advanced 70% compared with last year, while the transaction volume at the foreign exchange trading center soared 468% to exceed USD10 billion. As a result, the Company moved up from the 80th to the 50th place in the ranking of overall trading volume. Focusing on the transformation of customer structure and emphasizing the different positioning of various outlets, we reaped fruitful results in developing large and medium-sized quality customers. Thanks to the breakthroughs in the cooperation on the product of "credit insurance for micro and small enterprise", we became the first bank in Shanghai to engage in the pilot project of cooperation with China Export & Credit Insurance Corporation in providing export settlement and financing services for micro and small enterprises. Implementing a market-focused and customer-oriented strategy, the Company improved its ability to develop new product portfolios and design customized programs. Well aware of the major risks in trade financing products after analyzing the features of risks, the Company also tightened control over trade financing processes. What' s more, we enhanced the marketing and operating capability of the staff of foreign currency exchange business after completing the selection and training of back-up customer managers of the business and arranging more than 20 multi-level business trainings and job-related practices for different positions.

Development of e-banking business

At the end of the reporting period, the Company derived income of RMB144 million from e-banking fee income, a year-on-year increase of 46%. Registered users of corporate e-banking reached 66,489, up 50% over last year. Registered users of personal e-banking reached 424,468, gaining 223%. Registered users of corporate telephone banking reached 76,553, a rise of 9% over the previous year. 404 new ATMs (including CRSs), 23 new multi-media self-service terminals, 77 new e-banking servers and 26 new direct-dial customer service telephones were put into use. Average daily clicks of our Chinese website exceeded 9,150,000, representing a year-on-year increase of 147.3%. The number of daily visitors reached 138,000, 345.2% higher than the previous year, while that of telephone banking business transactions reached 6,550,000, including 1,330,000 manual services, up 105% over last year. Callers of our online customer service reached 60,400, rising 199.01% compared with the previous year. A total of RMB40.054 million of e-banking money transactions amounting to RMB1,031.58 billion were conducted. The Company put the mobile banking system in place, conducted trial operation of the online mall, quickened the establishment of a new generation banking system and a rural banking system, diversified payment channels, deepened cooperation with financial institutions including third-party payment platforms and UnionPay, and enhanced the wealth management functions of the personal online banking system. The Company also organised a series of marketing activities, and initiated the activity of transforming itself into an "Exemplary Bank in the Development of E-banking Business". In addition, we upgraded both our Chinese and English websites, established a website of rural banks, upgraded the online banking early-warning and anti-fraud system, set up a management division and optimized the cross-platform system for self-help machines, and accomplished reforms on the business acceptance of financial IC cards and the UnionPay 2.1 standard. Moreover, we further improved the management capability of the customer service center by promoting cross marketing, enhancing outbound services, expanding the capacity and upgrading the functions of the telephone banking agent system, and setting up customer service hotlines of rural banks.

Development of credit cards business

By the end of the reporting period, the Company issued 193,600 new credit cards, and recorded operating revenue of RMB58.3895 million, with a year-on-year increase of 92.39%. fee income for credit cards amounted to RMB33.9116 million, up 118.55% over the previous year. The full-year turnover grew 95.33% to RMB4.702 billion. During the reporting period, the Company increased efforts to develop new products and expand its brand influence, succeeding in issuing PBOC2.0 financial IC cards and launching more innovative products including SME owner credit card, service card for trade union members, and Shanghai Shopping IC Card to improve people' s livelihood and enhance the financial services offered to SMEs. One of these newly-issued cards, Shanghai Shopping IC Card, even won the "Prize for Best Event Planning of the 2012 Shanghai Shopping Festival" jointly awarded by such institutions as Shanghai Municipal Commission of Commerce and the Shanghai Branch of China UnionPay. The Company also pressed ahead with the promotion of such featured products as SRCB ANZ World Platinum Travel Credit Card and Transportation Credit Card and further improved the functions of its products and upgraded its value-added services. We managed to process online credit card payments after constant efforts in enriching payment channels. We developed image flow system to cope with the development of our credit card business.

Development of markets business

During the reporting period, adhering to the principle of steady growth and controllable risks for treasury management, the Company positively responded to challenges from macroeconomic situation and market changes. Annual turnover amounted to RMB9.3 trillion. The Company remained among the best in nation-wide inter-bank bond market transactions. In local currency money market, we actively developed the lending transactions in the currency market and further expanded our capital financing channels. In bond investments, in consideration of the macro policy changes and bond market movements, the Bank reasonably adjusted its investment pace and seized good opportunities to continuously optimize maturity and product structures while giving consideration to new regulations on capital and achieving profit goals. In bonds underwriting, the Company energetically participated in Treasury bond and financial bond underwriting and distribution business, and awarded "2012 Best Rural Financial Institution" of RMB financial bond underwriting by China Development Bank. In bill business, we further improved the organizational structure of the bill center, proactively expanded the discounting and rediscounting business and further consolidated our position in the bill market. We made significant breakthrough in precious metal transaction business, becoming one of the first-batch floor bilateral quotations pilot institutions in domestic gold market and of the first-batch commercial banks approved to undertake gold quotation business, laying a solid foundation for future development of the precious metal business. In wealth business, we made steady progress and pushed forward product innovation, launching 626 wealth products during the year. We successfully designed and developed exclusive products for wealth management centers, exclusive products for financial convenience stores, e-banking products, financial night markets, exclusive products in designated branches and personalized products, upgraded "Xin Xin Xiang Lian" wealth products, issued SHIBOR-rate-related products, and maintained normal operations at various stages, which all delivered revenues as expected upon maturity.

Fee income business

During the reporting period, the Company made great efforts to tackle the "inappropriate operations" and improve the development quality of the fee income under the leadership of the regulatory authorities. The Bank posted revenue of RMB240 million in syndicated loans, corporate wealth, domestic letter of credit and other corporate fee income. The Bank recorded revenue of RMB160 million from personal fee income, taking a market share of over 70% in entrusted housing fund loans; maintained rapid growth in sales of financial management products, insurance, funds and physical gold; increased 1,377 POS terminals. Revenue from the foreign exchange fee income amounted to roughly RMB60 million. Revenue from credit card fee income recorded almost RMB34 million, while 193,600 credit cards were issued and transactions grew to RMB4.7 billion. Featured products including "Transportation Credit Card", "SME Owner Credit Card" and "SRCB-ANZ World Platinum Travel Credit Card" received a good reputation among customers. The e-banking business reported revenue of RMB140 million. We increased 21,900 registered users of corporate e-banking and 203,000 registered users of personal banking and 404 ATMs.

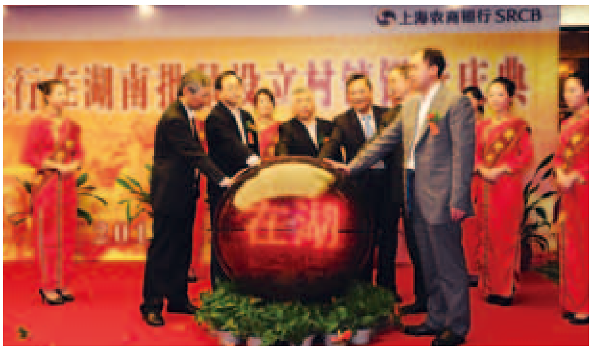
Development of branch network

During the reporting period, the Company established 27 new outlets, closed 1 outlet, hence 26 new outlets were actually added. By the end of the reporting period, the Company had 373 outlets in total, including 39 outlets within the inner ring road, 101 outlets between the inner ring road and the outer ring road, 230 outlets beyond the outer ring road, and 3 non-local branches. The Company has completed the major parts of its Zhangjiang business processing center project, including supplies of electricity, water and cooling and fitting up of the data machine room. We soon would move facilities into the center and put it into operation. Responding to CBRC's call, we set up 32 rural banks in Shandong, Hunan and Yunnan and prepared to build 1 rural bank in both Beijing and Shenzhen during the reporting period, realizing a diversified and cross-regional development pattern of "linking the eastern, middle and western regions, connecting one in the south and one in the north". By the end of the reporting period, 32 rural banks had been put into operation, while rural banks in Beijing and Shenzhen would be opened in January, 2013.

IT development

During the reporting period, centering on the overall development strategy, the Company continued to carry out IT planning and optimize the IT structure; improved the quality of scientific and technical staff and upgraded the information technology management. We made major breakthroughs in the construction in Zhangjiang business processing center and basically finished the development of the new-generation banking system, implemented a comprehensive quality test to ensure the operation and pushed forward the integration of the new-generation system, Internet construction and data house fitting up. The rural banking information system construction achieved initial success, providing a guarantee for smooth opening and normal operation of those rural banks. We finished the construction of projects such as financial IC cards, telephone banking system, outer net system and wealth management products system to meet the needs of corporate business development; stressed production safety and stable operation, perfected change management process, improved events and problems handling efficiency, continuously assessed production risks, and eliminated hidden safety problems, so as to ensure safe and stable operation of the existing IT system. We continued to improve the construction of disaster recovery system and finish the master plan of disaster recovery system construction in two places and three centers; continued to strengthen IT risk management and improve IT risk management system and longstanding management mechanism so as to keep risks at acceptable levels and thus satisfy the needs of our sustainable development.

Development of rural banks



During the reporting period, the Company established 32 rural banks in Shandong, Hunan and Yunnan. Registered capital totaled RMB1.75 billion, with the Company' s contribution of RMB 892.5 million. By the end of the reporting period, the Company' s 33 rural banks, including Shanghai Chongming SRCB Rural Bank, had run soundly and recorded deposit balance of RMB8.4 billion and loan balance of RMB3.94 billion. As the major launching bank, the Bank proactively explored the consolidated management pattern for rural banks and directed those rural banks to establish a corporate governance structure including "the Board, the Supervisory Board, and the Senior Management Team"; helped rural banks make clear of the current economic situation and push forward the regional economic development based on the market positioning of "serving local people, serving three dimensional rural issues and serving small and medium-sized enterprises". We guided rural banks to initially launch "three defense lines" of risk prevention and control, namely, employee self-discipline, business procedure monitoring and compliance audit supervision; mobilized rural banks' system construction and operating management, advanced the development and launching of seal verification system, fingerprint system, risk warning system, portal website, debit cards, self-help machines and e-banking; provided rural banks with assistance in such aspects as flexible support, financial management, professional training and regulation establishment, improved the operating management of rural banks and fulfilled the supervising and directing responsibilities as the holding bank.

Risk management

During the reporting period, we first accelerated preparation for the implementation of the New Capital Agreement Implementation Plan and the development of a comprehensive risk management mechanism. Second, we formulated new regulations including the 2012 Assets-writing Orientation Policies, the Unified Credit Management Measures, the Policies on Risk Management by Country of Origin, the Post-lending Inspection Methods for Account Manager of Individual Credit Assets and the Post-lending Inspection Methods for Account Manager of Corporate Credit Assets, further enhancing the comprehensive basis of our risk management system. Third, we steadily implemented the matrix risk management pattern led by the Head Office throughout branches. Fourth, we improved the implementation quality of new lending regulations and further improvided working capital loans demand estimation; in the meantime, we enhanced processes for lending, specifically, the process of loan drawdown, post-lending management and risk management of the existing loans. Fifth, the Company strengthened management over government financing platforms loans and conducted estimation of cash flow coverage ratio so as to control the total volume of loans and newly added loans granted through the platforms, push forward the rectification of existing platform loans and reinforce platform loans management at township level. Sixth, the Company reinforced property loan management and set up a "list" management system for commercial real estate companies. Seventh, we widened the support for green credit industry in such areas as environmental protection, energy conservation and emission reduction, and restricted the loans going into those industries which are characterized by "high pollution, high energy consumption and overcapacity". Eighth, the Company optimized the information management system, advanced the pilot project of corporate loan image flow and upgraded the micro businesss loan auto-approval system. Ninth, we strengthened cross-regional business risk management to further promote cross-regional development. Tenth, the Company further improved the regulations on market risk management, and strengthened the market risk management and control of precious metal business. Eleventh, we deepened the construction of the "three tools" to control operational risk, perfected our business continuity management mechanism and raised the level of operational risk management in a comprehensive way.

Internal control management

During the reporting period, we enhanced our achievements in the prevention and control of incidents, and pushed forward the construction of a longstanding and effective mechanism of case prevention and control; defined the annual tasks and responsibilities for case prevention and control, focused on the orderly advancement of case prevention and control in key sections, implemented evaluation and assessment mechanism of case prevention, strengthened corporate risk management, built up case prevention and control system as well as risk firewall, carried out risk rating and soundness self-assessment and improved internal management capability. We set up banking audit supervision system in rural banks, further bettered the audit mechanism, developed audit risk early-warning mechanism in rural banks, carried out early-warning inspection and continuously accelerated corporate consolidated supervision. The Company implemented audit supervision projects, enhanced the mechanism for rectification and error correction, introduced an audit accountability system, improved office management for key positions, carried out evaluation and assessment of internal control, and encouraged stronger internal controls among branches and sub-branches. We focused on IT risks and conducted special audit for IT software outsourcing risk management, IT purchase, system development efficiency and business continuity, and risk monitoring; promoted the development of the audit system in phase Ⅱ, optimized the testing audit model, paid attention to imminent risks, carried out different special audit projects and supervised the assessment process. The Company expanded audit service areas and coordinated with various regulatory authorities and external audit institutions to complete the audit examination.

Compliance management

During the reporting period, the Company actively implemented supervisory requirements, continued to improve the compliance management mechanism and made major breakthroughs in compliance risk management; brought into full play the "interface" functions of compliance supervision, intensified the supervisory communication, forwarding and execution mechanism in key sections, took the lead in the implementation of rectifications and error corrections, exerted greater efforts in tracking and assessing the implementations of different types of supervisory advices, and adopted measures to make timely and effective rectifications. We deepened the support on compliance for business development, organized the products and services audit committee, strengthened the risk self-assessment of new products and new services, effectively promoted the supervision communication and launching of various types of new products and services, and actively helped advance matters such as the construction of rural banks, the commencement of e-banking business, the application for derivatives license and the issuing of financial bonds for small and micro enterprises. The Company reinforced the early warning and assessment of compliance risks and, in accordance with the risk management philosophy of "emphasizing pre, middle and post-lending instead of only pre-lending", carried out compliance examination with the emphasis placed on credit post-lending examination, so as to further improve the reasonability and operability of the post-lending management system. We reorganized our rules and regulations and compiled many profiles, including the Cataglogue on Effective Rules, Catalogue on Abolished Regulations, and the 2012 Plan of Regulation Amendments; conducted compliance training in multiple forms for different levels of staff, compiled the Compliance Briefing on a regular basis, forwarded the Case Prevention Duty Manual for Key Posts and organized a compliance quiz show, further improving the compliance culture throughout the Bank. The Company strengthened the management of its legal affairs, inspected its legal documents and enhanced the management of corporate lawyers and the external lawyer team. Meanwhile, the Company revised the Measures on Contract Management and enriched the contract template library to provide legal support for major projects of the Bank.

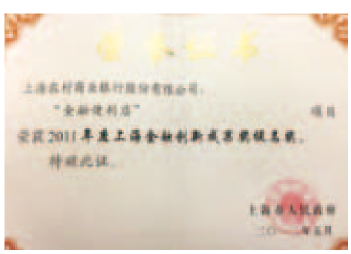
Development of talent workforce

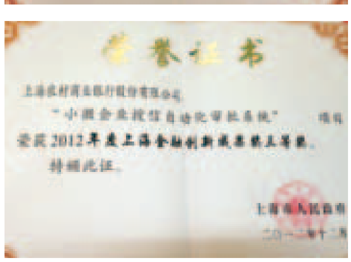
During the reporting period, the Company reinforced its middle management team, promoted 16 middle-leveled managers and introduced 18 middle-leveled managers and business professionals, strengthened the business team, organized staffing review and corresponding recruitment, hired 10 senior business managers at the Head Office and 7 senior relationship managers in branches; reinforced performance evaluation, improved methods of evaluation for staff in branches and sub-branches, intensified the assessment of personnel performance at the Head Office and conducted a comprehensive assessment among middle-leveled managers during their service terms. Centering on business development, we continuously improved our personnel structure, reinforced the entire workforce and introduced 53 professionals; elevated the quality of fresh graduate recruitment by hiring 323 fresh graduates, fully carried out management trainee program and recruited 22 management trainees from universities sponsored by Project 985. The Bank adopted such methods as online training, video training, simulation teaching and face-to-face training and conducted various on-the-job trainings for the staff. We carried out 1,429 training sessions in total for the full year with 38,841 attendants. According to strategic requirements, the Bank conducted 17 training sessions for rural bank staff at different levels with 967 attendants in total.

Development of corporate culture

During the reporting period, the Bank organized a Workers Conference and two joint meetings of the Labor Union to approve proposals on performance review rules, staff violations handling violations rules, and management measures for retired staff. The Company also organized two activities to collect suggestions from employees, actively promoting corporate business development and the improvement of management. We advanced the construction of "Workers' House" for grassroots labor unions and finished the construction of 132 "Workers' Houses", giving into full play the role of grassroots labor unions. We carried out three "The Top Ten" campaigns to select the "Top Ten Employees of Major Achievements", the "Top Ten Touching Stories in SRCB" and the "Top Ten Articles", providing a platform for employees to show their talents, make achievements, present themselves and realize their values. As for employees in need and retired employees, the Bank arranged activities to help them during the Spring Festival, organized "One Day" donations at different levels of labor unions throughout the Bank, visited and sent regards to more than 300 employees with difficulties, held the fourth Worker Games themed "Participation by All, Health for All" where about 2,500 employees participated in 27 events under 10 categories.

Position in the industry and awards





Based on statistics from the Banker, a British magazine, SRCB ranked 213th among the 1,000 large banks in the world at the end of June 2012 (vs. 235th in 2011) based on its tier one capital. SRCB has been a Global 500 bank for many years, and ranked 19th amongst Chinese banks in the list.

The Company was granted "2012 Outstanding Award for Savings Bond Underwriting" by the Ministry of Finance, "2012 Excellency Award" amongst peer banks in Shanghai by China UnionPay, "Excellent Member in National Inter-bank Bond Settlement" by China Central Depository & Clearing Co., Ltd., ranking 1st amongst rural financial institutions; was dubbed as the "2012 Top 100 Members in National Inter-bank RMB Market Trading Volume", "2012 Outstanding Member in Settlement" and "2012 Outstanding Member in Net Clearing for Spot Trading " by Shanghai Clearing House, and was among the top 10 in Book-entry Treasury Bonds Spot Trading, "2012 Best Rural Financial Institution" for RMB financial bonds underwriting by China Development Bank, "2011 Distinguishing Contribution Award for Promoting the UnionPay Cards" and "Second Prize for Card Issuing in the 2011 UnionPay Card Assessment Program of Small and Medium-sized Banks " by China Union, "Best Activity Planning Award for 2012 Shanghai Shopping Festival" jointly by Shanghai Municipal Commission of Commerce, China UnionPay Shanghai Branch and other authorities; "First Prize for Sci-tech Work Contest in Shanghai' s banking sector, 2012" by the Shanghai Branch of PBOC, "Advanced Operation and Maintenance Management for Payment and Settlement Systems, 2012" amongst rural credit banks by the Liquidation Center of Rural Credit Cooperatives, "Best Online Banking Business Expansion award" amongst regional commercial banks by the Financial Certification Authority (CFCA), "Best E-banking Innovation Award" by JRJC, "Best Consumer Service Center Award" among banking institutions in Shanghai by the Shanghai Banking Association, and "Advanced Unit in the Project of ‘Pooling all Resources of Party Organizations in Urban and Rural Areas to Help the Poor' " in the financial sector.

3. Income from operating business (interest income)

		Unit: RMB1,000
Categories of business	Income	
	The Group	The Bank
Loans	11,038,655	10,813,410
Inter-bank businesses such as inter-bank lending/borrowing, deposit and purchasing sold-back assets	1,481,623	1,469,988
Bonds investment	2,030,758	2,019,731
Others	2,804,255	2,795,254
Total	17,355,291	17,098,383

4. Market share of main products or services

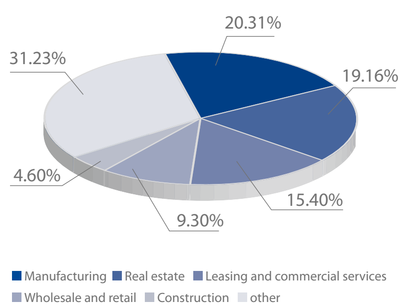
At the end of the reporting period, the Company recorded total deposits in RMB and foreign currencies of RMB286.6 billion, with a market share in RMB deposits of 5.44% (+0.29ppt vs. early 2012) amongst Chinese-funded banks in Shanghai, ranking 4th in terms of annual increase in RMB deposits. Total loans in RMB and foreign currencies were RMB 191.5 billion, with a market share in

RMB loans of 6.02% (+0.29ppt vs. early 2012) amongst Chinese-funded banks in Shanghai, ranking 5th in terms of annual increase in RMB loans.

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

Unit: RMB1,000

SN	Industry	Closing Balance	Proportion
1	Manufacturing	3890374.50	20.31%
2	Real estate	3646298.98	19.16%
3	Leasing and commercial services	2946477.12	15.40%
4	Wholesale and retail	1779600.12	9.30%
5	Construction	880345.07	4.60%



6. Balance of key off-balance-sheet items

Unit: RMB1,000

Item	The Bank		
	Balance of 2012	Balance of 2011	Balance of 2010
Letters of credit opened	782,200	675,625	176,493
Letters of guarantee opened	1,031,403	717,364	783,051
Bank acceptances opened	4,277,607	3,019,101	1,949,969
Credit card limits unused	1,913,116	2,206,804	1,635,517

(III) Challenges in business operation and solutions for which

During the reporting period, the Company faced new challenges in assets and liabilities management due to intensifying competition in deposit business among commercial banks, rising financing costs and deteriorating capital stability at critical time slots. In order to optimize liabilities maturity structure, diversify the sources of capital and improve mid and long-term financing mechanism, the Company make thoughtful arrangements and preparations under the guidance of the Nation' s credit policies of small and micro enterprises credit policy, and successfully launched a three-year special financial bond valued at RMB5 billion for small and micro enterprises in the national inter-bank bond market in December with a view to stabilizing mid and long-term financing with relatively low costs of funds on one hand and securing financial support for the granting of credit loans to small and micro enterprises credit on the other.

During the reporting period, as macroeconomic uncertainties kept cropping up, the Company's corporate liability business was affected by the market, showing ups and downs. In particular, a major slump appeared at the beginning of this year and lasted for a while. Therefore, the Company emphasized on opening new accounts so as to increase market share and make up for dropping business volume; in the meantime, we focused on fiscal deposits to prepare early for the city-level government deposits biddings in Aug, with a bid-hit ratio of 100% and cumulative contract amount accounting for over half of the Company's total corporate deposits increase, which served as an impetus to increase efforts in corporate deposits raising and lay a solid foundation for the Company's furthering marketing of other government-related businesses in the future.

During the reporting period, the Company was short of experienced trade financing talents and thus showed incapability of and inexperienced in dealing with issues such as risk control in import and export financing and foreign disputes. The business qualification was still our weak point, which disabled the Company from carrying out the trade financing and funds businesses that fit the needs of the market and can lock in the interest rate and forward exchange rate. Therefore, the Company paid close attention to changes in the domestic and international economic environment, financial market and customer needs, followed the policy guidelines, improved product portfolios under given policy flexibility, improved guidance on relationship managers and training for specialized talents so as to satisfy customers' needs to the largest extent. By enhancing control on the trade financing process, the Company introduced new categories of trade financing products to promote the rapid development of its foreign exchange business.

During the reporting period, in accordance with the "Advance Notice on Preparations for Adjusting Bank Card Fee Charges" released by the Business Management Committee of China UnionPay , the Company adjusted the transaction fees charged over merchants, which affected the revenue of the credit card fee income to a certain extent. As a result, the Company promptly rearranged the development pattern and marketing strategies of the credit card business to reduce the impact of the changes in the external environment on the revenue from the credit card business through measures such as promoting products with profitable returns, carrying out high-yield marketing activities, improving the installment payment services to advance the installment-related businesses, raising online payment profits and starting accepting international payment.

During the reporting period, due to impact from systematic risks in industries such as steel trade and solar panel, the Company's non-performing loan saw an increase in both balance and ratio compared to that in early 2012. To deal with this situation, the Company conducted a research into the impact of domestic and international economic situations on the industry and continuously improved its capability of industrial risk identification and monitoring in accordance with the CBRC guiding policies on risk prevention and control issued; enhanced the inspection of post-lending, carried out special inspections and well-directed examinations based on the industrial risks that have been identified and revealed the potential risks in time; reduced the scale of non-performing loan by adopting various methods, centered on key ETO projects and suppressed the excessive growth of the non-performing loan through different approaches.

During the reporting period, the Company accelerated the expansion of branch network, established rural banks in batches in Shandong, Hunan and Yunnan Provinces, and thereby rapidly enlarged the management scope and raised the management requirements significantly. To strengthen the financial management of subsidiaries and provide a reliable system for the management of corporate consolidated statement, the Company promptly developed and launched accounting consolidated statement platform and the corporate consolidated statements module under statistical statement system at the end of June, effectively supported the consolidated statements data entry for 2011-year-end and the reporting for the first half of 2012, relieving workload and improving the accuracy of management information and data.

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

The Bank focuses on monitoring its capital adequacy ratio (CAR) and return on capital (RoC), so as to comply with the regulatory requirements and realize expected shareholders' return, support business expansion and strengthen risk management. In 2012, the Bank prudently set its CAR target based on regulatory requirements and its risk profile, and ensured the realization of targets through setting limits and other means.

The Bank experienced steady growth in recent years, which continuously increases the need for capital. To ensure CAR complies with the regulatory requirement and to maximize shareholders' risk-adjusted returns, the Bank supplemented its capital base by improving profitability, opening replenishment channels for equity capital and issuing subordinated bonds.

The Bank calculates CAR and CCAR in accordance with CBRC' s "Rules for Capital Adequacy Ratios of Commercial Banks, 2006" and "Administrative Measures for the Capital of Commercial Banks, 2012 (for trial implementation)" respectively.

III. Summary of Banking Data

(I) Basic information about branches

No.	Name of outlet	Business address	Outlets under its control
1	Head Office Business Department	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	48
4	Minhang Branch	1-2/F, No. 670, Qixin Road, Minhang District, Shanghai	25
5	Jiading Branch	No. 386, Tacheng Road, Jiading District, Shanghai	23
6	Baoshan Branch	No. 1198, Mudanjiang Road, Baoshan District, Shanghai	28
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	24
10	Fengxian Branch	No. 9780, Nanfeng Road, Fengxian District, Shanghai	26
11	Nanhui Branch	No. 5, Shaonian Road, Huinan Town, Nanhui District, Shanghai	30
12	Chongming Branch	No. 188, Beimen Road, Chengqiao Town, Chongming County, Shanghai	29

No.	Name of outlet	Business address	Outlets under its control
13	Putuo Branch	No. 599, Xincun Road, Putuo District, Shanghai	17
14	Changning Branch	No. 8, Lane 555, Gubei Road, Changning District, Shanghai	10
15	Xuhui Branch	No. 3-7, Lane 9, Zhaojiabang Road, Xuhui District, Shanghai	20
16	Hongkou Branch	No. 2721, Songhuajiang Road, Hongkou District, Shanghai	9
17	Yangpu Branch	No. 1599, Huangxing Road, Yangpu District, Shanghai	9
18	Zhabei Branch	No. 169, Gonghe Road, Zhabei District, Shanghai	10
19	Huangpu Branch	East Side, 1st floor, No. 500, Guangdong Road, Huangpu District, Shanghai	5
20	Jing'an Branch	No. 770, West Beijing Road, Jing'an District, Shanghai	3
21	Luwan Branch	No. 822, Quxi Road, Luwan District, Shanghai	5
22	Jiashan Branch	No. 67-63, Jiashan Avenue, Jiashan County, Zhejiang Province	1
23	Xiangtan County Branch	No. 598, Jingui South Road, Yisuhe Town, Xiangtan County, Hunan Province	1
24	Kunshan Branch	1-3/F, No. 183, Qianjin Road, Kunshan City, Jiangsu Province	1
25	Zhangjiang Science and Technology Branch	Room 103-108, No. 8, B Zone, Lane 500, Zhangheng Road, Pudong District, Shanghai	1
Total			373

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

(II) PBOC 5-category classification of credit assets

Unit: RMB 10,000

	Normal		Special-attention		Substandard		Doubtful		Loss	
	Balance	Share	Balance	Share	Balance	Share	Balance	Share	Balance	Share
At the end of 2011	15,838,891	95.10%	620,287	3.73%	133,928	0.80%	54,694	0.33%	6,399	0.04%
At the end of 2012	18,175,108	94.92%	728,300	3.80%	205,263	1.07%	33,333	0.17%	6,755	0.04%

(III) Provision accruals

The assets impairment loss provision was accrued subject to the Accounting Standards for Enterprises, with details listed as below:

1. Provisions for asset impairment include loans, other receivables, financial assets available for sale, accounts receivable investment, long-term equity investment, foreclosed assets, etc.

2. The balance assets impairment loss provision was RMB6,713,000,000 at the end of 2012.

(IV) Loan proportion of top 10 clients

Name of client	Loan balance (RMB10,000)	Ratio proportion in total loans %
Shanghai Pudong Land Holding (Group) Co., Ltd	164,600	0.86%
Shanghai Pudong New District Land Resources Reserve Centre	121,900	0.63%
Shanghai Expo Land Shareholding Co., Ltd.	100,000	0.52%
Jihui Commercial Management (Shanghai) Co., Ltd.	94,800	0.49%
Bright Food (Group) Co., Ltd.	90,000	0.47%
Shanghai Yuchang Real Estate Development Co., Ltd.	86,500	0.45%
Shanghai Chongyu Property Development Co., Ltd.	84,886.48	0.44%
Shanghai Pufa Engineering Construction Management Co. Ltd.	84,000	0.44%
Shanghai Baoshan Wanda Investment Co., Ltd.	78,000	0.41%
Shanghai Xianda Real Estate Development Co., Ltd.	77,000	0.40%

(V) Credit risk management of Group customers

In response to regulatory requirements, the Company strengthened the construction of relevant processes concerning loans offerred to related-party group customers. The Company centralised credit approval and monitored it regularly and irregularly to prevent overlapped credit approval to the same group and exceeding its credit limit. By the end of the reporting period, the balance of loans to private related-party group customers was RMB22,937,119,700, accounting for 11.94% of total loans.

(VI) Closing balance of restructured loans, including overdue loans

At the end of the reporting period, the balance of restructured loans was RMB134,200,000, within which the balance of restructured loans overdue for 90 days or more was RMB9,300,000.

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

Categories	Unit: RMB1,000	
	The Bank	
	Average balance	Average interest rate
Commercial loans	1563.16	6.99%
Deposits	2562.17	2.20%
-Current deposits	1190.99	0.70%
-Term deposits	1371.18	3.51%

Note: The deposit daily average does not include financial fund daily average.

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

Categories of bonds	Face value of balance (RMB10,000)	Interest rate %	Maturity date
2001 book-entry treasury bonds	15,000.00	3.8500	2021.10
2003 book-entry treasury bonds	10,000.00	4.1800	2018.10
2004 book-entry treasury bonds	5,000.00	4.8600	2014.8
2005 book-entry treasury bonds	20,000.00	4.4400	2015.2
2006 book-entry treasury bonds	39,000.00	2.8-2.89	2013.8-2016.3
2007 book-entry treasury bonds	179,000.00	2.93-4.46	2014.2-2017.9
2008 book-entry treasury bonds	237,000.00	3.68-4.5	2013.4-2038.5
2009 book-entry treasury bonds	377,000.00	2.26-3.68	2014.4-2019.11
2010 book-entry treasury bonds	558,000.00	2.3-4.23	2013.6-2040.12
2011 book-entry treasury bonds	764,000.00	2.82-3.94	2014.6-2021.11
2012 book-entry treasury bonds	607,000.00	2.78-3.51	2013.1-2022.12
2007 evidence treasury bond	94.10	5.74	-
2008 evidence treasury bond	444.91	5.98-6.34	2013.3-2013.8
2009 evidence treasury bond	4,446.87	4	2014.3-2014.6
2010 evidence treasury bond	4,344.46	3.73-4.6	2013.3-2015.12
2011 evidence treasury bond	1,103.76	5.18-6.15	2014.3-2016.11
2012 evidence treasury bond	246.14	4.76-6.15	2015.4-2017.10
2010 savings bonds	8091.01	3.73-4.6	2013.4-2015.11
Total	2,829,771.25		

(IX) Non-performing loans at the end of 2012 and initiatives taken

At the end of the reporting period, total loans of the Company reached RMB191.488 billion.

Per the PBOC five-category classification, there was RMB181.751 billion in normal loans, comprising 94.92%, and RMB7.283 billion special-attention loans, accounting for 3.80%. Non-performing loans totalled RMB2.454 billion, comprising 1.28%, up 0.11 percentage points and RMB504 million more than the previous year. Both the non-performing loan balance and non-performing ratio have increased. Substandard loans increased by RMB714 million and doubtful loans dropped by RMB214 million, whereas loss loans rose by RMB400 million.

At the end of the reporting period, the Company' s foreclosed assets totalled RMB669 million, RMB437 million more than the beginning of the year.

Within the reporting period, RMB46,080,000 of non-performing loans were written off.

With regard to solving and reducing non-performing loans, the following measures were taken. First, the Company made a quick response to and coped with loan risks by strengthening credit risk early-warning, increasing monitoring and cause analysis of overdue loans and weekly reports on non-performing loans as well as analysis of large non-performing loans. Second, the Company focused on large non-performing loans to recover reserved non-performing loans by making full use of auctioning assets, seeking for foreclosed assets, negotiating on repayment etc. Third, in cases of systemic risks incurred in the steel trade enterprises, the Company rapidly looked into assets, controlled loan risks, and carried out assets assurance in an orderly, efficient and periodic manner. Fourth, for bad loans (including credit cards overdrafts) which indeed can not be recovered, the Company made early preparations, strictly examined and wrote them off subject to the laws, regulations and latest write-off policies.

(X) Foreclosed assets

By the end of the reporting period, the balance of foreclosed assets was RMB669 million, in which balance for real estate, movable property and equity rights were RMB640 million, RMB2 million and RMB27 million respectively.

(XI) Overdue debt outstanding

None.

(XII) Various risks faced by the Company and corresponding initiatives

Mitigation of credit risk: First of all, the Company steadily progressed credit risk management based on the Basel New Capital Accord, successfully implemented management and consulting projects for risk appetite, designed a governance framework in relation to appetite management, and primarily completed the initial preparations for internal rating-based projects. Second, the Company constructed assets-writing orientation policies and defined the sequence of assets-writing orientation, prioritized as prudent, restricted and forbidden in order to effectively guide the credit orientation and adjust the credit structure. Third, in response to changes in economic environment and regulatory policies, the Company has been closely monitoring the risks of government platform loans and real estate loans, and further enhanced evaluation management of mortgages, especially real estate mortgages. We also strengthened risk monitoring on small loan companies, pawn shops and steel trade enterprises, and have promptly taken corresponding risk prevention measures. Fourth, we strengthened the development of the credit management system, kept enhancing controls over risk management and finished the optimization of auto-approval system for small companies. Specifically, we intensively reformed Corporate CMIS and Retail PLS IT systems and developed PLS's image flow function. Head Office examined, approved and aligned CMIS's image flow function, intensified check and evaluation of data quality in branches, and kept improving existing early-warning systems. Fifth, we made full use of Risk Management Updates and Risk Management Journal, showcased economic trends and industry hot spots on a timely basis, provided information and broadened concepts for the Company's overall improvement of risk management. Sixth, the Company enhanced staff training on risk management. We continued training and interactions on credit businesses and the Basel New Capital Accord, and made great efforts to build a learning culture. Seventh, the Company implemented credit risk management in rural banks. Specifically, we directed and supported risk management in rural banks and provided management advice so as to gradually improve their own risk management.

Mitigation of market risk: First, the Company formulated SRCB Management Measures for Market Risk, SRCB Management Measures for Risk Limit to Markets Business and SRCB Contingency Plan for Market Risk and other documents to further improve the rules and regulations of market risk management. Second, the Company continued to promote the construction of information system for markets business risk management, kept enhancing risk measurement capability, established and improved the valuation model for different types of transaction products, and improved the measurement model for market risk. Third, we practically strengthened the control over market risk in the precious metal business, and included the gold positions generated from the bank' s gold trading business and physical gold sales business into a unified monitoring system for market risk so as to ensure the risk exposure of the bank' s overall gold businesses within the appropriate scope. Fourth, we comprehensively carried out the reporting system on market risk to reveal all kinds of risks to the board of directors and senior management in a timely and accurate manner and provide strong support for management decision-making; we conducted daily measurement and monitoring and reported the level of market risk to strictly control the market risk limit indicator within the limit requirements. Fifth, the Company further strengthened the construction of management personnel for market risk.

Mitigation of operational risk: First, the Company perfected its operational risk system. The Company prepared the 2012 Classification of Businesses and Catalogue of Types of Operational Risk Incidents to supplement and improve 8 businesses and 7 types of operational risk incidents in 2012, and developed Work Instructions for Reporting on Key Risk Indicators of Operational and Outsourcing Risk to collect key risk indicators relating to staff, IT systems, operational flows, external events, outsourcing businesses, etc. on a quarterly basis. Second, the Company established a long-acting case prevention mechanism for rural banks. The Company established a daily coordination mechanism between rural bank management and the rural bank jurisdiction by the corporate governance mechanism based on shareholders' requirements for case prevention so as to direct the holding rural banks to set up and improve case prevention systems. Third, the Company optimized operational flows. The Company carried out operational risk assessment and control to rationalize and evaluate the operational risk events and hidden cases in the operational flows and found by supervision department and external auditing institutions over the past two years, discerning more than 130 copies of work instructions for flows governance, discerning and evaluating a total of 318 operation risk points. It defined the classified risk control requirements in the operational flows of all businesses and proposed suggestions for the integration and optimization of operational flows of related businesses. Fourth, the Company built a compliance and operational risk management system. The Company launched its bidding for compliance and operational risk management system, specified the demands of project consulting, development and testing, and planned to carry out the project in 2013. Fifth, the Company continuously enhanced the management of outsourcing risk by revising the relevant rules and regulations, perfecting the instructions for outsourcing risk control, refining the management requirements for onsite personnel, optimizing the assessment mechanism for outsourcing firms and improving the terms of contract. Sixth, the Company established and improved a business continuity management mechanism. The Company formulated Management Measures for Business Continuity (Trial), set up a management committee of business continuity under the senior management. It started the bidding for the management and consulting project in relation to business continuity, and would initiate the project in 2013.

Mitigation of liquidity risk: First, the Company improved the risk management system. In response to the development trend of liquidity risk, changes in regulatory requirements, and adjustments to management and duty division of labor of subsidiary organizations, the Company respectively formulated and revised the 2012 Work Program for Stress Tests of Liquidity Risk and Emergency Plan for Liquidity Risk (2012 Edition). Second, the Company promoted the implementation of new regulatory indicators. The Company further refined the filling work of liquidity risk regulatory indicators LCR and NSFR based on new regulatory rules, improved data accuracy and objectivity of indicators, practically enhanced index levels, and include the index in the group consolidated financial statements. Third, the Company reinforced the management of rural banks. In order to strengthen the management guidance and emergency relief of liquidity risk of subsidiary institutions, the Company in a timely manner developed the Basic Standards for the Construction of Capital Management Mechanism of Rural banks and Implementation Rules for Capital Management of Rural banks. It also conducted liquidity relief emergency drills with Chongming Yangtze River Rural Bank of SRCB. Fourth, the Company intensified risk monitoring. The Company increased the estimated frequency of liquidity indicators at important points, took liquidity stress tests and retrospective analyses, and steadily improved the initiative of liquidity indicator regulation to ensure abundant funds and sound risk control of the bank amid the macro-economic slowdown. Fifth, the Company diversified its capital channels. The Company established a liquidity emergency cooperation mechanism with five rural commercial banks in Beijing, Tianjin, Chongqing, Guangzhou and Shenzhen. It successfully issued small financial bonds worth RMB5 billion, effectively diversified corporate funding channels, and perfected the debt maturity structure.

Mitigation of compliance and legal risks: For compliance risk, the Company actively implemented various regulatory requirements, strengthened supervision and communications in key areas, enhanced the effectiveness of rectification and correction. We regularly prepared Compliance Briefing, conducted and held training on the Case Prevention Duty Manual for Key Posts, organized compliance knowledge contests, earnestly interpreted and disseminated relevant laws, regulations and regulatory rules, and deepened the bank' s awareness of compliance operation. In addition, we included compliance into business development and organized a review committee for products and services to strengthen the self-assessment of new products and new business. We actively carried out compliance tests and special inspections on compliance, intensified the prior identification and post evaluation assessment for compliance risk, propelled the construction of compliance and operational risk management system, and continuously perfected the management of compliance risk. With regard to legal risk, we launched an annual cleanup of rules and regulations, steadily promoted the construction of rules and regulations, and promptly updated the bank's regulations and legal documents according to changes in the law, regulations and regulatory rules. We continued to review legal documents, and established a sound legal risk management system, and a mechanism of prevention, concurrent control and post remediation of legal risk. We strengthened the management of corporate lawyers and external lawyers and perfected the construction of the bank' s lawyer panel to provide legal support for all major projects of the bank. We made more efforts in the contract management, revised Management Measures for Contracts, and further enriched contract templates. Furthermore, we explored legal risk management models for groups and provided non-local branches and rural banks with instructions and training.

Mitigation of reputation risk: First of all, the Company formulated Management Measures for Reputation Risk. The Company specified that reputation risk management would be incorporated into the corporate governance and comprehensive risk management system, and strived to take the initiative in effectively preventing reputation risks and responding to the reputational events in order to ensure orderly management of all businesses and maintain and build a good social image of the Company. Second, we held training on reputational risk management in various forms to improve the management and prevention awareness of reputation risk and ability to cope with such risk of the Company' s cadres and staff. Third, the Company had public opinion monitoring via multiple channels such as official micro-blog to monitor the expressions that may trigger reputation risks in real time and offer positive guidance. An introduced professional media monitoring company comprehensively monitored various types of media information as the third party. Fourth, the Company made more efforts in liaison and communication with news authorities and all kinds of media to carry out positive publicity and promptly resolve risks.

IV. Analysis of Financial Status and Operating Results

Unit: RMB1,000

Item	The Bank			
	2012	2011	Increase /decrease	Main reasons
Total assets	356,205,353	308,860,735	15.33%	Expansion of operating scale
Long-term equity investments	1,300,660	412,592	215.24%	Investment in the establishment of rural banks
Bond investments	55,569,686	44,851,214	23.90%	Increase in bonds held
Fixed assets	5,773,252	4,750,175	21.54%	Increase in fixed asset investments
Total liabilities	327,405,105	283,886,351	15.33%	Increase in deposits and managed liabilities
Owners' equity	28,800,248	24,974,384	15.32%	Increase in undistributed profits
Operating profits	4,476,308	2,847,081	57.22%	Increased net interest revenue and noninterest revenue
Return on investment	2,267,597	1,983,531	14.32%	Expanded bond investment scale and increased average rate of return on investment
Net profit attributable to shareholders of parent company	3,801,144	3,172,714	19.81%	Expanded interest-bearing asset scale and increased net interest margin

V. Serious Asset Loss Caused by Joint Liability from Guarantee to Any Other Parties

None.

VI. Serious Assets Loss Caused by Operational Risk Case

None.

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

First of all, the macro-economic situation remains complex and changeable. The global economy is quite uncertain and the trade protectionism emerged. China's export growth fell significantly, while to expand domestic demand has become the focus to stimulate economic growth. In terms of the domestic situation, the 18th CPC National Congress depicted a magnificent blueprint of building a well-off society, suggested adhering to scientific development, and paid more attention to the quality and effectiveness of development. China's economy is changing from rapid growth to steady growth and transforming from the scale-oriented development to the development focusing on quality and effectiveness. The era in which banks enjoy great loan business growth due to rapid economic development has gone. Commercial banks must adhere to prudent operation, rational development and making more efforts in serving entity economy to prevent and resolve potential credit risks.

Second, the construction of urbanization is of great potential. With the construction of urbanization defined by the 18th CPC National Congress as an opportunity, Shanghai put forward that it intended to intensify its efforts in market allocation of resources, implement innovation drive and transformed development, and actively promote the construction of key areas and major projects to realize the coordinated development of urban and rural areas. This helps the bank to take full advantage of its location in the financial center and factor market, keep up with the development of local economy and the coordinated development of urban and rural areas, actively involve in meeting such investment demands as land transfer, infrastructure construction, public services, agricultural modernization and peasants' consumer needs in the citizenization process, and provide all kinds of effective financial services.

Third, the reform and opening up of the financial sector deepens. In 2012, the interest rate marketization posed a substantive launch, with remarkably accelerating paces. The ceiling of the floating range of deposit interest rate was adjusted to 1.1 times the benchmark interest rate and the floor of the floating range of loan interest rate was adjusted to 0.7 time the benchmark interest rate. The floating margin between deposit and loan interest rates gradually expanded; the bank deposit and loan interest margin narrowed; the pricing power and source of income faced serious challenges; hence it is extremely urgent to develop agriculture-related loans to medium, small and micro enterprises and fee income. The internationalization of RMB continued to deepen and the linkage of businesses by domestic and foreign currencies further strengthened. Therefore, commercial banks must reinforce business functions and innovate financial products to achieve the integration of domestic and foreign currencies.

Fourth, the competitions in the banking sector become increasingly fierce. On the one hand, the trend of financial disintermediation emerges day by day. The proportion of direct financing is increasing year by year, while traditional bank deposit and loan businesses are squeezed. The transaction volume of the E-banking market experiences rapid growth and there is huge potential for cooperation between bank and third party platform. On the other hand, the operation model of domestic banking sector is undergoing profound changes: the share of credit assets declined while that of non-credit assets rose; the proportion of proprietary liabilities fell and that of non- proprietary liabilities gained; the bank' s operation function evolved from traditional financing intermediary to integrated service provider offering financing, financial management and trading services. Service innovation is the key to the future competitions in the banking sector, with more obvious survival of the fittest.

VIII. Business Development Plan for the New Year

(I) Guidelines

We plan to implement the guidelines of the 18th CPC National Congress, the Central Economic Working Conference, the 10th Shanghai Municipal Party Congress and the 3rd Plenary Sessions of the 10th Shanghai Municipal Committee of CPC, take a scientific and transforming approach to development to pragmatically innovate, overcome difficulties, and achieve a new round of sound development, so as to lay a solid foundation for listing.

(II) Main business targets

——We are targeting gross profit and after-tax net profit of RMB5.9 billion and RMB4.65 billion, with a growth rate of 24% and 22%, respectively. Our return on asset target is 1.2% and return on capital 15%.

——Our daily deposit target is RMB297 billion, with a growth rate of 14%. We will endeavour to achieve an increase in deposits at the end of the period of RMB41.5 billion to reach RMB328.1 billion, with a growth rate of 14.5%. The increase in savings deposits is targeted to be over RMB20 billion to come to RMB164.2 billion.

——Total loans are targeted to increase by RMB36 billion, up by 18.7%.

——Our fee income target is RMB1.08 billion, representing more than 9% of total revenue and with a growth rate of 26.5%. We intend other non-interest revenue to be RMB200 million, accounting for 11% of total revenue.

——Recovered off-balance sheet non-performing amount is targeted to be RMB300 million.

——CAR will not be less than 12.5%.

——Loan provision coverage ratio maintains at more than 150%.

——The non-performing loan ratio will be controlled within 1.5%, with loan-to-provision ratio will be maintained at over 2.5.

——The proportion of non-performing assets will be controlled within 2%.

——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 targets in the new year

Corporate banking

Attaching great importance to deposits, we will continue to attract government deposits and strengthen our long-term favorable relationship with local governments at all levels, especially the township governments through product innovation and establishment of payment systems. On the basis of ensuring existing deposits and expanding new deposits, we will develop the supplier deposit resources associated with government procurement. According to the regulatory policy guidance and requirements of self-development, we will duly make use of credit resources, optimize the resources allocation of new loans and properly manage existing assets. We will actively participate in the construction of urbanization, strengthen our market in suburban areas, improve and deepen the promotion and application of "Xin Nong Agricultural Loan" products and other products and services, promote the establishment of strategic cooperation partnership with district/county governments, enter into contracts with governments, and improve efforts to launch agriculture-related loans, and provide better services for farmers. Insisting on serving the real economy, we will also support the advanced manufacturing and modern service industries. Besides supporting municipal enterprises, we will also expand our services to the downstream players and provide loans for the small and medium enterprises enjoying patents, technical Know-How, a greater market share in the sub-divided market and a relatively long history of operation. In respect of the application of new products, we will strengthen efforts in the marketing of the customs duties electronic payment system ("Xin Yin Customs Service"), cash management for group customers, and shipping freight derivatives trading, continue to expand the business of syndicated loans and M&A loans, and increase fee income.

Retail banking

To satisfy the demand of community residents on production and living, employment and entrepreneurship as well as wealth increment, we will implement the new three-year strategic plan of the Company, adhere to the basic positioning of community-based convenient banks, and comprehensively develop retail banking business and build community financial service brands through three platforms of financial convenience stores, outlets serving small and micro enterprises, and wealth management centres. We will also strengthen business linkage, exploit the business volumes, and propel the development of savings business, as well as intensify our management of retained funds and enhance the stability of saving deposits. We will make innovation in personal consumption loans and personal production and operation loan business, and effectively make the products meet market demand to form the market effects and product features so as to promote the development of personal loan business. Centering on the wealth management, we will expand the sales of insurance and bond products and maintain our leading market share in the housing fund loans and supervised loans for second-hand housing and vigorously develop personal fee income business. We will further develop financial kiosks and provide strong financial service support for large, small and micro enterprises by accelerating product development, improving system flows, promoting outlets serving small and micro enterprises, and building professional marketing teams. We will also speed up the establishment of wealth management centres and VIP banking centres through expanding wealth management product lines, segmenting customers, providing differentiated services, and building professional wealth management teams.

Trade financing

Committed to developing high-quality foreign exchange customers, we will intensify the business linkage among the headquarters, branches and sub-branches, propel the development of off-balance-sheet trade financing business such as letters of credit and guarantee bonds to make more contribution to the trade finance business. We will strengthen product innovation and give priority to launching products include onshore non-resident account portfolio financing and warehouse order financing under cross-border RMB business, with a view to launching trade financing instruments together with other hedge and fund financing products for better serving customers once we are qualified for derivatives trading business. We will vigorously extend cooperation with domestic and foreign peers in FX markets and trade financing businesses and share resources by complementing each other's advantages, and thereby generate more FCY fee income. We will establish professional teams consisting of customer managers and product managers based on a number of cultivation plans including talent exchange among the headquarters, branches and sub-branches, job rotation, and establishment of talent pools so as to provide organizational and personnel guarantee for creating elaborate trade financing business.

E-banking

We will accelerate product development, promote business upgrade, propel the establishment of the new generation banking system, speed up the construction of rural bank systems, develop mobile phone banking version 2.0 and e-banking platform version 2.0, establish bank-corporate express and SMS platform version 2.0, promote online banking feature upgrades, initiate television banking, develop online banking system for small and micro enterprises, and explore the construction of new platforms; reinforce business promotion, speed up brand building, offer portfolio products; continue to increase the number of self-service machines, strengthen operational management; deepen website construction, build service platforms, set up unique online stores, establish online banking website group system for medium, small and micro enterprises; strengthen operation and management, expand customer service functionality, improve service quality, proceed with active marketing, and provide proper customer service for rural banks.

Credit cards

We will stick to the principle of "transformation into an innovation-driven development model", pursue the goal of increasing our overall income, and make scale expansion and brand enhancement the core of our business development. We will continue our efforts in product innovation and actively improve the product structure to earn more operating revenue. To achieve this goal, first we will vigorously promote "Xin Cheng Card" (SME owner card) and other products with advantages of high-profit and innovative features while upholding the operation principle of serving "agriculture, rural areas and peasants" and SMEs. Second, we will proactively develop third-party payment services to meet the increasing demand for online transactions, focusing on brand building and market segmentation. Third, we will further expand the customer base of our "World Platinum Travel Cards" and launch standard platinum cards to satisfy the demands of high-end customers. Fourth, we will continue to advertise our Shanghai Shopping IC cards and Xin Feng Cards (transportation card). What' s more, we will push forward system development by strengthening business cooperation with China UnionPay to assist the Company in the establishment of a new generation banking system. We will also improve the organization and management framework for our credit card business, enhance the risk control system and the operation & services mechanism, and advance the training and team-building on the employees of the business.

Markets

The Company plans to transform its financial business from "Focusing on proprietary trading and less importance given to customer trading" to "attaching equal importance to both proprietary trading and customer trading". With a view to establishing a "profit center" and "product center", the Company will draw on the development experience of its counterparties, enhance the yield structure, raise the proportion of non-interest income, accelerate product innovations, and enhance the service quality and competence of its front-line marketing branches to secure business transformation and realize innovation-driven development.

Fee income

Boosting integrated services, the Company will vigorously develop its corporate fee income by formulating a cash management system for group customers and accelerating the development of its cash management business. The Company will also promote such businesses as syndicated loans, M&A loans and corporate restructuring consultancy services, take the initiative in presenting financial proposals for syndicated loans, strengthen cooperation with its counterparties, and probe into investment banking businesses. Focusing on wealth management business, the Company will substantially expand its personal fee income, increase cooperation with other banking institutions such as fund management and trust institutions, further enrich its product lines, launch precious metal agency services, increase sales of such products as insurance and funds, extend the network coverage of "bank-securities transfer" business, and try to launch financing wealth management products and provide families with wealth management solutions. While endeavouring to retain its leading position in the market of accumulation fund entrusted loans, the Company will actively develop its credit card business by enhancing customer satisfaction and push the e-banking business forward to raise its contribution to revenue increases. In addition, the Company will upgrade the functions of e-banking, mobile banking and online malls, and try to develop video banking and television banking through researches to expand its business scope and reduce the proportion of counter services. Moreover, the Company has added and updated 200 ATM machines and increased 1,000 POS machines in its attempt to optimize the placement of off-premise and on-premise self-help machines in both urban and rural areas and improve the efficiency of each single machine.

Corporate development

Committed to deeper penetration into the local market, we will adhere to the principle of "consolidation in rural areas, penetration into urban areas, expansion in development zones and scientific parks and integration into communities" when distributing our outlets. Ambitious to steadily extend our business to places other than Shanghai, we will focus on serving "micro, small and medium-sized enterprises of agriculture, science and trade", constantly update our businesses, products, services and management model and explore the management model of community banks, so as to build ourselves into a community retail bank and meet the demand for financial services of micro and small enterprises, "agriculture, rural areas and peasants" and community residents.

IT development

We will continue to improve IT governance, strengthen internal control and risk management, and enhance the overall quality of IT management. We will ensure the smooth production and stable operation of the new generation banking system, and continuously enhance the functions of the information system. We will further improve IT infrastructure, enhance the mechanisms for production and operation & maintenance, and build a new ECC control center, so as to exercise unified management on the operation of various data centers, strengthen risk control, and ensure the safe, stable and continuous operation of the data system. We will set up disaster preparation systems corresponding to the important parts of the new generation banking system, and ensure the normal production of the new generation banking system and the simultaneous launching and stable operation of all disaster preparation systems. We will continue to assist rural banks in setting up an information system and meet their requirements for business commencement and operation. We will press ahead with IT reforms within Shanghai and the integration of electronic channels to provide technical support for our business development. To meet the requirements under our business development strategy, we will take the launch of the new generation banking system as an opportunity to train our staff, develop the capability of independent innovation in information technology, constantly optimize the basic data platform, step up efforts in standardization, increase the ability to prevent IT risks and ensure information security, and promote the in-depth integration between information technology and business development.

Management of rural banks

According to the new three-year strategic development plan of the Company, we will shift the focus of our work from the construction of rural banks to their operation, so as to ensure their stable and healthy development. We will deepen our insights into the management system of rural banks, enhance the assessment and incentive mechanism and the regulatory and supervisory framework, and further strengthen the roles of specialized management departments. On one hand, we will lead the rural banks to make the most of their advantages of "convenience, quickness and flexibility", insist on serving "micro and small enterprises" and "agriculture, rural areas and peasants", harness the opportunities presented by "urbanization" to seek development, and continuously innovate our businesses. On the other hand, we will help raise the risk control awareness of rural banks, improve their risk control methods, strengthen incident prevention and control and reinforce reputation risk management, so as to enhance the rural banks' ability to resist risks. In light of the requirements of rural banks for business development and based on the input-output ratio of the system, we will steadily push forward system development and strengthen continuity management on our business. We will help raise the cost consciousness of the rural banks, and specify the expense quota allotted to them and the limits of their authority for examination and approval. We will also formulate a purposeful training plan and reasonably allocate training resources to help rural banks improve the quality of their workforce and develop advanced corporate culture.

Risk management

First, we will carefully analyse the macro-economic situation and intensify follow-up studies of major fields to effectively guard against systemic risks. Second, we will speed up our credit structure adjustment, improve our credit policies and systems, and assess the implementation of our credit policies, so as to maintain stable and healthy development of our loan business. Third, we will promote the comprehensive development of risk management systems and actively implement the Basel new capital accord. Fourth, we will strengthen post loan draw-down checking and improve our risk mitigation capabilities. Fifth, we will continue to improve our market risk management system, diversify management tools and further upgrade our management techniques and operational risk management capabilities. Sixth, we will continue to transform and optimize the credit system to improve the level of our risk management techniques. Seventh, we will deepen our research into the macro-economy and the industry and actively implement training to create a good cultural atmosphere for risk management, and promote business development throughout the Bank.

Internal control

First, we will promote the prevention and control of cases by accelerating the establishment of seven case prevention and control mechanisms, tightening management on work shift, account checking, compliance auditing and other work of employees taking important posts in the Company to prevent irregularities in our counter services, and increasing efforts to avoid business risks and misconducts by employees. We will also improve the system for evaluation of case prevention and control, provide education in incident warning and code of conduct, and assist the management departments of rural banks in improving their long-term mechanisms for incident prevention and control. Second, we will transform the development pattern of our audit capability in an all-round way while pursuing the new development strategy. Specifically, we will, according to the new three-year strategic and development plan for risk management, further enhance the development plan and the management system for internal audits, follow the latest developments of the risks in case prevention and control as well as internal control, exercise supervisions through auditing, and strengthen the capacity building of our audit teams. Third, we will reinforce risk monitoring and consolidated management on rural banks by enhancing the monitoring system, conducting warning and verification simultaneously, opening multi-dimensional channels for information transmission, fulfilling the responsibilities of consolidated management, and conducting both comprehensive and special audits. Fourth, we will enhance the audit information system by increasing efforts in the development and maintenance of the audit system (Phase II), giving full play to the role of risk-oriented off-site audits, and providing samples and risk data as guidance for on-site audits.

Compliance management

We will continue to improve the compliance management framework and endeavour to enhance the operation and efficiency of the compliance risk management system and mechanism, focusing on the interpretation of regulatory policies, the building of a professional compliance team, the establishment of an internal control mechanism and the development of a comprehensive system. We will press ahead with such work as compliance supervision by interface, rectification and error correction, self-evaluation on internal control, assessment of system implementation and improvement of procedures. We will formulate a new three-year development plan for compliance risk management based on the Company's new three-year development strategy. We will give full play to the role of "interface" in compliance supervision, enhance the mechanisms for supervision and communication, transmission, and enforcement in major fields, keep close communications with regulatory authorities, fulfill regulatory requirements, and improve the regulatory information delivery between the Head Office, non-local branches and rural banks. We will improve the internal control system, restructure the internal control mechanisms of our branches and clarify the responsibilities for internal control of different departments with the help of external consulting companies. We will clean up our rules and regulations of the previous year and gradually construct a regulatory framework. We will further strengthen the identification, assessment, monitoring and control of compliance risks, and continue our efforts in rectification and error correction, compliance testing and special compliance examination. We will revise the Manual of Case Prevention and Control for Key Posts according to the post setting and the assignment of responsibility after the new generation banking system is put into operation. We will form a compliance and operation risk management system, carry forward the work relating to system development such as bidding, consultation, development, testing, trial operation and training, with a view to providing support for the implementation of a demerit point system, operation risk monitoring, rectification and error correction, and management on legal risks. We will strengthen the management of legal affairs and prevention of legal risks by deepening our understanding of the legal risk management model of group enterprises and enhancing management of our lawyer database and contract templates.

Talent workforce

We will formulate a new three-year (2013-2015) plan for talent development, further enhance our human resources management competence, and constantly improve the quality of our workforce. We will push forward management team building at the Head Office and the branches and sub-branches and select proficient leaders of the management, with a view to enhancing the talent structure and combining the advantages of all talents. We will improve the system for the selection, training, management and deployment of backup talents and gradually form two teams of backup leaders at the levels of the Head Office and the branches & sub-branches. We will continuously deepen human resources management reforms, further expand development channels for professionals, offer better career development programs, subdivide our business lines, and properly evaluate the business qualifications of the employees. We will strengthen overall staff development and step up market-oriented introduction of technical experts, so as to put together a team of professionals. Focusing on the new three-year development strategy and the new three-year plan for talent development of the Company, we will provide training on the new generation banking system for all staff members, place emphasis on the training and examinations on business qualifications, conduct multi-dimensional on-the-job training in keeping with our business development, further promote the development of training infrastructure, and strengthen training evaluation and improve training efficiency, so as to give full play to the roles of education and training in talent development and cultivation.

Transitioning initiatives focusing on capital-saving, risk-return balance, and sustainable development


西洋百货

Changes in Share Capital and Shareholders

I. Changes in Share Capital

(I) Capital structure table

Unit: Share

Type of shareholder	Number of shares	Percentage in the total shares
Corporate shares	4,218,332,699	84.366%
Natural person shares	781,472,000	15.63%
Packaged shares*	195,301	0.004%
Total shares	5,000,000,000	100%

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

(II) Issue of shares

None during the reporting period.

II. Shareholders

(I) Number of shareholders and their shareholdings

As at the end of the reporting period, the Bank had a total of 24,680 shareholders, of which 218 were corporate shareholders, 24,461 were natural person shareholders and one was a holder of packaged shares.

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

Unit: 10,000 shares

No.	Name of shareholder	Property of shareholders	Shareholding ratio	Total number of shares	Increase and decrease during the reporting period
1	Australia and New Zealand Banking Group Limited (ANZ)	Foreign legal person shares	20.00%	100,000	-
2	Shanghai International Group Co., Ltd.	State-owned legal	8.01%	40,046.07	-
3	Shanghai State-owned Assets Operation Co., Ltd.	State-owned legal	8.01%	40,046.07	-
4	China Pacific Life Insurance Co., Ltd.	State-owned legal	7.00%	35,000	+15,000
5	Shanghai Dragon Investment Co., Ltd.	State-owned legal	6.00%	30,000	-
6	Shenzhen Lenovo Science and Technology Park Co., Ltd.	General legal person shares	5.73%	28,655.39	-
7	Rizhao Steel Holding Group Co., Ltd.	General legal person shares	4.90%	24,500	-
8	Shanghai International Group Assets Management Co., Ltd.	State-owned legal	4.00%	20,023.04	-
9	Greenland Holding Group Co., Ltd.	State-owned legal	4.00%	20,000	-
10	Shanghai Shanxin Real Estate & Development Co., Ltd.,	General legal person shares	1.32%	6,600	-
Total			68.97%	344,870.57	

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

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

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

1. Australia and New Zealand Banking Group Limited (ANZ) holds 20% of the shares of the Bank. Established in 1835 and based in Melbourne, Australia, ANZ is one of the four largest banks in Australia and is also amongst the top 10 listed companies on the Australian Securities Exchange. As at September 30, 2012, ANZ had more than 1,400 branches and outlets worldwide, and its service network covered Australia, New Zealand, Asia, Pacific region, Europe, America, and the Middle East. ANZ enjoys a credit rating of AA from three major credit rating agencies and its market capitalisation tallied AUD51 billion.

2. Shanghai International Group Co., Ltd. (SIG) holds nearly 8.01% of the shares of the Bank. It is a solely state-owned company which was established in April 2000, with registered capital of RMB10.56 billion. SIG performings three major functions, namely investment and holding, capital operation, and state-owned asset management. The Company is authorized by the Shanghai Municipal People's Government to carry on investment (with emphasis on financial investment), capital operation, asset management, financial research, socioeconomic consultancy and other services.

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

4. China Pacific Life Insurance Co., Ltd. holds 7.00% of the shares of the Bank. It was established in November 2001 with China Pacific Insurance (Group) Co., Ltd. as the holding company with registered capital of RMB7.6 billion and is mainly engaged in life insurance business, including life insurance, health insurance, personal accident insurance and reinsurance of the above business, as well as the use of funds as stipulated in the Insurance Law and relevant laws and regulations, and other businesses as approved by the China Insurance Regulatory Commission (CIRC).

5. Shanghai Dragon Investment Co., Ltd. holds 6.00% of the shares of the Bank. It is a solely 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, investments in real estate, and relevant industries, urban infrastructure investment, and consulting services - mainly including investment consulting, financial consulting, general consulting, agency for corporate mergers and restructuring, and corporate banking consulting.

6. Shenzhen Lenovo Science and Technology Park Co., Ltd. holds almost 5.73% of the shares of the Bank. The company was established in April 2001 with its main business being property leasing, property management and property intelligence/research.

Directors, Supervisors and 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-present	√	500,000
Vice Chairman	Hou Funing	Male	1964	2009.9.8-present	√	500,000
Workers' Director	Shen Xunfang	Male	1958	2009.9.8-present	√	500,000
Director of Shareholder	Alistair Marshall Bulloch	Male	1957	2009.9.8-present		
Director of Shareholder	Gilles Planté	Male	1963	2011.4.29-present		
Director of Shareholder	Lu Min	Male	1953	2011.4.29-present		
Director of Shareholder	Shou Weiguang	Male	1963	2010.4.23-present		
Director of Shareholder	Shi Derong	Male	1948	2009.9.8-present		
Director of Shareholder	Yuan Bing	Male	1968	2011.3.16-present		
Director of Shareholder	Xue Jian	Male	1965	2011.3.16-present		
Director of Shareholder	Liu Yipeng	Male	1968	2009.9.8-present		
Director of Shareholder	Wu Zhengkui	Male	1974	2011.12.27-present		
Director of Shareholder	Chen Wenjun	Female	1955	2009.9.8-2013.1.		
Independent Director	Shi Jiliang	Male	1945	2009.9.8-present		
Independent Director	Wu Daqi	Male	1954	2009.9.8-present		
Independent Director	Su Zhong	Male	1948	2009.9.8-present		100,000
Independent Director	Yu Yinghui	Male	1948	2009.9.8-present		
Independent Director	Liu Hongzhong	Male	1965	2009.9.8-present		
Independent Director	Wu Jian	Male	1968	2009.9.8-present		
Secretary of the Board of Directors	Liu Yongfen	Male	1965	2009.9.8-present	√	300,000
Members of the Board of Supervisors						
Chief Supervisor	Shen Huiq	Male	1950	2009.9.8-present	√	500,000
Supervisor of Shareholder	Li Shan	Female	1970	2011.4.29-present		
Supervisor of Shareholder	Wu Zhenlai	Male	1950	2009.9.8-present		50,000
Supervisor of Shareholder	Zhang Lei	Male	1971	2009.9.8-present		
Supervisor of Shareholder	Lu Changsheng	Male	1959	2009.9.8-present		30,000
Workers' Supervisor	Lou Jinjiang	Male	1951	2009.9.8-present	√	500,000
Workers' Supervisor	Feng Baolong	Male	1951	2009.9.8-present	√	150,000
Workers' Supervisor	Zhang Zuyu	Male	1957	2009.9.8-present	√	100,000
External Supervisor	Wu Xing	Male	1945	2009.9.8-present		
External Supervisor	Jiang Hong	Male	1950	2009.9.8-present		
Senior Management						
President	Hou Funing	Male	1964	2009.9.8-present	√	500,000
Vice President	Shen Xingbao	Male	1958	2009.9.8-present	√	500,000
Vice President	Ye Guorong	Male	1957	2009.9.8-present	√	500,000
Vice President	Wang Guanrong	Male	1963	2010.9.9-present	√	300,000
Vice President	Li Jin	Male	1963	2010.9.9-present	√	300,000
Vice President	Jin Jianhua	Male	1965	2010.9.9-present	√	300,000
Vice President	Shi Meiliang	Male	1963	2010.9.9-present	√	300,000
Chief Risk Officer	Wu Guohua	Male	1964	2010.9.9-present	√	500,000
Chief Information Officer	Zhou Hengchang	Male	1965	2009.9.8-present	√	500,000
Chief Credit Officer	Wang Ming	Male	1957	2009.9.8-present	√	150,000

II. Work Experience of Directors, Supervisors and Senior Management

(I) Members of the Board of Directors

1. Directors

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

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

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

Alistair Marshall Bulloch, male, born in November 1957, bachelor's degree with Honors. Mr. Bulloch is currently Director of Strategic Cooperation Partner Business of ANZ Asia, Managing Director of ANZ Asia Pacific, Europe and America, Chairman and Director of ANZ Bank (Taiwan) Limited, Chairman of ANZ Bank (Cambodia) Limited, Director of ANZ Bank (China) Limited, Director of Bank Negara Malaysia, Director of ANZ Pensions (UK) Limited, Director of ANZ Bank (Europe) Limited, Chairman of Chongqing Liangping ANZ Rural Bank Company Limited, Director of SRCB and Director of Bank of Tianjin. Mr. Bulloch previously served as CEO of ANZ North East Asia and Hong Kong, Deputy CEO of ANZ Asia Pacific, Europe and America, and Chairman of ANZ China, Director of Wholesale Banking at Standard Chartered Bank South Korea, and Customer Relations Director of Standard Chartered Bank China and Taiwan.

Gilles Planté, male, born in August 1963, Master of Science and International Finance. Mr. Planté is currently CEO of ANZ Bank Asia Pacific and Director of Capital Business for International and Institutional Banking, Chairman of Australia and New Zealand Bank (China) Company Limited (ANZ China), Director of SRCB, Director of Bank of Tianjin, Director of Bank Negara Malaysia and Director of Esanda (a division of ANZ). Mr. Planté previously served as CEO of ANZ Bank Asia, CEO of ANZ North Asia, Europe and America, Managing Director of Global Markets, Director of Financial Markets, Europe and America, and Global Director of Money Market and Commodity Derivatives, Europe and America, at ANZ.

Lu Min, male, born in August 1953, graduated from junior college, Accountant. Mr. Lu is currently full-time Director and Supervisor of Shanghai International Group Co., Ltd., Chief Supervisor of Dazhong Insurance Company Ltd. and Director of SRCB. Mr. Lu previously served as Assistant Manager and Deputy Manager of the Planning & Finance Department of the Shanghai International Trust & Investment Co., Ltd., Deputy Manager of the Planning & Finance Department, and Deputy General Manger (executive) of the Planning & Finance Headquarters of Shanghai International Group Co., Ltd.

Shou Weiguang, male, born in October 1963, doctoral candidate and Senior Economist. Mr. Shou is currently Party Secretary, Vice Chairman and President of the Shanghai State-owned Assets Operation Co., Ltd., and Director of SRCB. Mr. Shou previously served as Deputy Director of the Shanghai Municipal Finance Bureau Six Branch, Deputy Chief of the Personnel Division of the Shanghai International Trust & Investment Co., Ltd., the Office Manager of the Party Committee and Cadre Personnel Manager of the Shanghai International Group Co., Ltd., Deputy General Manager and Cadre Personnel Manager of the Shanghai International Group Co., Ltd., and Vice Chairman and Vice Station-Master of the Post-Doctoral work unit of SIG Finance Development Research Co., Ltd.

Shi Derong, male, born in November 1948, doctoral candidate. Mr. Shi is currently Director of SRCB and Director of the Commercial Aircraft Corporation of China, Ltd. Mr. Shi previously served as Deputy Secretary of the CPC Shanghai Luwan District, Secretary of the Party Leadership Group, Director of the Shanghai Civil Affairs Bureau, and Party Secretary and President of the Shanghai Dragon Investment Co., Ltd, Party Secretary and Chairman of the Shanghai Guosheng (Group) Co., Ltd and Chairman of the Shanghai Building Materials (Group) Company.

Yuan Bing, male, born in August 1968, Doctor of Laws. Mr. Yuan is currently Deputy General Manager of the Shenzhen Lenovo Science and Technology Park Co., Ltd., Managing Director of Hony Capital Investment Management (Tianjin) LLP, and Director of SRCB. Mr. Yuan previously served as Managing Director of the Direct Investment Department of Morgan Stanley, Managing Director of Morgan Stanley China enterprise financing, Vice President of Credit Suisse First Boston, and Financial Analyst of capital project financing of Fortis New York.

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

Liu Yipeng, male, born in September 1968, MBA, and Economist. Mr. Liu is currently General Manager of Shanghai International Group Assets Management Co., Ltd., Director of SRCB, Chairman of the Shanghai Olympic Hotel, Director of Longjiang Bank Corporation, Director of Shanghai Prosperity Modern Service Industry Equity Investment Management Co., Ltd and Supervisor of the All In Pay Network Service Co., Ltd. Mr. Liu previously served as Section Chief, Assistant Manager and Deputy Manager of the Investment Banking Department of Shanghai International Trust & Investment Co., Ltd., and General Manager and Executive Director of Shanghai International Group Assets Management Co., Ltd.

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

Chen Wenjun, female, born in November 1955, Master's Degree, Senior Accountant. Mrs. Chen is currently Senior Vice President of Jin Jiang International Group Co., Ltd., and Director of SRCB. Mrs. Chen previously served as Director of Jin Jiang International Group Co., Ltd, and Vice President, Director, Assistant President and CFO of Jinjiang Group Co., Ltd.

Shi Jiliang, male, born in February 1945, bachelor's degree, Senior Economist. Mr. Shi is currently Independent Director of SRCB, and Director-General of the Education Development Foundation Council of the Central University of Finance and Economics. Mr. Shi previously 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 CBRC, and Chairman of the Board of Supervisors and External Supervisor of China Merchants Bank.

Wu Daqi, male, born in June 1954, bachelor's degree, Professor, and Certified Public Accountant. Mr. Wu is currently Vice President and Leader of the Accounting Academy of Shanghai Finance University, Special Auditor of Shanghai, Vice Chairman of the Shanghai High School Accounting Education and Research Work Committee, Central Committee Member of the Chinese Democratic League and Director of the District Working Committee of Shanghai, Director of Shanghai Pudong New District Committee, Vice President of Shanghai Financial Laws Institution, Member of the Finance Committee of the Accounting Society of China, Director of the Accounting Society of Shanghai, Vice President of Shanghai Pudong New District Law Society, and Independent Director of SRCB. Mr. Wu previously served as teaching assistant at the College of Liberal Arts, Shanghai University, Lawyer on probation, and Associate Professor, Associate Head, Vice President, Professor and Tutor of Master of the Shanghai University of Electric Power.

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

Yu Yinghui, male, born in November 1948, graduated from junior college, Senior Economist. Mr. Yu is currently Independent Director of SRCB and Independent Director of SAIC Motor Corporation Limited. Mr. Yu previously served as Chief of

Planning-Credit Section of the People's Bank of China, Bazhou Branch Deputy Chief of the Survey and Statistics Division of the People's Bank of China, Xinjiang Branch, Vice President of the People' Bank of China, Urumqi Branch, Deputy Director of the Institute of Finance and Chief of the Monetary Gold and Silver Division of the People's Bank of China, Shanghai Branch, and Deputy Director (Deputy Director Level) of Finance Services at the People's Bank of China, Shanghai Headquarters.

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

Wu Jian, male, born in March 1968, master's degree, Lawyer. Mr. Wu is currently a Senior Partner at Shanghai Duan&Duan Law Firm, Director of the All China Lawyers Association, Deputy to the 14th National People' s Congress of Shanghai, Executive Director of the Shanghai BAR Association, Vice Chairman of the Shanghai Foreign-capital Enterprise Consulting Working Committee, and Independent Director of SRCB. Mr. Wu previously served as Legal Advisor to Asian McDonald's Co., Ltd., Assistant Economist of the Price Bureau of the Shanghai Planning Commission, and Editor of the East China Commodity Price Newspaper.

2. Secretary of the Board of Directors

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

(II) Supervisors

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

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

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

Zhang Lei, male, born in May 1971, master's degree. Mr. Zhang is currently Secretary of the Board of Directors and Office Manager of Orient International (Holding) Co., Ltd., and Supervisor of SRCB. Mr. Zhang previously served as Assistant Office Manager, Communist Youth League Secretary, Deputy Director of the Asset Operation Department and Deputy Office Manager of Orient International (Holding) Co., Ltd.

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

Lou Jinjiang, male, born in August 1951, graduated from junior college, senior political worker. Mr. Lou is currently Supervisor of SRCB. Mr. Lou previously served as Deputy Chief of the Publicity and Education Division of the Shanghai Municipal Finance Bureau, Deputy Chief of the Organization Division and Deputy Chief of the Publicity Division of the Shanghai Municipal Economic Committee, and Deputy Secretary of the Discipline Inspection Commission of SRCB.

Feng Baolong, male, born in April 1951, graduated from junior college, Economist. Mr. Feng is currently Supervisor of SRCB. Mr. Feng previously served as Deputy Director of Pudong Rural Credit Cooperative Union, and Vice President of SRCB, Pudong Branch.

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

Jinshan Zhangyan Rural Credit Cooperative, President of SRCB, Zhangyan Branch, Manager of the Auditing and Supervision Department and Sales Manager of SRCB, Jinshan Branch.

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

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

(III) Senior management

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

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

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

Wang Guanrong, male, born in January 1963, MBA, and Accountant. Mr. Wang is currently Vice President of SRCB. Mr. Wang previously served as Chief of the Payment System Division at the Payment and Settlement Management Office, Chief of the Payment System Management Division of the Payment and Settlement Department, and Deputy Director of the Payment and Settlement Department at the People's Bank of China.

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

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

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

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

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

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

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

At the 2011 2nd Ad-hoc Shareholder Meeting held on December 27, 2011, Mr. Wu Zhengkui was newly appointed as Director of the Bank according to the nomination of Shanghai Greenland (Group) Co., Ltd. The qualification of Mr. Wu Zhengkui was approved by the regulatory department in February 2012.

During the reporting period, there was no change in the Board of Supervisors.

Mr. Wu Guohua, Chief Risk Officer, took a temporary position at CBRC in October 2012. There was no change in other senior management personnel compared with that of 2011.

IV. Remuneration and Incentive Mechanism

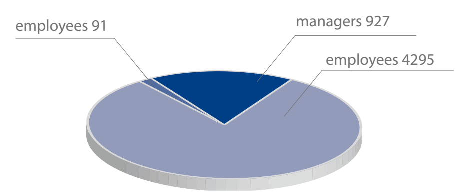
The Bank remunerates the Non-executive Directors and Supervisors under the provisions of "Duties and Salaries of Directors and Supervisors" in the Administrative Measures of Directors and the Performance Assessment Methods for Directors and Supervisors. Their responsibilities, professional knowledge,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

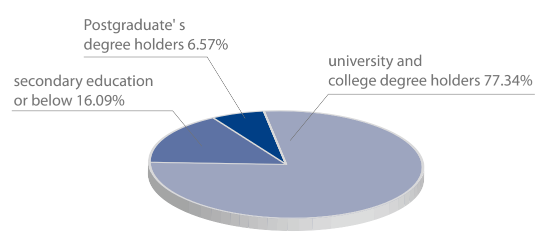
The salary of Non-executive Directors and Supervisors includes annual allowance and duty allowance to subsidize their Board and Committee meeting costs. This includes; the annual allowance standard for Independent Directors and External Supervisors of RMB120,000 after-tax, and the annual allowance for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

The salaries paid to the Directors, Supervisors and Senior Management shall be subject to the results of performance evaluation. During the reporting period, the salaries and benefits paid to Directors and Senior Management totalled RMB19.3114 million after-tax.

V. Employees

At the end of the reporting period, the Bank had 5,693 employees, including 991 managers, 4,611 staff and 91 others. There are 374 Postgraduate's degree holders, accounting for 6.57%; and 4,403 university and college degree holders, accounting for 77.34%. The remaining 916 had secondary education or below, accounting for 16.09%.





Corporate Governance

Structure

I. Corporate Governance

During the reporting period, in compliance with 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. By following the advanced listed banks as a benchmark and learning from and absorbing the experience of more mature banks, SRCB further strengthened strategic management, capital management, risk management, incentive and restraint mechanisms, human resources management and its information disclosure system. This was for the purpose of balancing and coordinating decision-making bodies, implementing internal agencies and supervisory committees, ensuring sustainable development, protecting the interests of depositors and other stakeholders, generating returns for shareholders, and creating value for society.

The Bank rationalized, developed and amended relevant systems on a timely basis and implemented a healthy and complete governance structure according to the relevant regulations of regulatory authorities and the Bank's actual situation. During the reporting period, the Bank formulated the Management Measures on Provisions for asset depreciation, 2012 Strategies and Policies on Risk Appetite, Risk Management Policies for Non-credit Assets (Trial), Management Measures on Operation Continuity (Trial), and Management Policies on Country Risks, revised the Emergency Plans for Liquidity Risk and other policies and systems covering various risk categories, specified the responsibility and authority of main bodies of risk management, improved the capacity to recognize, measure, monitor and control various risks, so as to ensure legal and compliant business and management as well as steady operation, and effectively guard against and resolve operation risks. It developed Interim Measures for Consolidated Management to conduct consolidated management on rural banks and perfect the systems and mechanisms for rural banks. In addition, it amended the Working Rules for the Board Related party transactions Control Committee in order to further implement its consolidated management and standardize the management on internal transactions.

(I) Shareholders and General Shareholders' Meeting

During the reporting period, the Bank held the 2011 Annual General Shareholders' Meeting, at which 5 resolutions were approved and 4 proposals were heard. The procedure of announcement, convening, holding and voting of the General Shareholders' Meeting were in conformity with the Company Law, Articles of Association and other relevant regulations, and confirmed by Jun He Law Offices, Shanghai Branch in a legal opinion letter. Opinions and recommendations of shareholder were provided and heard at the General Shareholders' Meeting to facilitate the shareholders' right to know, right of participation and right to vote for the purpose of creating a fair environment and allowing shareholders to participate fully in decision-making, as well as exercising equality for all shareholders.

(II) Shareholders and the Bank

The share distribution of the Bank complies with relevant banking supervisory rules and regulations. None of top five shareholders of the Bank coerced the General Shareholders' Meeting, 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 19 directors, including 2 Executive Directors, 1 Worker's Director, 10 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, and Articles of Association. During the reporting period, all Directors devoted significant time and effort in implementing strategic assessment, developing annual financial budgets and profit distribution plan, improving risk management and internal controls, supervising effective performance of senior management, promoting the implementation of strategically significant tasks, including: business transformation and restructuring, cross-regional development, and the building of a new generation banking core system, ensuring the truth, completeness and accuracy of financial reports, and deepening the assessment of the evaluation function. Under such circumstances, these actions were completed by the Directors in order to actively improve scientific policy-making function, ensure compliant and cautious operation, effectively protect the legitimate interests of shareholders, protect and maintain the interests of depositors

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and other stakeholders, and effectively carry out their fiduciary responsibilities.

The Board of Directors and its Committees performed their duties by ensuring that the Board of Directors takes into account various suggestions and comments and makes appropriate decisions upon obtaining adequate information. During the reporting period, the Board of Directors held 9 board meetings, and reviewed 54 proposals which referred to: business plans, financial budgets, profit distribution plans, strategy assessment, formulation of a new three-year capital plan for transformation and development, mass establishment of rural banks, issuance of special financial bonds of small and micro businesses, a new generation banking system, establishment of Zhangjiang Business Processing Center, risk management on non-credit assets, business continuity management, consolidated management, country risk management and other important issues relating to strategy, capital, risk and operation management. In view of the complex external environment and fierce market competitions, the Board of Directors explicitly put forward "9 changes" based on the situation, requiring the Bank to insist on rational development, prudent operation, take such measures as organizing deposits, preventing risks of reserved assets, paying attention to loan premium and enhancing performance as priorities, and put emphasis on strengthening scientific management on strategies, capital, risks, incentives and restraints, and human resources, so as to effectively protect and promote the sustainable development of the Bank and successfully accomplish all objectives and missions in 2010-2012 development strategies.

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 party transactions Control Committee. During the reporting period, these special committees held 15 meetings, and reviewed 59 proposals. The special committees, under their respective duties and standardised operation, paid close attention to the changing macro economic environment, conducted extensive research, provided constructive advice, undertook an evaluation role in supervising and evaluating the implementation of resolutions of the Board of Directors, assisted the Board of Directors in performing its duties effectively and making scientific decisions, and helping the Bank's operational management to continually improve.

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 10 supervisors, including 4 in-line supervisors (including 1 Chief Supervisor and 3 workers' supervisors), 4 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 and actively participated in and attended all meetings and activities, and issued independent viewpoints. Their level of performance of duties met regulatory requirements, making positive contributions to the scientific development and establishment of a modern enterprise system.

The Board of Supervisors organized and convened Board of Supervisors meetings and Special Committee meetings to carefully review proposals, organized supervisors to carry out: research activities, special inspections, supervision and evaluation and financial monitoring, and provided survey feedbacks on issues and suggestions found in inspections, to the Board of Directors and Senior Management, thereby contentiously performing their supervision responsibilities. During the reporting period, the Bank held 4 Board of Supervisors meetings and approved 13 proposals. The Board of Supervisors consisted of 2 special committees, namely, Audit Committee and Nomination Committee, which held 4 meetings and approved 7 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 promoted a steady and scientific development, actively adapted to the economic situation, regulatory policies and changes in the market environment, accelerated transformation and development, and strengthened risk prevention. Based on the annual strategic focuses and the strategies and decisions of the Board of Directors, the senior management earnestly performed their responsibilities, comprehensively deployed and actively propelled the execution of various strategies and development measures, guided and led the Bank to carry out effectively all operational and management activities, and completed all operating indicators and tasks under the authority of the Board of Directors to achieve all goals determined in three-year development strategies.

The senior management established a decision-making system for major issues, which consisted of the seven special committees, namely, Asset and Liability Management Committee, Business Continuity Management Committee, Internal Control and Risk Management Committee, Credit Approval Committee, Risk Assets Resolution Committee, Marketing Advance Committee and Information Technology Management Committee. During the reporting period, the seven special committees held 164 meetings and reported or reviewed 1,264 proposals.

(VI) Information Disclosure and Transparency

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

During the reporting period, the Bank completed 6 disclosures in periodic reports which were: the 2011 Business Brief, the 2011 Annual Report, the 2011 Annual Social Responsibility Report, First Quarterly Report 2012, Report for the First Half of 2012 and Third Quarterly Report 2012. The Board of Directors, in accordance with the regulatory requirements and by using the listed banks as a benchmark, additionally disclosed annual earnings express besides quarterly reports and interim reports during the reporting period, realizing the Bank' s regular reporting system composed of annual report, quarterly report, interim report and business brief. The Board of Directors seriously prepared the periodic reports, confirmed the financial data and took final responsibility for the authenticity, completeness and accuracy of the financial reports.

During the reporting period, the Bank disclosed 2 temporary announcements which were the 2011 Annual General Shareholders' Meeting and 2011 dividends.

II. Performance of Duties of Independent Directors and External Supervisors

(I) Performance of Duties of Independent Directors

The Second Board of Directors consisted of 6 supervisors. The reputable independent directors' specialties include: accounting, finance and law. 5 special committees of the Board of Directors have 4 independent Directors as Chairman and the number of independent Directors of two special committees 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 by 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 at Board Meetings

The Second Board of Directors held 9 meetings and all independent directors attended personally with the exception of 1 Director who authorised others to vote in his absence. Independent Directors at the Board meetings actively contributed and provided many valuable comments and suggestions.

2. Objection Brought Up by Independent Directors in relation to Issues Involved With the Bank

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

(II) Performance of Duties of External Supervisors

The Second Board of Supervisors had 2 External Supervisors. During the reporting period, the Second Board of Supervisors held 4 meetings. The External Supervisors actively participated in the meetings. The External Supervisors actively provided independent opinions at the meetings, and being responsible for all shareholders; fulfilled obligations with integrity and diligence, protected the interests of the Bank and the legal interests of

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stakeholders, and played an active role in fulfillment of the supervisory duties by the Board of Supervisors.

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

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

IV. Decision-making System of the Bank

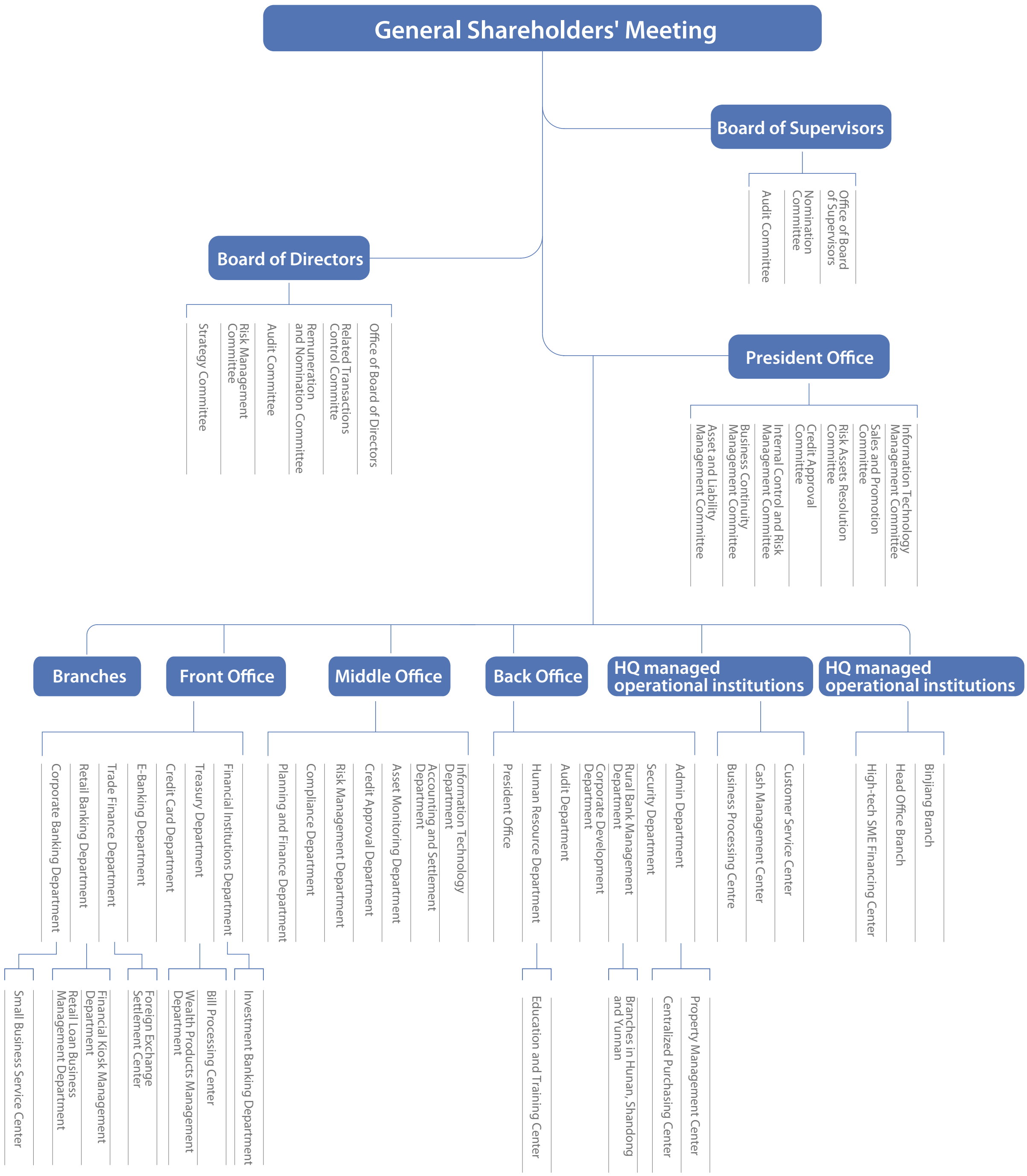
The General Shareholders' Meeting is the highest institution of the Bank and assumes responsibility to decide on important matters. As a decision-making body of the Bank, the Board of Directors plays a central role in decision-making and reviewing. The Board of Supervisors is the body which undertakes 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 accepts 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.

V. Assessment and Incentive of the Senior Management

The Board of Directors of the Company authorized the Remuneration Committee and Nomination Committee to evaluate the performance of Executive Directors and Worker' s Directors in 2012, assess the operation, profit and risk control by the senior management members, and issue an assessment comment. The Proposal on 2011 Annual Performance Appraisal for the Members of Senior Management, Executive Directors and Worker's Directors was reviewed and approved by the Board of Directors. The Board of Supervisors issues an assessment report on the performance of senior management each year.

During the reporting period, the comprehensive evaluation group for tenure in financial enterprises of Shanghai has completed the comprehensive evaluation on and thought highly of the operating performance and leadership (Party Committee, Board of Directors, operation team) for the period from 2009 to 2011. The Company deferred payment for remuneration for middle class managers during the reporting period.

VI. Organizational Chart



Introduction to General Shareholders' Meeting

Annual General Shareholders' Meeting

On April 27, 2012, the 2011 Annual General Shareholders' Meeting was held at No.8 Yincheng Middle Rd, Shanghai. 75 attending shareholders and representatives thereof held a total of 3.624 billion shares, accounting for 72.47% of the total equity of the Bank. The Meeting was held according to 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, the Board of Supervisors and non-directors from Senior Management attended the Meeting.

The Meeting reviewed and approved Resolution on 2011 Financial Performance and 2012 Financial Draft Budget, Resolution on 2011 Profit Distribution Proposal, Resolution on Issuance of Special Financial Bonds of Small and Micro Businesses, Resolution on 2011 Annual Work Report of the Board of Directors, and Resolution on 2011 Annual Work Report of the Board of Supervisors. The Meeting also heard 2011 Financial Statement Audit Report of SRCB, 2011 Report of Performance of Duties by Directors, 2011 Related Parties Transactions Report, and the Report on Implementation of Regulatory Views and Rectification Measures for the Company from Shanghai Banking Regulatory Commission.

Report of the Board of Directors

I. Profit distribution proposal

The company has prepared a profit distribution proposal in accordance to the audited accounting statements. According to the standard format unqualified audit report produced by Price Waterhouse Coopers, during the reporting period, the company achieved net profits of RMB 3,801,143,892.00, with last period carried forward undistributed profits of RMB 4,097,147,437.33, and current period profits of RMB6,565,684,853 may be distributed to investors. The company' s profit distribution proposal is as the following:

1.Statutory surplus reserve of RMB380,114,389.20 and discretionary surplus reserve of RMB656,568,485.30 are accrued from profits as reported in the 2012 statutory financial statements.

2.General reserve of RMB952,492,087.13 is accrued to ensure the balance of ordinary reserves shall remain at the level of 1.5% of the previous year-end risk-and-loss-bearing assets balance of SRCB .

3.A cash bonus distribution at the rate of 13% of the par-value of ordinary shares totalling RMB 650,000,000.21 (pre-tax) shall be distributed.

The undistributed profits remaining after the above distributions shall be carried over.

The above profit distribution proposal shall be implemented after deliberation during the 2012 General Meeting of Shareholder.

II. Progress of Implmenting Resolutions of 2011 Annual General Meeting

The company' s 2011 profit distribution proposal was approved by the 2011 General Meeting of Shareholders, viz., "distribution of cash dividend of RMB 0.12 per share (pre-tax) for a total of 5,000,000,000 shares, with share entitlement registration date of 16 May 2012, and all shareholders recorded on the Bank' s share register shall be entitled for the distribution, and the dividend distribution date shall be 17 May 2012". A public notice was displayed on the Bank' s website. This distribution proposal has been duly implemented.

III. Key equity holding companies and equity contributing companies

Unit: RMB1,000

Equity contributing companies	Holding ratio	Total investment as at reporting date
Shanghai Chongming Shanghai Rural Commercial Rural Bank Co., Ltd.	48.45%	51,000
Jinan Huaiyin Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Changqing Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Ningyang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Dongping Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Linqing Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Liaocheng Dongchang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Chiping Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Yanggu Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Rizhao Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Tai' anh Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Ningxiang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	51,000
Shuangfeng Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Lianyuan Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Liling Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500

Unit: RMB1,000

Equity contributing companies	Holding ratio	Total investment as at reporting date
Shimen Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Cili Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Lixian Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Linli Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Yongxing Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Guiyang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Hengyangxian Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Changsha Xingsha Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	51,000
Ruili Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Kaiyuan Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Baoshan Longyang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Mengzi Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Gejiu Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Jianshui Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Lincang Linxiang Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Mile Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Songming Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	25,500
Kunming-Ala Shanghai Rural Commercial Rural Bank Co., Ltd.	51%	51,000
China UnionPay Limited	0.24%	5,500
Rural Cooperatives Settlement Centre	6%	6,000
Shanghai Huyang Expressway Development Company Limited	35%	233,623
Shanghai South-Eastern Suburban Express Ring Roads Development Company Limited	45%	111,699
Shanghai Jingyi Enterprises Development Company Limited	20.45%	103,611

IV. Equity investments in other business entities

During the reporting period, the Bank has established 32 rural banks in Hunan, Shandong and Yunnan through the arrangement of absolute majority shareholding.

V. Use of the funds raised by share placement

With approval by "Opinions on the Direct Share Placement Proposal by Shanghai Rural Commercial Bank and Official Response Regarding Endorsement of Shareholders' Credentials" (HYJF No. [2010] 328), the Bank issued 1,254,314,224 shares by direct placement to the eight shareholders including Australia and New Zealand Banking Group Limited, Shanghai International Group Limited, Shanghai State-Owned Assets Operating Company Limited, SIG Assets Management Limited, Shenzhen Legend Science and Technology Park Limited, Rizhao Iron and Steel Holdings Group Limited, and China Pacific Life Insurance Company Limited, Shanghai Qingpu District Supply and Marketing Cooperative at the end of 2010, raising RMB 8.128 billion Yuan while expanding the Bank' s total issued capital to 5 billion shares. All funds raised by the capital expansion on this occasion have been applied to increase the Bank' s capital base, raise the capital sufficiency of the Company, and meeting the Company' s capital requirements arising from for strategic implementation, business development and assets disposal. The Bank strictly adhered to its plans for capital utilisation during the reporting period, making appropriate uses of the capital raised from the share placement, and noteworthy benefits have been derived.

VI. Audit report

During the reporting period, the Bank continued to engage the service of Price Waterhouse Coopers to carry out audits on the Bank' s 2012 financial statements (including the 31 December 2012 balance sheet, 2012 profit & loss statement, cash flow statement, statement of changes in shareholder interests and the appendix notes to the accounting statements) in accordance to "Accounting Standards for Business Enterprises", as well as preparing a recommendation for internal control management.

VII. Routine Work of the Board of Directors

(i) Meetings of the Board of Directors

During the reporting period, the Bank' s Board of Directors met on 9 occasions and deliberated and considered 54 proposals.

1. On 13 February, 2012, the Bank held the 11th meeting of SRCB 2nd Board. This meeting deliberated and approved "Proposal on 2011 Business Performance of Shanghai Rural Commercial Bank and 2012 Business Plans and Focus Issues", "Proposal on 2011 Working Report of the Board of Directors of Shanghai Rural Commercial Bank and 2012 Work Programme", "Proposal on 2011 Job Performance Assessment for Directors of Shanghai Rural Commercial Bank", "Proposal on 2011 Corporate Governance Self-Assessment Report of Shanghai Rural Commercial Bank", "Proposal on 2011 Bank-wide Risk Management Self-Assessment Report of Shanghai Rural Commercial Bank", "Proposal on 2011 Compliance Risk Self-Assessment Report of Shanghai Rural Commercial Bank", "Proposal on Establishing Rural banks on an Expanded Scale and Preliminary Preparations", "Proposal on Issuing Small and Micro-enterprise Loan Financial Bonds", "Proposal on Formulating ‘SRCB Assets Impariment Loss Reserve Management Rules", "Proposal on Formulating ‘SRCB 2012 Risk Appetite Strategy' ", and "Proposal for Appointment of Mr. Wu Zhengkui as the Member of Remuneration and Nomination Committee Member". The meeting considered and deliberated "Report on Shanghai Rural Commercial Bank 2011 Strategic Assessment", "Report on Shanghai Rural Commercial Bank 2011 Q2-Q3 Local Government Financing Platform Lending Audit Inspection", "Report on Participation in Auction Bidding for the Assets of Shanghai Yihelong Hotel Limited", "Report on 2011 Progress Status of Technical Cooperation Between Shanghai Rural Commercial Bank and ANZ Bank and 2012 Technical Cooperation Plans", and "Report on Shanghai Rural Commercial Bank 2011 Social and Charitable Donations".

2. On 28 March, 2012, the Bank held the 12th meeting of SRCB 2nd Board. This meeting deliberated and approved "Proposal on Shanghai Rural Commercial Bank 2011 Financial Statements and Audit Report", "Proposal for Shanghai Rural Commercial Bank 2011 Financial Progress Status and 2012 Financial Draft Estimates", "Proposal for Shanghai Rural Commercial Bank 2011 Profits Distribution Scheme", "Proposal for Deliberation and Approval of Shanghai Rural Commercial Bank 2011 Annual Report", "Proposal for 2011 Performance Assessment for Members of Senior Management, Executive Directors, and Working Directors", "Proposal for Project Estimates for Shanghai Rural Commercial Bank Zhangjiang Business Processing Centre", "Proposal for Shanghai Rural Commercial Bank 2012 Branch Expansion Plan", and "Proposal for Convening Shanghai Rural Commercial Bank 2011 Annual General Meeting of Shareholders". The meeting considered and deliberated "Report on Shanghai Rural Commercial Bank Company Limited 2011 Audit Findings and Notes", "Report on Shanghai Rural Commercial Bank 2011 Internal Control and Risk Management Assessment", "Report on Shanghai Rural Commercial Bank 2011 Related party transactions and Investigation Findings on Special Audits", and "Report on Shanghai Rural Commercial Bank 2011 Internal Audit".

3. On 5 April, 2012, the Bank held the 2012 first adhoc meeting of the SRCB 2nd Board; this meeting deliberated and passed the "Proposal on Shanghai Rural Commercial Bank Company Limited 2011 Profits Distribution Scheme" by tele-voting.

4. On 3 May, 2012, the Bank held the 2012 second adhoc meeting of the SRCB 2nd Board; this meeting deliberated and passed the "Proposal for Establishing Rural banks in Beijing and Shenzhen" by tele-voting.

5. On 17 July, 2012, the Bank held the 2012 third adhoc meeting of the SRCB 2nd Board; this meeting deliberated and passed by the "Proposal for Changing the Interest Entitlements in Yinhe Shares Held by Shanghai Rural Commercial Bank into Registered Stock Options" by tele-voting.

6. On 8 August, 2012, the Bank held the 13th meeting of the SRCB 2nd Board. This meeting deliberated and approved "Report on Shanghai Rural Commercial Bank 2012 1H Business Operation and 2012 2H Key Tasks", "Proposal for Shanghai Rural Commercial Bank Company Limited' s Project Adjustments Plan for New Generation Banking System and Zhangjiang Business Processing Centre", "Proposal for Formulating ‘Shanghai Rural Commercial Bank Company Limited Non-Credit Asset Risk Management Policy (Draft Version)' ", "Proposal for Formulating ‘Shanghai Rural Commercial Bank Company Limited Business Continuity (Draft) Management Policy", "Proposal for Formulating ‘Shanghai Rural Commercial Bank Company Limited Financial Consolidated Statements Provisional Rules' ", "Proposal for Revising ‘Shanghai Rural Commercial Bank Company Limited Risks Contingency Plan' ", and "Proposal for Approving the Equity Pledge Application of Rizhao Iron and Steel Holding Group Limited". The meeting considered and deliberated "Report on Shanghai Rural Commercial Bank 2012 1H Financial Progress Status", "Report on Opening of SRCB Rural Banks and Their Business Operation", "Report on the Implementation of Shanghai CBRC' s 2011 Regulatory Opinions and SRCB' s Rectification Initiatives".

7. On 3 September, 2012, the Bank held the 2012 fourth adhoc meeting of the SRCB 2nd Board; this meeting deliberated and passed the "Proposal for Approving the Equity Pledge Application of Shanghai Jilian Investment Management Company Limited" by tele-voting.

8. On 4 December, 2012, the Bank held the 14th meeting of the SRCB 2nd Board. This meeting deliberated and approved "Proposal for Shanghai Rural Commercial Bank Capital Planning and Measures for Restructuring Development in 2013-2015", "Proposal for Formulating ‘Shanghai Rural Commercial Bank Country-Specific Risk Management Policy' ", "Proposal for 2012 Shanghai Rural Commercial Bank Non-performing Assets Write-off and Foreclosed Assets Loss Recognition", "Proposal for Amending ‘Working Rules of SRCB Related Party Transaction Control Committee", and "Proposal for Ratifying Transfer of Bank Shares Held by Shanghai Hexin City Subgrade Contruction Materials Company Limited". The meeting considered and deliberated "Report on Shanghai Rural Commercial Bank 2012 Credit Risks Stress Test", "Report on Progress Status of Shanghai Rural Commercial Bank Corporate and Private Wealth Management Businesses", "Report on Project Progress Status for Shanghai Rural Commercial Bank New Generation Banking System and the Zhangjiang Business Processing Centre", and "Report on Proposed Schedule for 2013 Routine Meetings of the Board of Directors".

9. On 31 December, 2012, the Bank held the 2012 fifth adhoc meeting of the SRCB 2nd Board; this meeting deliberated and passed the "Proposal for Approving the Equity Pledge Application of Greenland Holdings Group Limited", "Proposal for Approving the Equity Pledge Application of Shanghai Zhongxiang (Group) Limited", and "Proposal for Approving Transfer of the Bank' s Shares Held by Shanghai Jinjiang International Investment Management Company Limited" by tele-voting.

(ii) Performance of the Board of Directors

During the reporting period, by making correct judgments on the complex external environment and fierce market competition, the Board of Directors of the Bank unequivocally put forward the notion of "nine significant transformations" requiring all staff personnel of the Bank to maintain a course of rational development, stability in business operation, and putting the efforts of attracting deposit, preventing credit risk in existing assets and paying attention to lending premium as well as focusing on improving business performance, channelling energy into maximising the effectiveness of the functions of strategies, capitals, risks, incentives and constrains, human resources, technology management and so on, and all directors of the Board are committed to their duties while tirelessly working to perform their functions to effectively safeguard and drive the Bank' s sustainable development and decisively achieving all the target objectives of the development strategy for 2012-2013.

Strategy implementation and decision-making

Firstly, accelerated business transformation and organisation restructuring: Guided the management and all levels of the business organisation to focus on the notion of "nine significant transformations" while instilling themselves with a sense of mission, optimising lending resources allocation to give priority support for lending to "medium, small, micro, rural, science and technology, and trading enterprises" in an environment characterised by contracting government financing platform lending, real estate lending, and steel trade lending; Clearly defined the development objectives for micro-enterprise loans, restructured the business organisation, refined the management mechanisms, and ensured a success in the issuance of small and micro-enterprise bonds; Vigorously expanded such new business areas as e-banking, credit cards, and bills; Achieved the target of setting up 100 financial kiosks, bringing on stream differentiated market positioning and personalised service while aiming to develop new growth centres; Accelerated the pace of market entry and new product innovation while constantly enhancing business functions.

Secondly, comprehensively promoted cross-regional strategic development: actively supported business development in the various local branches to achieve even better operating results; Prudently organised the planning and opening of rural banks, actively explore to build corporate governance framework that can adapt to the local environment of those rural banks, refined the focus of customer market positioning, strengthened the development of risk management mechanisms, expanded the management teans, maintained close interaction with head office business operations and aligned with its corporate culture, and increased sales activity to expand market share.

Thirdly, continued to move ahead with the New Generation Banking System and the Zhangjiang Business Process Centre projects: Attached high importance to technology support and middle and back office centralisation that can affect the Bank' s long-term development, increased investment and followed up on the progress; Established project monitoring teams under the Supervisory Board in a timely manner, organised on-site inspection surveys led by independent directors and external supervisors, guided and monitored the Zhangjiang database project and budget management; Leveraged the expertise of the specialist teams whilst concentrating the efforts of the whole organisation to make steady progress in constructing the new generation banking system and the Zhangjiang Data Centre.

Fourthly, move ahead with preparations for public listing in an orderly manner: Made steady progress in legacy property ownership problems, overdue foreclose assets, and equity investments; Actively prepared for equity custody & registration, maintained liaison with the investment banks, dynamically updated on capital market trends; Prepared gap analysis on listed companies and implemented necessary reforms and restructuring.

Fifthly, strengthened capital management: Conducted research on implementing the New Basel Capital Accord and new capital management rules and also survey analysis on the short and long-term impacts on the Bank by taking into consideration the practical circumstances of the Bank, and forecasted the Bank' s capital sufficiency trend in the coming three years; Formulated and endorsed the Bank' s 2013-2015 Capital Planning and Restructuring Initiatives, where measures covering including reserve provisioning policy, capital structure adjustment, income structure adjustment, refined management, risk control and so on, guiding the Bank onto the path of capital-saving development.

Sixthly, intensified strategic cooperation with the major shareholders: Built up close interaction with the ANZ Bank, conduct research studies into expanding the annual technical cooperation projects with the ANZ Bank, made client referral to each other, strengthened system development and business collaboration, and brought about a win-win outcome of cooperation and complementing each other' s strength.

Strengthened risk management and enhanced risk prevention ability

Firstly, improved the risk management policy framework: Ensured the monitoring and control guidelines are fully implemented and enforced throughout the Bank' s organisation and all shortfalls and deficiencies are rectified while formulating various elements of the risk management framework including Non-credit Assets Risk Management Policy, Country-specific Risk Management Policy, Business Continuity Management Policy and so on to clearly define the responsibilities and authorities for each principle entity of risk management; enhanced the abilities to identify, quantify, monitor, and control various categories of risks while ensuring regulatory compliance, stable and steady operation for business management activities, and effectively prevented and resolved any business risk.

Secondly, promoted risk management in key areas. Followed up the implementation of risk appetite strategy, attached high importance to monitoring changes in the macroeconomic and financial environments while bringing about improved management existing loans, especially credit risk management in such key areas as government financing platform lending, real estate lending, steel trading business lending and so on, requiring the management to enforce differentiated managemnt on large-amount loan and high-concentration industries, hence preventing rebound in non-performing loans.

Thirdly, steadily moved ahead with implementation of the New Capital Accord: According to the New Capital Accord requirements, formulated the implementation plan of the New Capital Accord that are appropriate to the circumstances of the Bank by focusing on the feasibility roadmap and timeline and collaborating with peers; Initiated the risk appetite implementation projects; refined the setting of indicators like risk appetite, risk tolerance, and risk limits; prepared for internal-rating based project (credit risk), and accelerated the implementation of the New Capital Accord.

Fourthly, paid attention to internal control and strengthened case prevention: Conducted thorough analysis to implement recommendations from external audit; Expanded the scope of the accountability review to enhance management standard for internal control, expand the case prevention performance review scope, improve case prevention information sharing, enhance risk early warning and screening, and establish a long-term case prevention mechanism; Facilitated the formation of a compliance culture at the same time increased staff education and promoted processes optimisation, enhanced compliance awareness, and cultivated a sound compliance culture; Paid particular attention to major cases and unexpected instances lawsuits and improved efficiency in handling such matter, hence safeguarded and controlled reputation risk.

Improved the staff incentive system and optimised staff allocation

Firstly, implemented the deferred remuneration payment system: Further urged the improvement of deferred payment mechanism for the middle management team as required by regulator, where short-term and medium to long-term objectives, job performance and risks to remuneration are taken into account, and ensured a more rational and systematic incentive system; Correlated job performance to assessment results by implementing on-the-job assessment to enhance management personnel' s proactive aptitude and job pressure.

Secondly, optimised staff allocation: Increased staff number to meet the needs of business restructuring and branch transformation, built up professional relationship manager and product manager teams, hired or trained people for the bank' s emerging businesses and departments short of hands; Gave strong support to set up micro-enterprise lending team; Increased the hiring of new graduates to bring something new to the business organisation and optimise the structure of the staff personnel teams.

Thirdly, increased career development opportunities: Linked the performance review with business grading, enforced strict standards and paid close attention to business performance; Introducde business accreditation and linked it with staff grading, guided staff to learn and master skills in multiple business areas and familiar themselves with multiple products to gradually become multi-skilled sales people.

In 2013, the Bank' s Board of Directors will steadfastly adhere to the principle of scientific development, focus on deposit and high-tech businesses, guide the senior management team to instil the notion of structural adjustments, transformation of business approach, capital saving, return on capital, risk prevention and sustainable development; penetrate local market, provide more service to the real economy, demonstrate branch network advantage, vigorously expand retail banking business, develop featured e-banking business; focus on developing the rural banks, promoting bank-wide risk management; build the Bank into a convenience banking organisation distinguished by sound governance, sufficient capital, rational structures, comprehensive functions, refined management, controllable risks, and outstanding performance.

(iii) Performance of Specialized Committees of the Board of Directors

During the reporting period, various specialist committees of the Board of Directors held 15 meetings to review and consider a total of 59 proposals.

The Strategy Committee dealt with implementation of the Bank' s development strategies by senior management, assessing the future trends of economic development, organising and implementing fine-tune adjustments to the strategies on the basis of the strategic assessment report, and enhancing the adaptability and benchmark significance of the development strategies. Promote and intensify business cooperation with the shareholders by fully leveraging the ANZ Bank' s mature experience to assist us to further improve the standard of our internal management.

The Risk Management Committee has been actively formulating the monitoring guidelines and the Bank' s internal rules and regulations with careful reviews of the various risk management policies and institutional arrangements while overseeing wider efforts in risk management, enhanced risk awareness and upgrading of risk management technology. This committee also concerns itself with enforcement of risk appetite, following up and resolving any relevant issues; it also conducts cross-regional research studies on risk management, and proposes policy recommendations.

The Audit Committee concerns itself with internal and external audits by paying attention to internal control and the financial results. It follows up and records the progress of external audit in a timely manner, making judgements on the bona fide, completeness and accuracy of the financial statements whilst underscoring the confidentiality obligations of the external auditing organisations. It organises special risk audits on IT contracts, it deliberates the annual working report for internal audit while regularly evaluating the internal audit results, and further promoting transformation of the internal auditing function.

The Remuneration and Nomination Committee is charged with implementing robust remuneration management whilst exploring the establishment of medium to long-term incentive and constrain mechanisms with deferred payment, strengthening performance assessment for the Board of Directors and senior management personnel to facilitate improvement of job performance. It also provides guidance on the rural banks to establish sound incentive and constrain mechanisms, and carrying research studies and analyses at the local level in the rural banks to propose policy recommendations.

The Oversight Committee on Related party transactions is charged with the responsibility for strengthening review for major transactions and record management for routine related party transactions, exercising controls over risk elements, and ensuring the relevant management requirements are implemented and put in place. It also formulates the working rules for the Oversight Committee on Related party transactions, incorporating these rules with the internal transaction management requirements to strengthen control and management on internal transaction within the Group, ensuring that strict controls are exercised according to the risks and the requirements for supervisory oversight without affecting business development, thus genuinely safeguarding the interests of all shareholders.

VIII. Corporate social responsibilities

Whilst ensuring healthy business operation, sustainable development and effective risk prevention, the Bank follows its development strategy, keeps in mind the mission of serving the general public with attentive and convenient banking service, espousing a people-centred corporate culture to actively fulfil our social responsibilities.

The Bank steadily expanded the scale of its business operation during the reporting period, growing total assets to 356.2 billion Yuan, up by 15.32% YoY. Profitability continues to improve, where net profit reached 3.801 billion Yuan, representing YoY increase of 19.79%. Overall asset quality remained stable, capital adequacy ratio was 16.13%, provision coverage ratio was 221%, and loan-to-provision ratio was 2.83%. The satisfactory business results would help the bank to maximise shareholder value and realise sustainable development. The Bank ranked 12th amongst the top 100 taxpayers in Shanghai in 2012, improved from the 14th in the previous year; it was awarded by CBN Journal again as the "China' s Best Rural Commercial Bank of the Year".

Supported Shanghai' s economic development and transitioning

In 2012, the Company put forward the development notion of "nine significant transformations" (assets-focus to liabilities-focus; reliance on the government to support from the government; traditional business-foucs to emerging business-focus; large-amount loan preference to "medium/small/micro enterprise and agriculture lending" preference; quantity focus to quality and efficiency focus; investment-driven to return-driven; credit approval priority to post-lending management priority; contingency management focus to sustainable development focus; manual control focus to system control focus), so as to accelerate business transformation and organisational restructuring and contribute to the economic and social development of Shanghai. Optimised lending resources allocation to give priority support for lending to "medium, small, micro, agricultural, science and technology, and trading enterprises" in an environment characterised by contracting government financing platform, real estate, and steel trade lending. Offered support to agricultural, micro, and small enterprises, and government affordable housing, so as to support the economic development and restructuring, innovation and environmental protection, and resolve the financing problems in rural areas and micro and small enterprises.

Supported the rural area, and agricultural, micro and small enterprises, and developped high-tech financing business

As one of the banks with the largest number of outlets in Shanghai, Shanghai Rural Commercial Bank is firmly standing by its policy of maintaining a presence in the outlaying suburban areas. As at the end of the reporting period, 65% of the 373 business outlets we operate are located outside the outer ring road to offer everyday financial services to residents of the outlaying suburbs. The Company has strengthened financial services support for key development areas in rural region, and this entailed RMB53.1 billion of rural and agriculture-related lending accounting for 32% of all loan disbursements by the Bank. At the same time as filling certain untapped niches in financial service in the city of Shanghai, the company is actively responding to the policy call for further improvement of rural financial services, and we have accelerated the pace of setting up rural banks by batches. 2012 witnessed the opening of 32 rural banks in Shandong, Hunan, and Yunnan, whilst 2 rural banks in Beijing and Shenzhen received widespread recognition from the local community when they opened their doors for business at the beginning of 2013. SRCB rural bank steadfastly adheres to the market positioning of "serving the local economy, serving medium, small, micro, and agricultural enterprises" to accelerate development with a solid business base, bringing its edge in flexible institutional establishments and highly effective decision-making process to full effect, actively resolving the funding bottlenecks hampering economic development in the rural area, making up for the under-provision of financial services in rural areas and truly becoming a most dependable helping hand for massive amount of farmers and the most trusted business partner for the medium, small, and micro enterprises at the same time, and thereby contributed to local economic development. By the end of the reporting period, the total deposit balance and total loan balance of the 32 newly established rural banks was 7.1 billion Yuan and 3.2 billion Yuan.

In 2012, the Bank gave priority to micro, small and medium enterprise loan, which contribute to 50% of its total loan increments. As of the end of the reporting period, the total balance of SME loan was 122.2 billion Yuan, the total balance of micro-enterprise loan was 9.724 billion Yuan, which was 10% of the total micro-enterprise lending market. The Bank has further defined its development objectives for micro-enterprise lending by proposing the following: building dedicated outlets, organising specialised sales teams, segmenting target markets, building up special credit approval channels, building up systematic assessment mechanism, building up professional training systems and building up professional community services. The plans for refining management mechanisms call for the establishment of 60 micro-enterprise service outlets, building up 65 specialist sales teams, and the creation of a team consisting 260 specialized relationship managers by 2013. Also, the successful issuance of 5 billion micro and small enterprise bonds has shown our resolution to support these companies. The "Xinyi Loan" portfolio product and the SME revolving credit card are just two examples.

We proactively developed high-tech financing business in 2012. The first franchise high-tech financing branch - Zhangjiang technology branch – was opened to offer convenient, high quality financial services to the Shanghai Zhangjiang High-Tech Industrial Development Zone and support the development of the enterprises within this Zone. As of the end of the reporting period, the total loan balance of high-tech SME loan was 10.98 billion Yuan.

Improved people's livelihood by opening financial kiosks

In 2012, centring on the development strategy of building up customer-convenience banking outlets, the Bank adopted the approach of differentiated market positioning to offer distinctive business service by opening 40 new financial kiosks, with the total number of kiosks reaching 100 by year-end. The kiosks serve community residents and SME by offering a range of 72 products and services in 7 major categories including counter cash transactions, personal loans and wealth management, e-banking, micro-enterprise financing, credit cards and so on, thus truly embodying the "people-first" notion, making us a highlight of the banking industry.

The Bank has been consistently and conscientiously carrying out the requirements of the municipal government by providing strong support to development of affordable housing, automatic payroll and pension payments, loan disbursement from housing funds, second-hand property one-stop services; offering agency arrangement for such as train ticket, airline ticket, movie ticket, transportation card to support public services and offer convenience to the everyday life of the general public.

Caring for staff and corporate culture nurturing

The Bank has consistently espoused the "people-first" notion to nurture a corporate culture of "seeking knowledge and striving for progress, advocating pragmatism and innovation, aiming for highly effective performance, and quest for harmony and unity". In 2012, centering the strategy of restructuring and transitioning, we initiated many rounds of discussions on "nine significant transformations" to encourage our staff to adopt an innovative outlook and to proactively offer ideas and valuable insights to help the Bank' s transformation development. We also continued to solicit suggestions from the worker' s representatives, staging a rich variety of cultural and recreational activities such as staff sporting tournaments, the Bank' s 7th anniversary celebration and so on; undertaking extensive efforts to nurture a compliance culture and professional ethics; providing regular support to staff experiencing hardship or suffering from illnesses; establishing a record system of health management after physical examination and providing insurance to cover expenses for major illnesses; setting up such staff caring programmes as "worker' s home", sound psychological counselling and so on as a demonstration of our care and concern for our line staff working in the service outlets.

Ready to serve the public good, keen on contributing to the community

In 2012, the Bank continued its targeted poverty alleviation programmes in Guanghui Village of Pudong New Area, Tangwai Village of Fengxian District, Hexing Village of Chongming County, and took on activities including helping rural infrastructure reconstruction, visiting people suffering hardship; making donations to the "Shanghai East – Rural Commercial" cancer relief foundation and using specially-allocated funds to support these patients and their families financially; making donations to the Chongming Branch of the Shanghai Senior Citizen' s Foundation and the Women and Children Service Centre of Xiangtan City to provide care to the elderly and young children. Total welfare relief and public charity donations made by the Bank during the past year totalled 1.308 million Yuan. We actively supported cultural and sports activities, examples include our sponsorship for the 15th Shanghai International Film Festival, the Inaugural

Voting Competition for the 10 Major Ancient Townships in the Yangtze Delta, and 2011-2012 Competition for Top-10 Young Economic Personalities of the City of Shanghai.

By staging diversified financial knowledge campaign in school campus communities, suburban areas, and residental communities, the Bank has made contributions in improving the financial awareness of the general public through its local financial kiosks. Various volunteer activities were held to coincide with the "5 March - Learning from Leifeng Day" and the "5 December International Volunteer' s Day", so as to support the community and improve our corporate image.

Green lending to advocate environmental friendliness

The Bank actively responded to the state government' s industry policies and environmental policies by developing green lending. In May 2012, a set of guideline supporting the development strategy for green lending were developed, defining the orientation of green lending to give support for targeted industries and projects meeting the criteria for green lending. The scale of lending was properly planned by pre-allocating a certain quota of total lending to support green lending. Strict controls were imposed on lending to industry sectors and projects that do not meet requirements of industry polices or violating environmental regulations by implementing very strict credit control during credit approval, disbursement and post-lending monitoring, while on the other hand risk weighting for those loan applications meeting the green requirements was lowered. As of the end of the reporting period, the balance of lending to energy-saving and environmental protection projects totalled some 816 million Yuan.

The Bank vigorously promoted environmental-friendly working environment by optimising its office automation system, introducing the use of electronic seal stamps, so that hardcopy printing of paper documents are greatly reduced. By setting up and using video conference facilities, conference costs were effectively reduced. the Bank endeavours to practice environment friendly banking by diverting the volume of counter business through internet banking, customer self-service terminals, mobile banking and so on, thus significantly expanding the channels of green services. With the introduction of mobile banking in 2012, comprehensive, convenient and secured financial services are offered to the customer at any time and any place. As of the end of the reporting period, the business volume contributed by e-banking channels including internet banking, telephone banking, customer self-help terminals and so on topped 46,508,300 transactions, and e-banking business diversion rate reached 43%.

In 2012, the Bank was ranked 213th amongst top 1000 banks around the world, and 19th amongst all the domestic banks listed in which. The Bank was also honoured with the "2012 Corporate Social Responsibility Award for Outstanding Enterprise".

(For details, please refer to the "Shanghai Rural Commercial Bank 2012 Corporate Social Responsibility Report" for details)

Report of the Board of Supervisors

I. Performance of the Board of Supervisors during the reporting period

(i) Meetings of the Board of Supervisors

1. On 13 February 2012, the Bank held the 10th meeting of the second term of its Board of Supervisors. This meeting deliberated and approved the "Proposal on '2011 Annual Work Report of the Board of the Supervisors of Shanghai Rural Commercial Bank Company Limited'" and "Proposal on '2012 Annual Work Plan of the Board of Supervisors of Shanghai Rural Commercial Bank Company Limited'", and discussed "2011 Performance Assessment for the Board of Directors and Head Office Senior Management of Shanghai Rural Commercial Bank Company Limited (draft discussion copy)".

2. On 29 March, 2012, The Bank held the 11th meeting of the second term of its Board of Supervisors. This meeting deliberated and approved the "Proposal on 'Shanghai Rural Commercial Bank Company Limited 2011 Supervisory Appraisal Report'", "Proposal on '2011 Annual Work Report of the Board of Supervisors of Shanghai Rural Commercial Bank Company Limited'", "Proposal on 'Shanghai Rural Commercial Bank Company Limited 2011 Business Operation and Financial Performance Supervisory Appraisal Report'", "Proposal on 'Shanghai Rural Commercial Bank Company Limited 2011 Audit Report'", "Proposal on 'Shanghai Rural Commercial Bank Company Limited 2011 Annual Report'", and "Proposal on 'Shanghai Rural Commercial Bank Company Limited 2011 Annual Performance Review for Members of the Board of Directors'".

3. On 10 August, 2012, The Bank held the 2012 1st adhoc meeting of the second term of its Board of Supervisors. This meeting deliberated and approved the "Proposal on 'Shanghai Rural Commercial Bank Company Limited Supervisory Appraisal Report on Manufacturing Loan Management'" and "Proposal on 'Shanghai Rural Commercial Bank Company Limited 2012 1H Business Operation and Financial Performance Supervision Report".

4. On 27 December, 2012, The Bank held the 12th meeting of the second term of its Board of Supervisors. This meeting deliberated and approved the "Appraisal Report on Opening Financial Kiosks of Shanghai Rural Commercial Bank Company Limited" and "Proposal on 'Shanghai Rural Commercial Bank Company Limited Supervisory Appraisal Report on the Work Progress of Operational Risk Case Prevention'".

(ii) Attendance at Annual General Meeting

Supervisors have attended the Annual General Meeting.

(iii) Attendance at meetings of the Board of Directors

During the reporting period, the Board of Supervisors attended the 11th, 12th, 13th and 14th meetings of the SRCB 2nd Board of Directors.

(iv) Monitored the performance of the Board of Directors, members of the Board, and members of the Senior Management Team

1. Special checks and supervisory appraisals

(1) Conducting supervisory appraisal on the Bank's 2011 business operation

In accordance to the relevant requirements, the Board of Supervisors conducted a comprehensive supervisory appraisal on the Bank's business operation and financial innovation and monitored the implementation of regulatory/government requirements and audit opinions, and then issued the "2011 Supervisory Appraisal Report".

(2) 2011 performance review on the Board of Directors, members of the Board members, members of the Senior Management Team

In order to further improve corporate governance, standardize the work of the Board of Directors, members of the Board members, members of the Senior Management Team, protect the legitimate interests of the Bank, the depositors and other customers, the Bank conducted a supervisory appraisal on the 2011 job performance of the Board of Directors, members of the Board members, members of the Senior Management Team in accordance to laws and regulation including the "Company Law", "Banking Industry Supervisory Management Regulation", "Commercial Banking Law" and the specific requirements provided in the "Commercial Bank Director Performance Review Policy (Provisional)", the Articles of Association, and "SRCB Director Performance Review Rules".

In addition, pursuant to government requirements, the Bank's Board of Supervisors participated in the review and assessment for the past term of service of the Senior Management Team members.

(3) Special checks and supervisory appraisals on the Bank' s 2011 business operation and financial performance

In order to exercise the Board of Supervisors' supervision on the Bank's routine business activities, the Board of Supervisors established special inspection teams to conduct special checks on the Bank's 2011 business operation and financial performance through on-site/off-site checks, and issued the "2011 Business Operation and Financial Performance Supervisory Appraisal Report".

(4) Special checks and supervisory appraisals on manufacturing loan management

In order to further improve manufacturing loan management, and enhance risk prevention and mitigation, the Board of Supervisors established a special inspection team for manufacturing loan management in June 2012 to carry out checks and supervisory appraisal by documentation review, survey questionnaires, discussion seminars and branch on-site checks, and thus issued the "Supervisory Appraisal Report on Manufacturing Loan Management". The Board of Supervisors has come to the view that, because the manufacturing sector covers a broad category and as it is intimately linked to the overall economy movements, hence, it has rather demanding calls on the capabilities for dynamic risk management, where the bank still needs to improve. There is also need to carry out credit approval and credit check with strict standards; further enhance the awareness for risk prevention and strictly enforce the new loan provisions; further improve the quality of post-lending follow-up checks to effectively implement dynamic risk management.

(5) Research and appraisal on the opening of financial kiosks

In order to promote innovation in corporate sales and service model, promote the opening of financial kiosks, fully leverage the the community-based financial brand name effect ushered by the kiosks, and continue to develop community-based banking business, the Bank established an appraisal team in the third quarter of 2012 to evaluate on the business development and management of kiosks through documentation reviews, survey questionnaires, discussion seminars, on-site visits and so on, and issued the "Appraisal Report on Development of Financial Kiosks". The Board of Supervisors has come to the view that, the kiosks have enabled us to build up experience in innovative financial services, convenience bank setup, brand image improvement, transitioning development, and profitability increase, and thus optimised our branch network/structure and increased our market share. The Board of Supervisors suggest for further enhancing the brand name image, strengthening the service functions and profitability, and providing more staff training for better kiosks development.

(6) Special checks and supervisory appraisals on 2012 operational risk case prevention

In order to objectively evaluate the Bank's operational risk case prevention during the year, the Board of Supervisors established a dedicated inspection team to carry out regular on-site inspection and monitoring at outlets, and organised special supervisory appraisal in mid-December to review the Bank's operational risk case prevention during 2012. The inspection team developed the "2012 Operational Risk Case Prevention Supervisory Appraisal Plan". It also carried out a full review of the performance of the head office operational risk case prevention steering team and other functional departments, conducted on-site checks on Qingpu and Songjiang branches by briefing and interviews, and then issued the "2012 Supervisory Appraisal Report on Operational Risk Case Prevention ". The Board of Supervisors recognized the overall performance of operation risk case prevention, yet pointed out that branches out of Shanghai and rural banks still need to improve. The Board of Supervisors has suggested for increasing branch experience sharing/communication and awareness training to improve enforcement.

Furthermore, the Board of Supervisors also deliberated and approved the "2011 Audit Report" and the "2011 Annual Report", and joined with the Board of Directors for discussions on formulating the profit distribution plan.

2. Monitored the company financial performance, and improved time effectiveness of the supervision work

In order to ensure the functions of the Board of Supervisors are properly carried out, so that the Board of Supervisors may exercise effective supervision on the Bank's everyday business to facilitate smooth, compliant and effective operation, the Board of Supervisors conducted dynamic monitoring of the Bank's financial performance during the first half of 2012 in accordance with the regulatory requirements and the Articles of Association, and issued the "Monitoring Report on 2012 1H Financial Performance". The Board of Supervisors recommended the following initiatives: 1) Ensure the 2012 targets and objectives are achieved to accelerate restructuring development; 2) Pay close attention to any possible rebound of non-performing loans shifting focus from credit approval to post-loan management; 3) Pay close attention to risk control for the rural banks to promote scientific development; 4) Continue to work on the solution of property ownership problems.

3. Conducted inspection on fulfillment of the operation risk case prevention responsibility

In order to effectively implement operation risk case prevention in the Bank and provide better supervision and support, the Board of Supervisors has carried out inspection visits to targetted units carefully and specifically chosen according to the annual work schedule and its inspection records over the years - branches and outlets - especially Kunshan and Jiashan branches, and organized trainings and case studies during the visits.

II. Independent opinions of the Board of Supervisors on relevant matters

(i) The Bank's compliant operation

During the reporting period, the Bank carried on its business in full accordance with legal provisions, undertook orderly business operation with compliant and steady developmen, improved assets quality, risk management and internal control, and business performance was significantly improved. The Bank' s decision-making mechanism was compliant and scientific, and the its corporate governance has been further improved. Directors and other senior management executives were not found to have involved in any unlawful, law-breaking or incompliant acts that damage the interests of shareholders in the course of performance of their duties.

(ii) The authenticity of financial statements

During the reporting period, the Bank' s financial statements were authentic and objectively reflected the firm' s financial standing and operating results. The Bank' s financial statements for the current financial year were audited by Price Waterhouse Coopers, who had prepared a standard format unqualified audit report.

(iii) Related party transactions

During the reporting period, the Bank' s related party transactions were found to be fair and reasonable, and no instances of damage to the interests of shareholders or that of the Bank were found.

(iv) Internal control rules

During the reporting period, the Bank continuously strengthened development of its internal control rules while further enhancing the integrity, soundness and effectiveness of its internal control system.

(v) Implementation of the decisions in the Annual General Meeting

During the reporting period, Supervisors have attended Board meetings and the Annual General Meeting, and the Board of Supervisors had no objection on the various reports and proposals submitted by the Board of Directors to the Annual General Meeting for deliberation.

During the reporting period, the Bank' s Board of Supervisors took oversight on the implementation of the proposals approved by the Annual General Meeting, and the Board of Supervisors came to the opinion that the Board of Directors has duly enforced the resolutions of the Annual General Meeting.

Significant Events

I. 10 largest shareholders and changes during the reporting period

The Bank's 9th largest shareholder, Shanghai Greenland Group Limited formally changed its name to Greenland Holdings Group Limited due to business needs.

The original 10th largest shareholder of the Bank, Shanghai Jinjiang International Investment Management Company Limited transferred the 150 million SRCB shares held to the Bank's original 9th largest shareholder China Pacific Life Insurance Company Limited. The Bank held an adhoc Board meeting on 31 December, 2012 to deliberate and approve the aforementioned share transfer proposal, and the relevant share transfer formalities were completed in accordance with CBRC No.3 Order and the Bank's relevant provisions on equity management. After such transfer, China Pacific Life Insurance Company Limited currently holds 350 million SRCB share (accounting for 7% of the Bank's capital base) and become the Bank's 4th largest shareholder. Shanghai Jinjiang International Investment Management Company Limited is no longer a shareholder of the Bank. The original 11th largest shareholder of the Bank, Shanghai Shanxin Property Company Limited is currently the 10th largest shareholder of the Bank.

(For further details, please refer to "Shareholding proportion and shareholding variations by the 10 largest shareholders")

II. Significant litigation and arbitration

(i) Non-credit litigation or arbitration

During the reporting period, there were a total of 9 non-credit litigation or arbitration matters (including cases where the Bank was named as the defendant or respondent), with disputing sum of approximately RMB60.97 million. Compared to 2011, the number of cases reduced by 3, but the total sum involved increased by 14.50%. The main reason for the slight increase compared to 2011 was a case involving a usufructuary right dispute in 2012.

(ii) Credit litigation or arbitration

As of the end of the reporting period, the Bank had involved in 127 credit litigation cases that were closed in 2012, with disputed sum of 633.8 million Yuan. 573.2 million of the aforementioned loans were recovered through litigations during the reporting period.

As of the end of the reporting period, the Bank was involved in 336 ongoing credit litigation cases, with disputed sum of 201.87 million Yuan. 201.4 million of the aforementioned loans were recovered through litigations during the reporting period.

Please refer to the following chart for details of the top 10 ongoing credit litigation cases in 2012 (by descending order of disputed sum):

Unit: RMB 10,000

No.	Borrower	Guarantor	1st disbursement date	Overdue date	Disputed sum	Amount recovered through litigation	Litigation date
1	Shanghai Yi He Long Bai Hotel Limited	--	20030429	20040628	35000.00	910.00	20040628
2	Shanghai Shenyuan Hang Investment Development Limited	Pan Yong, Wu Jian-ou	20110418	20120417	14342.62	5.52	20121119
3	Shanghai Huaxia Cultural Tourist Zone Development Limited	--	20041216	20071228	8240.00	7529.11	20071228
4	Shanghai Electronics and Electrical Appliance Development Limited	Wu Shuiliang	19970725	20120910	7460.00	2571.00	20120910
5	Shuang Li Group Limited	--	20030906	20120704	5200.00	0.00	20120704
6	Shuang Li Group Limited	--	20030906	20111214	5000.00	0.00	20111214
7	Shuang Li Group Limited	--	20030906	20111214	4000.00	0.00	20111214
8	LDK Solar Hi-Tech (Suzhou) Company Limited	Jiangxi LDK Solar Hi-Tech Company	20110804	20120806	3060.68	0.00	20120815
9	Shanghai ZiwangReal Estate Company Limited	--	20050629	20070515	3500.00	2623.00	20071018
10	LDK Solar Hi-Tech (Suzhou) Company Limited	Jiangxi LDK Solar Hi-Tech Company	20110804	20120813	3560.4	0.00	20120815

III. Registered capital increase/decrease, separation and merger

None.

IV. Related party transactions

As of the end of the reporting period (i.e., 31 December, 2012), all of the Bank' s related party transactions were loans, with balance of 1.258 billion including: loan balance of 1.239 billion Yuan for related party transactions with legal entities (involving 5 entities), and loan balance of 19.07 billion Yuan for related party transactions with natural persons (involving 20 individuals).

The single largest related party transaction incurred with Shanghai Greenland Hengbin Property Company Limited had a balance of 314 million Yuan, amounting to 0.95% of the Bank' s net capital (32.92 billion Yuan), which has not exceeded the 10% statutory threshold; The single largest group related party transaction incurred Rizhao Iron and Steel Holding Group Limited had a balance of 600 million Yuan, amounting to 1.82% of the Bank' s net assets (32.92 billion Yuan), which has not exceeded the 15% statutory threshold; The total related party transactions balance was 1.258 billion Yuan, amounting to 3.82% of the Bank' s net assets (32.92 billion Yuan), which has not exceeded the 50% statutory threshold.

Unit: RMB 10,000

Name of client	Credit balance	Category	Collateral
Shanghai Greenland Hengbin Property Company Limited	31,435.80	Normal	Mortgage
Rizhao Iron and Steel Holding Group Limited	30,000	Normal	Guarantee
Rizhao Iron and Steel Rolling Mill Limited	30,000	Normal	Guarantee
Shanghai Qingpu Industrial Zone Development (Group) Company Limited	15,000	Normal	Guarantee
Shanghai Shanxin Property Company Limited	10,926.67	Normal	Mortgage
Shanghai International Group External Trade Company Limited	6,563	Normal	Guarantee

V. Lending to shareholders

(i) Details of lending to shareholder where a single loan transaction exceeded 1% of net capital or the total balance of loan with a single shareholder exceeded 5% of net capital

During the reporting period, there was one loan transaction with shareholder that exceeded 1% of net capital. The detailed particulars are: Shanghai Fengxian Reconstruction Development Company Limited, contract balance 330 million Yuan, amounting to 1.0024% of net capital.

(ii) Shareholder lending where the year-end outstanding balance remained at 30 million Yuan or more

Shareholder name	Loan balance	Category	Collateral	Product
Shanghai Huixin Investment Trading Company Limited	30,000	Normal	Guarantee	Infrastructure loan
Shanghai Shanxin Property Company Limited	5,000	Normal	Mortgage	Property development loan
	667	Normal	Mortgage	Business property mortgage loan
	260	Normal	Mortgage	Legal entity business property mortgage loan
	5,000	Normal	Mortgage	Infrastructure loan
Shanghai Wujiaochang (Group) Company Limited	3,880	Normal	Mortgage	Short-term working capital loan
	14,594	Normal	Mortgage	Property development loan
Shanghai New Long March (Group) Company Limited	12,870	Normal	Mortgage	Business property mortgage loan
	1,200	Normal	Mortgage	Medium-term working capital loan

Shareholder name	Loan balance	Category	Collateral	Product
Shanghai Malu Assets Operating Company Limited	3,300	Normal	Guarantee	Short-term working capital loan
	2,400	Normal	Mortgage	Short-term working capital loan
Shanghai Yunfei Industrial Trading Development Company Limited	4,000	Normal	Mortgage	Short-term working capital loan
Shanghai Fengxian Reconstruction Development Company Limited	67,700	Normal	Guarantee	Infrastructure loan
Shanghai Huazhuang Mould Company Limited	2,000	Normal	Guarantee	Short-term working capital loan
	2,000	Normal	Mortgage	Short-term working capital loan
Shanghai Xufang (Group) Company Limited	4,800	Normal	Guarantee	Short-term working capital loan
Shanghai Sanlin Collective Assets Investment and Operating Management Company Limited	3,150	Normal	Mortgage	Short-term working capital loan

(iii) Non-performing shareholder loan based on PBOC-5 category classification

During the reporting period, there was no non-performing shareholder loan.

(iv) Non-performing loan with related parties of shareholders

During the reporting period, there was no non-performing loan with related parties of shareholders.

VI. Major contracts and contract performance

During the reporting period, the bank did not enforce major trusteeship, outsourcing, lease of other company's assets or trusteeship, outsourcing, lease of Bank assets by other companies.

Apart from financial guarantees within the scope of business sanctioned by the People's Bank of China and the China Banking Regulatory Commission, there were no other matters of a significant nature requiring disclosure.

There was no significant entrustment of third parties for cash management or lending.

The major contract disputes the Bank was involved in were mainly credit litigation cases (for details please refer to "Significant matters of litigation and arbitration"). Apart from this, the Bank did not involve in other significant disputes.

VII. Appointment and dismissal of accounting firm

The Bank has appointed Price Waterhouse Coopers Limited as auditor for the financial statements prepared by the Bank in accordance to the accounting rules for domestic enterprises.

VIII. Penalty received by the Bank, the Bank' s Board of Directors, the Board of Supervisors, or senior management personnel

None.

IX. Other information of a significant nature requiring public disclosure

(i) Official approval to carry on business

During the reporting period, the Bank was granted official approval to offer mobile banking service, issue IC bank card, labor union member' s service card and SME owner card. The Bank was granted official approval to bring online the new-generation nationwide electronic payment system for customs duties and levies, accreditation for gold trading up to the authorised limit in the Shanghai Gold Exchange, and approval to offer inter-bank gold quotation service. It also successfully issued 5 billion worth of micro-enterprise bonds in the nationwide inter-bank bond market.

(ii) Changes of directors and supervisors

Please refer to "Changes in directors, supervisors and senior management personnel during the reporting period" for details.

(iii) Subsequent matters

None.

X. Change of company name during the reporting period

N/A.

Financial Reports and Documents Available for Inspection

I. Financial reports (refer to the Appendix)

(i) Audit report

(ii) Financial statements

(iii) Notes to the financial statements

II. Catalogue of documents filed

(i) Accounting statements affixed with the signatures of legal representative, President of the Bank, and head of the accounting firm;

(ii) Original copy of audit report affixed with official seal of the accounting firm and signatures of the chartered accountant;

(iii) Original copy of the annual report signed by the Chairman of the Board of Directors;

(iv) Original documents and original public notices disclosed in such newspapers as the "Shanghai Financial News" during the reporting period.

(v) Articles of Association

Directors' Written Confirmation on the 2012 Annual Report

Pursuant to the provisions and requirements of "Commercial Banks Information Disclosure Regulation" (Order No.7 [2007] of China Banking Regulatory Commission) and "Special Provisions on the Information Disclosure of Commercial Banks" (Order No. 33 [2008] of China Banking Regulatory Commission), we, as directors of the Bank, are hereby tendering our views below after fully reviewed and deliberated the Bank's 2012 annual report:

1. The Company has been operating in strict accordance with the accounting rules for business enterprises and other relevant provisions and rules. The Company's 2012 annual report has fairly and reasonably reflected the financial standing and operating results of the Company during the reporting period.

2. The data referred to in the annual report have been duly cross-validated and confirmed, as they embodied the principles of stability, prudence, objectivity, bona fide, accuracy and completeness. We are of the opinion that, the Company's 2012 annual report does not contain any falsified entry, misleading statement and significant omission, and it is consistent with the requirements of the relevant oversight agencies and the factual circumstances of the Company's operation management.

3. The Company's 2012 annual report has been audited by Price Waterhouse Coopers, and a standard format unqualified audit report has been produced.

Signatures of directors

Hu Pingxi	Hou Funing	Shen Xunfang
Alistair Marshall Bulloch	Gilles Planté	Lu Min
Shou Weiguang	Shi Derong	Yuan Bing
Xue Jian	Liu Yipeng	Wu Zhengkui
Shi Jiliang	Wu Daqi	Su Zhong
Yu Yinghui	Liu Hongzhong	Wu Jian

Strengthen Shanghai market presence with focus on the real economy

Reinforce branch network advantage with substantial efforts in developing retail banking business

Build featured e-banking platform and guide the development of rural banks

Roll out bank-wide risk management and increase IT staffing

Financial Statements and Report of the auditors

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS AS AT 31 DECEMBER 2012

Report of the auditors

PwC ZT Shen Zi (2013) No. 22468

To the Board of Directors 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 company balance sheets as at 31 December 2012, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in equity for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of Shanghai Rural Commercial Bank Co. Ltd is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 company's financial position of Shanghai Rural Commercial Bank Co. Ltd as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian
Certified Public Accountants Limited Company

注册会计师 ____________
周　章

Shanghai, the People's Republic of China
26 March, 2013

注册会计师 ____________
童咏静

CONSOLIDATED AND THE BANK'S BALANCE SHEETS AS AT 31 DECEMBER 2012

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

		Group		Bank	
	Notes	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Assets					
Cash and deposits with the central Bank	7.1	60,674,251	52,107,213	59,156,901	51,946,268
Deposits with other Banks	7.2	14,540,327	13,659,942	13,859,887	13,601,611
Placement with other Banks	7.3	1,251,421	4,063,009	1,251,421	4,063,009
Precious metals		2,967	9,811	2,967	9,811
Trading assets	7.4	3,523,838	438,500	3,523,838	438,500
Financial assets purchased under resale agreements	7.5	18,663,457	19,106,289	18,751,270	19,106,289
Interest receivables	7.6	1,434,506	1,097,103	1,418,660	1,092,546
Loans and advances	7.7	189,902,581	162,279,879	186,064,263	161,573,428
Financial assets classified as available-for-sale	7.8	26,242,993	14,290,742	25,785,061	14,164,360
Securities classified as held-to-maturity	7.9	36,222,794	34,306,571	36,160,532	34,246,489
Securities classified as loans and receivables	7.10	187,713	1,464,514	187,713	1,464,514
Long-term equity investment	7.11	357,160	361,592	1,300,660	412,592
Fixed assets	7.12	5,884,109	4,750,537	5,773,252	4,750,175
Deferred tax assets	7.13	1,440,174	1,389,963	1,406,469	1,389,963
Other assets	7.14	1,640,128	601,418	1,562,459	601,180
Total Assets		361,968,419	309,927,083	356,205,353	308,860,735

	Notes	Group 31 Dec 2012	Group 31 Dec 2011	Bank 31 Dec 2012	Bank 31 Dec 2011
Liabilities					
Borrow from the central bank		165,000	-	-	-
Due to other Banks and financial institutions	7.15	8,918,880	10,025,389	12,583,072	10,239,253
Placement from other Banks	7.16	6,364,387	8,051,822	6,364,387	8,051,822
Financial assets sold under repurchased agreements	7.17	6,470,000	10,067,260	6,470,000	10,067,260
Due to customers	7.18	292,100,224	247,548,151	283,699,642	246,370,084
Deposits from wealth management products	7.19	2,917,474	1,139,501	2,917,474	1,139,501
Employee benefits payable	7.20	1,109,746	682,906	1,103,003	682,362
Taxes payable	7.21	880,797	1,205,457	869,943	1,199,718
Interest payable	7.22	5,832,172	3,853,448	5,816,245	3,849,849
Provisions	7.23	343,884	319,342	343,884	319,342
Subordinated debt	7.24	6,500,000	1,500,000	6,500,000	1,500,000
Other liabilities	7.25	765,787	467,462	737,455	467,160
Total Liabilities		332,368,351	284,860,738	327,405,105	283,886,351
Shareholders' Equity					
Share capital	7.26	5,000,000	5,000,000	5,000,000	5,000,000
Capital surplus	7.27	8,177,069	7,552,349	8,177,069	7,552,349
Surplus reserve	7.28	5,099,347	4,260,171	5,099,347	4,260,171
General Banking reserve	7.29	2,625,540	2,625,540	2,625,540	2,625,540
Undistributed profits	7.30	7,840,040	5,554,800	7,898,292	5,536,324
Total Equity attributable to equity holders of the Bank		28,741,996	24,992,860	28,800,248	24,974,384
Minority interes		858,072	73,485	-	-
Total Shareholders' Equity		29,600,068	25,066,345	28,800,248	24,974,384
Total Liabilities and Shareholders' Equity		361,968,419	309,927,083	356,205,353	308,860,735

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 THE BANK'S INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

		Group		Bank	
	Notes	2012	2011	2012	2011
1.Operating Income		10,870,670	9,027,067	10,741,232	8,984,663
Net interest income		9,841,586	8,089,230	9,684,355	8,055,152
Interest income	7.31	17,355,291	13,482,282	17,098,383	13,439,656
Interest expense	7.31	(7,513,705)	(5,393,052)	(7,414,028)	(5,384,504)
Net fee and commission income		727,284	520,077	730,175	520,406
Fee and commission income	7.32	815,236	621,837	815,955	621,715
Fee and commission expenses	7.32	(87,952)	(101,760)	(85,780)	(101,309)
Investment gain	7.33	248,216	393,218	247,866	384,563
Including: share of losses of associates		(4,432)	(1,983)	(4,432)	(1,983)
Fair value gains/(losses)		(1,665)	202	(1,665)	202
Foreign exchange gains		35,151	5,081	35,151	5,081
Other operating income		20,098	19,259	45,350	19,259
2.Operating Expense		(6,590,059)	(6,151,854)	(6,264,924)	(6,137,582)
Business tax and levies	7.34	(667,690)	(550,311)	(663,468)	(549,183)
Operating expenses	7.35	(4,269,368)	(3,484,123)	(4,041,900)	(3,472,421)
Asset impairment losses	7.36	(1,640,381)	(2,107,738)	(1,547,089)	(2,106,296)
Other operating expenses		(12,620)	(9,682)	(12,467)	(9,682)
3.Operating Profit		4,280,611	2,875,213	4,476,308	2,847,081
Non-operating income	7.37	306,310	1,282,174	277,778	1,268,620
Non-operating expenses	7.38	(5,130)	(29,339)	(5,098)	(29,338)
4.Total Profit		4,581,791	4,128,048	4,748,988	4,086,363
Less: Income tax	7.39	(925,947)	(925,849)	(947,844)	(913,649)
5.Net Profit		3,655,844	3,202,199	3,801,144	3,172,714
Attributable to equity holders of the Bank		3,724,416	3,187,001	3,801,144	3,172,714
Minority interest		(68,572)	15,198	-	-
6.Other comprehensive income	7.40	624,720	(1,025,108)	624,720	(1,025,108)
7.Total Comprehensive income		4,280,564	2,177,091	4,425,864	2,147,606
Attributable to equity holders of the Bank		4,349,136	2,161,893	4,425,864	2,147,606
Minority interest		(68,572)	15,198	-	-

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 THE BANK'S CASH FlOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

Items		Group		Bank	
	Notes	2012	2011	2012	2011
1. Cash flows from operating activities：					
Net increase in customer deposits and due to other Banks		43,445,564	44,673,782	39,673,377	44,428,717
Net increase in deposits from wealth management products		1,777,973	650,640	1,777,973	650,640
Net increase in borrowing from the central bank		165,000	-	-	-
Interest received		15,147,663	11,651,251	14,916,054	11,616,926
Fee and commission received		815,236	621,837	815,955	621,715
Cash received relating to other operating activities		62,093	32,812	87,345	19,259
Sub-total of cash inflows		61,413,529	57,630,322	57,270,704	57,337,257
Net increase in loans and advances		(28,211,663)	(25,583,543)	(24,986,504)	(25,343,907)
Net increase in deposits with the central Bank and other Banks		(13,385,982)	(13,757,320)	(12,319,300)	(13,721,141)
Net decrease in placements with other Banks		(2,030,275)	(433,291)	(2,118,088)	(433,291)
Interest paid		(5,455,481)	(4,782,837)	(5,368,132)	(4,773,213)
Fee and commission paid		(87,952)	(101,760)	(85,780)	(101,309)
Payment of staff payroll and welfare		(2,166,260)	(1,820,770)	(2,114,612)	(1,820,895)
Payment of taxes		(2,176,748)	(1,591,571)	(2,165,833)	(1,582,947)
Cash paid relating to other operating activities		(1,415,876)	(4,252,419)	(1,309,541)	(4,240,391)
Sub-total of cash outflows		(54,930,237)	(52,323,511)	(50,467,790)	(52,017,094)
Net cash flows from operating activities	7.41(2)	6,483,292	5,306,811	6,802,914	5,320,163

Items	Notes	Group 2012	Group 2011	Bank 2012	Bank 2011
2. Cash flows from investing activities:					
Cash received from disposal of investments		25,130,353	28,327,634	25,070,271	28,168,629
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		97,278	19,207	97,278	19,207
Cash received from returns on investments		2,069,522	1,826,726	2,055,162	1,811,196
Sub-total of cash inflows		27,297,153	30,173,567	27,222,711	29,999,032
Cash paid to acquire investments		(40,829,950)	(31,393,595)	(40,436,138)	(31,311,100)
Net cash paid to acquire of subsidiaries		-	-	(892,500)	-
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,062,735)	(1,146,822)	(1,867,900)	(1,146,822)
Sub-total of cash outflows		(42,892,685)	(32,540,417)	(43,196,538)	(32,457,922)
Net cash flows from investing activities		(15,595,532)	(2,366,850)	(15,973,827)	(2,458,890)
3. Cash flows from financing activities:					
Cash received from issuance of debentures		5,000,000	-	5,000,000	-
Cash received from capital contributions		857,500	5,260	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		857,500	5,260	-	-
Cash received relating to other financing activities		-	978	-	-
Cash payments for distribution of dividends		(683,819)	(421,301)	(679,478)	(421,301)
Net cash flows from financing activities		5,173,681	(415,063)	4,320,522	(421,301)
4. Net decrease/(increase) in cash and cash equivalents		(3,938,559)	2,524,898	(4,850,391)	2,439,972
Add: Cash and cash equivalents at beginning of year		16,805,516	14,280,618	16,591,248	14,151,276
5. Cash and cash equivalents at end of year	7.41	12,866,957	16,805,516	11,740,857	16,591,248

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 2012

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

Items	Notes	Attributable to equity holders of the Bank					Minority interest	Total Share -holders'Equity
		Share capital (Note 7.26)	Capital surplus (Note 7.27)	Surplus reserve (Note7.28)	General Banking reserve (Note 7.29)	Undistributed Profits (Note 7.30)		
Beginning balance at 1 January 2011		5,000,000	8,577,457	3,738,252	2,625,540	3,231,534	53,027	23,225,810
Net profit of 2011		-	-	-	-	3,187,001	15,198	3,202,199
Other Comprehensive income		-	(1,025,108)	-	-	-	-	(1,025,108)
Capital contribution from shareholders		-	-	-	-	-	5,260	5,260
Profit appropriation								
1. Transfer to surplus reserve		-	-	521,919	-	(521,919)	-	-
2. Cash dividends		-	-	-	-	(341,816)	-	(341,816)
Ending balance at 31 December 2011		5,000,000	7,552,349	4,260,171	2,625,540	5,554,800	73,485	25,066,345
Beginning balance at 1 January 2012		5,000,000	7,552,349	4,260,171	2,625,540	5,554,800	73,485	25,066,345
Net profit of 2012		-	-	-	-	3,724,416	(68,572)	3,655,844
Other Comprehensive income		-	624,720	-	-	-	-	624,720
Capital contribution from shareholders		-	-	-	-	-	857,500	857,500
Profit appropriation								
1. Transfer to surplus reserve		-	-	839,176	-	(839,176)	-	-
2. Cash dividends		-	-	-	-	(600,000)	(4,341)	(604,341)
Ending balance at 31 December 2012		5,000,000	8,177,069	5,099,347	2,625,540	7,840,040	858,072	29,600,068

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

BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

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

Items	Notes	Share capital (Note 7.26)	Capital surplus (Note 7.27)	Surplus reserve (Note7.28)	General Banking reserve (Note 7.29)	Undistributed profits (Note 7.30)	Total Shareholders' Equity
Beginning balance at 1 January 2011		5,000,000	8,577,457	3,738,252	2,625,540	3,227,345	23,168,594
Net profit of 2011		-	-	-	-	3,172,714	3,172,714
Other comprehensive income		-	(1,025,108)	-	-	-	(1,025,108)
Profit appropriation							
1. Transfer to surplus reserve		-	-	521,919	-	(521,919)	-
2. Cash dividends		-	-	-	-	(341,816)	(341,816)
Ending balance at 31 December 2011		5,000,000	7,552,349	4,260,171	2,625,540	5,536,324	24,974,384
Beginning balance at 1 January 2012		5,000,000	7,552,349	4,260,171	2,625,540	5,536,324	24,974,384
Net profit of 2012		-	-	-	-	3,801,144	3,801,144
Other comprehensive income		-	624,720	-	-	-	624,720
Profit appropriation							
1. Transfer to surplus reserve		-	-	839,176	-	(839,176)	-
2. Cash dividends		-	-	-	-	(600,000)	(600,000)
Ending balance at 31 December 2012		5,000,000	8,177,069	5,099,347	2,625,540	7,898,292	28,800,248

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 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

(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 on 23 August 2005.

The Bank obtained its finance approval license No. G10312900H0001 from China Banking Regulatory Commission ("CBRC") and obtained its business license No. 310000000088142 from Shanghai Municipal Administration of Industry and Commerce. The registered address of the Bank is No. 8 of Yincheng Zhong Road, Pudong New District, Shanghai.

As at 31 December 2012, the Bank's registered capital is RMB 5 billion. The shareholders who hold more than 5% equity shares of the Bank are ANZ Banking (Group) Co.,Ltd., Shanghai International (Group) Co.,Ltd., Shanghai State-owned Assets management Co.,Ltd, China Pacific Life Insurance Co.,Ltd, Shanghai Dragon Investment Co.,Ltd., Shenzhen Lenovo Science and Technology Park Co.,Ltd., which own 20%, 8.01%, 8.01%, 7%, 6% and 5.73% of the ordinary shares of the Bank respectively.

The Bank and its subsidiary are referred to as the "Group". The Group's main business activities include: domestic deposits and short-term, mid-term and long-term loans, domestic and foreign settlements, bill acceptance and discount, government bonds distributing, redeeming and underwriting as an agency of government, government bonds and banking notes trading, inter-bank borrowing and lending, bank card services, foreign currency deposits, loans and remittance, international settlements, inter-bank foreign currency borrowing and lending, credit investigation, consultation and assurance businesses, funds collection and commissioning, custodian service, purchase and sales of foreign currency (versus RMB) and other business activities approved by the CBRC. In 2012, The Group's actual business activities are consistent with the approved scale as above.

These financial statements were authorised for issuance by the Bank's board of directors on 26 March 2013.

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 2012 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 2012 truly and completely present the financial position as of 31 December 2012 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. 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.

4.1.6. Financial instruments

Recognition and de-recognition of financial instruments

The Group recognizes a financial asset or a financial liability on its balance sheet, when the Group becomes a party to the contractual provision of the instrument.

The Group derecognizes a financial asset only when: (1) the contractual rights to receive the cash flow from the financial asset expire; or (2) it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to the transferee; or (3) it transfers the financial asset, neither transfers nor retains substantially all the risks and rewards of the ownership but has not retained control of the financial asset.

Once financial assets are derecognized, the difference between the book and market value and the accumulated change of fair value which was booked to equity before will be booked to profit and loss of the current period.

When part of or the whole rights to receive cash flows from the financial assets have expired or transferred, the counterpart of the financial assets are derecognized. The difference between the book value and market price of the counterpart will be book to profit and loss of the current period.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Regular purchases and sales of financial assets mean that according to the contract, the Group purchases or sales the financial assets within the periods decided by rulers or conventions.

Classification and measurement of financial assets

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.

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.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling, repurchasing or redemption in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

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.

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.

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.

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.

Classification and measurement of financial liabilities

The financial liabilities at initial recognition are classified as: financial liabilities at fair value through profit or loss and other financial liabilities. In the case of financial liabilities 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. For other financial liabilities, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at fair value through profit or loss at inception. A financial liability is classified as held for trading if it meets one of the following conditions: it is assumed principally for the purpose of selling, repurchasing or redemption in the near term; it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; it is a derivative, leaving alone those designated and effective hedging instrument, financial guarantee contract and instruments that should be settled by delivery of equity investments without active markets or reliable fair value. Those financial liabilities are measured at fair value at subsequent balance sheet dates, and all realized and unrealized profits or losses are recorded in income statement.

There's no financial liabilities designated at fair value through profit or loss at inception for the Group in reporting period.

Other financial liabilities

Other financial liabilities 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.

Fair value of financial instruments

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

Assets carried at amortised cost

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.

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.

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 to customers in the income statement.

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.

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 simultaneous.ly.

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 (eg. 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. 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.

For long-term equity investments accounted for using the cost method, cash dividend or profit distribution declared by the investees is recognized as investment income in profit or loss.

(4). Impairment of Long-term equity investments

When the recoverable amount of long-term equity investments in subsidiaries, associates is less than its carrying value, the Group reduces the carrying amount of the fixed asset to its recoverable amount (Note 4.1.14). For the other long-term equity investment which is 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 similar assets. Once an impairment loss is recognised, it shall not be reversed in subsequent periods.

4.1.9. 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. When the recoverable amount of a fixed asset is less than its carrying value, the Group reduces the carrying amount of the fixed asset to its recoverable amount (Note 4.1.14).

4.1.10. 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. When the recoverable amount of construction in progress is less than its carrying value, the Group reduces the carrying amount to its recoverable amount (Note 4.1.14).

4.1.11. Intangible assets

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

When the recoverable amount of intangible assets is less than its carrying value, the Group reduces the carrying amount to its recoverable amount (Note 4.1.14).

4.1.12. 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.

4.1.13. 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.

4.1.14. Impairment of long-term asset

Fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in subsidiaries, 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.

4.1.15. 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. Retired employees 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. Such liability is presented as a provision on the balance sheet.

In addition to social security plans, the Bank further pays pension subsidies on a monthly basis to employees who had retired from the Bank as of 31 December 2015 or will reach normal retirement ages before the end of 2015. The Bank 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. Any losses or gains caused by the changes of actuarial assumption or pension plan changes are presented on Income Statement.

4.1.16. 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.

4.1.17. 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 recognized.

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

4.1.18. 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.

4.1.19. Fee and commission income

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

4.1.20. 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.

4.1.21. 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.

4.1.22. 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 recognizes 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.

4.1.23. 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.

4.1.24. 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.

4.1.25. 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 situation demonstrates 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.

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. Available-for-sale investments

Impairment of available-for-sale financial assets is determined by the judgment of the group according to accounting estimates. The judgment is based on whether there is a sustained 12 months deficit or the loss on balance sheet date is more than 50%. If the financial asset meets the standards, the group records the loss under impairment, which is originally under the account of owner's equities. Changes of the standards will lead to an impact on the value of impairment loss and capital surplus.

4.2.4. 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.

4.2.5. 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:

	Tax rate	Tax base
Income tax	25%	Taxable Income
Business tax	3%-5%	Taxable Business Income
Urban construction tax	1%-7%	Business tax
Education surcharge	3%	Business tax
Levy of channel works building and maintenance fee	1%	Value added tax、business tax and consumption tax

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

6. SUBSIDIARIES

The subsidiary was included in the scope of consolidated financial statements :

	Registration location	Registered Capital	Nature of Business	Share of equity interest of the Bank	Voting right percentage of the Bank
Shanghai Chongming Yangtze River Town Bank Co.Ltd. (Note1)	Shanghai	105,260	Financial Industry	48.45%	50.10%
Shandong Kuiyin Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Changqing County Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Ningyang County Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Dongping County Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Linqing County Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Liao City East-city Changfu District Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Liao City Chiping District Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Liao City Yanggu District Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Rizhao Economic Development District Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Shandong Taian County Village Bank Co.,Ltd. (Note2)	Shandong	50,000	Financial Industry	51%	51%
Hunan Ningxiang County Village Bank Co.,Ltd. (Note2)	Hunan	100,000	Financial Industry	51%	51%
Hunan Shuangfeng Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Lianyuan County Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Huanan Liling County Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Shimen Shanghai Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Cili Shanghai Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Li County Shanghai Billage Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Linli Shanghai Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Yongxing Shanghai Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Guiyang Shanghai Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Hengyang Shanghai Village Bank Co.,Ltd. (Note2)	Hunan	50,000	Financial Industry	51%	51%
Hunan Changsha Shanghai Village Bank Co.,Ltd. (Note2)	Hunan	100,000	Financial Industry	51%	51%
Yunnan Ruili City Village Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Kaiyuan County Village Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Baoshan City Longyang District Village Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Mengzi County Village Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Gejiu County Village Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Jianshui County Viullage Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Lincang City Linxiang District Village Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Mile County Village Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Songming Shanghai Village Bank Co.,Ltd. (Note2)	Yunnan	50,000	Financial Industry	51%	51%
Yunnan Kunming Economic Development District Ala Shanghai Village Bank Co.,Ltd. (Note2)	Yunnan	100,000	Financial Industry	51%	51%

As at 31 December 2012 the above-mentioned subsidiaries of the Bank are acquired by establishment which are included in the scope of the consolidated financial statements.

Note 1: On February 18th 2009, the Bank established Shanghai Chongming Yangtze River Village Bank Co., Ltd. with owning 51% of its equity and voting rights. In year 2012, this subsidiary changed its name into Shanghai Chongming Village Bank Co., Ltd. While at the end of December 31st 2012 the ownership has dropped to 48.45%, the Bank still represent actual control of this subsidiary, thus including it in the scope of the consolidated financial statements.

Note 2: During the year 2012, the Bank successively established 32 village banks in Shandong province, Hunan province and Yunnan province, among which 10 village banks in Shandong province, 12 village banks in Hunan province and 10 village banks in Yunnan province.

At the end of December 31st 2012, the Bank achieved the level of actual control by owning 51% of the equity and voting rights of these newly established subsidiaries. Thus, all these village banks are included in the scope of the consolidated financial statements.

7. NOTES TO THE FINANCIAL STATEMENTS

7.1. Cash and deposits with the central Bank

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Cash on hand	1,741,548	1,996,580	1,668,154	1,996,176
Restricted reserve deposits with the central Bank	51,329,947	45,420,378	50,293,681	45,259,837
Balances with the central Bank other than restricted reserve deposits	7,428,019	4,656,222	7,020,329	4,656,222
Others	174,737	34,033	174,737	34,033
	60,674,251	52,107,213	59,156,901	51,946,268

The Group is required to maintain statuary 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 2012, the Bank's reserve ratio for customer deposits denominated in RMB is 18% (31 December 2011: 19%); the subsidiary's reserve ratio for customer deposits denominated in RMB is 14% (31 December 2011: 15%). The Bank's and subsidiary's reserve ratio for deposits denominated in foreign currencies is 5% (31 December 2011: 5 %).

7.2 Deposits with other Banks

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Deposits with domestic Banks	14,108,714	13,319,743	13,428,277	13,261,412
Deposits with overseas Banks	431,613	340,199	431,610	340,199
	14,540,327	13,659,942	13,859,887	13,601,611

7.3. Placements with other Banks

	Group and Bank	
	31 Dec 2012	31 Dec 2011
Placements with domestic Banks	1,251,421	4,063,009

7.4. Trading assets

	Group and Bank	
	31 Dec 2012	31 Dec 2011
Financial bonds	1,894,738	10,159
Corporation bonds	1,629,100	371,051
Central bank bills	-	48,319
Government bonds	-	8,971
	3,523,838	438,500

7.5. Financial assets purchased under resale agreements

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Bills purchased under resale agreements	11,628,350	2,877,684	11,628,350	2,877,684
Securities purchased under resale agreements	7,035,107	16,228,605	7,122,920	16,228,605
	18,663,457	19,106,289	18,751,270	19,106,289

7.6. Interest receivables

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Held-to-maturity investments	538,159	474,534	538,159	474,534
Loans and advances	424,715	300,480	410,780	299,139
Available for sale financial assets	258,513	131,629	258,513	128,646
Deposit with other Banks	125,301	82,511	123,534	82,356
Trading assets	39,848	2,049	39,848	2,049
Deposits with the central Bank	25,979	23,140	25,835	23,062
Securities classified as loans and receivables	16,572	30,996	16,572	30,996
Financial assets purchased under resale agreements	4,321	36,426	4,321	36,426
Placement with other Banks	1,098	15,338	1,098	15,338
	1,434,506	1,097,103	1,418,660	1,092,546

7.7. Loans and advances

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Retail loans and advances				
Personal mortgage loans	15,262,000	14,926,665	15,243,274	14,917,591
Personal consumption loans	2,086,759	1,161,773	1,830,858	1,161,773
Farmer loans	1,312,563	675,623	500,474	576,220
Others	686,077	99,740	249,196	99,740
	19,347,399	16,863,801	17,823,802	16,755,324
Corporate loans and advances				
Loans	144,819,353	131,622,513	142,409,787	131,113,653
Discounted bills	31,258,628	18,768,291	31,254,008	18,673,004
	176,077,981	150,390,804	173,663,795	149,786,657
Gross	195,425,380	167,254,605	191,487,597	166,541,981
Individually assessed provision	(553,598)	(810,793)	(553,598)	(810,793)
Collectively assessed provision	(4,969,201)	(4,163,933)	(4,869,736)	(4,157,760)
Total (Note7.7(6))	(5,522,799)	(4,974,726)	(5,423,334)	(4,968,553)
Net	189,902,581	162,279,879	186,064,263	161,573,428

(1). By impairment assessment method:

					Group
	Not impaired loans and advances	Identified impairment of loans and advances			Total
		Collectively assessed provision	Individually assessed provision	Subtotal	
31 Dec 2012					
Corporate loans	173,856,117	764,630	1,457,234	2,221,864	176,077,981
Personal loans	19,112,345	235,054	-	235,054	19,347,399
Impairment	(4,446,312)	(522,889)	(553,598)	(1,076,487)	(5,522,799)
Total, net	188,522,150	476,795	903,636	1,380,431	189,902,581
31 Dec 2011					
Corporate loans	148,575,887	126,663	1,688,254	1,814,917	150,390,804
Personal loans	16,728,516	135,285	-	135,285	16,863,801
Impairment	(3,983,973)	(179,960)	(810,793)	(990,753)	(4,974,726)
Total, net	161,320,430	81,988	877,461	959,449	162,279,879

					Bank
	Not impaired loans and advances	Identified impairment of loans and advances			Total
		Collectively assessed provision	Individually assessed provision	Subtotal	
31 Dec 2012					
Corporate loans	171,445,331	761,230	1,457,234	2,218,464	173,663,795
Personal loans	17,588,748	235,054	-	235,054	17,823,802
Impairment	(4,347,867)	(521,869)	(553,598)	(1,075,467)	(5,423,334)
Total, net	184,686,212	474,415	903,636	1,378,051	186,064,263
31 Dec 2011					
Corporate loans	147,971,740	126,663	1,688,254	1,814,917	149,786,657
Personal loans	16,620,039	135,285	-	135,285	16,755,324
Impairment	(3,977,801)	(179,959)	(810,793)	(990,752)	(4,968,553)
Total, net	160,613,978	81,989	877,461	959,450	161,573,428

(2). Industry sector:

				Group
	31 Dec 2012		31 Dec 2011	
	Amount	%	Amount	%
Manufacturing	37,598,157	19.24	33,207,848	19.86
Real estate	33,725,946	17.26	32,365,677	19.35
Rental and commercial services	29,402,008	15.05	26,963,123	16.12
Wholesale and retail	15,482,261	7.92	13,821,926	8.26
Construction	8,329,180	4.26	6,788,191	4.06
Water environmental and public utilities	5,138,120	2.63	5,342,970	3.19
Transportation, storage and post	4,601,367	2.35	3,515,746	2.10
Farming, forest, herd and fishery	3,351,240	1.71	3,113,815	1.86
Hotel and restaurant	2,254,119	1.15	2,602,136	1.56
Residential and other services	1,441,061	0.74	984,032	0.59
Others	3,495,894	1.79	2,917,049	1.74
Sub-total	144,819,353	74.10	131,622,513	78.69
Retail Loans	19,347,399	9.90	16,863,801	10.08
Bills accepted by other Banks	26,825,963	13.73	16,835,991	10.07
Bills accepted by corporate	4,432,665	2.27	1,932,300	1.16
Discount bills	31,258,628	16.00	18,768,291	11.23
Total, gross	195,425,380	100.00	167,254,605	100.00

				Bank
	31 Dec 2012		31 Dec 2011	
	Amount	%	Amount	%
Manufacturing	36,644,820	19.14	33,207,848	19.94
Real estate	33,718,446	17.61	32,365,677	19.43
Rental and commercial services	29,329,808	15.32	26,963,123	16.19
Wholesale and retail	15,036,900	7.85	13,821,926	8.30
Construction	8,099,310	4.23	6,788,191	4.08
Water environmental and public utilities	5,091,520	2.66	5,342,970	3.21
Transportation, storage and post	4,560,917	2.38	3,515,746	2.11
Farming, forest, herd and fishery	2,951,450	1.54	2,604,955	1.56
Hotel and restaurant	2,240,299	1.17	2,602,136	1.56
Residential and other services	1,378,681	0.72	984,032	0.59
Others	3,357,636	1.75	2,917,049	1.75
Sub-total	142,409,787	74.37	131,113,653	78.73
Retail Loans	17,823,802	9.31	16,755,324	10.06
Bills accepted by other Banks	26,825,963	14.01	16,740,704	10.05
Bills accepted by corporate	4,428,045	2.31	1,932,300	1.16
Discount bills	31,254,008	16.32	18,673,004	11.21
Total, gross	191,487,597	100.00	166,541,981	100.00

(3). Types of borrower

				Group
	31 Dec 2012		31 Dec 2011	
	Amount	%	Amount	%
Joint-stock enterprises	73,011,166	37.36	66,552,208	39.79
Private enterprises	26,836,046	13.73	22,920,954	13.70
State-owned enterprises	22,814,377	11.67	20,106,534	12.02
Collectively owned enterprises	11,477,611	5.87	10,855,217	6.49
Foreign invested enterprises	5,289,249	2.71	5,435,157	3.25
Others	5,390,904	2.76	5,752,443	3.44
Sub-total	144,819,353	74.10	131,622,513	78.69
Retail Loans	19,347,399	9.90	16,863,801	10.08
Discount bills	31,258,628	16.00	18,768,291	11.23
Total, gross	195,425,380	100.00	167,254,605	100.00

				Bank
	31 Dec 2012		31 Dec 2011	
	Amount	%	Amount	%
Joint-stock enterprises	72,264,836	37.74	66,552,208	39.98
Private enterprises	25,502,831	13.32	22,920,954	13.76
State-owned enterprises	22,629,077	11.82	20,106,534	12.07
Collectively owned enterprises	11,428,461	5.97	10,346,357	6.21
Foreign invested enterprises	5,289,249	2.76	5,435,157	3.26
Others	5,295,333	2.76	5,752,443	3.45
Sub-total	142,409,787	74.37	131,113,653	78.73
Retail Loans	17,823,802	9.31	16,755,324	10.06
Discount bills	31,254,008	16.32	18,673,004	11.21
Total, gross	191,487,597	100.00	166,541,981	100.00

(4). Type of securities

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Collateralized loans	108,767,161	97,651,087	107,045,071	97,103,413
Guaranteed loans	38,088,095	35,557,735	36,246,781	35,407,785
Pledge Loans	34,344,973	18,907,595	34,002,714	18,907,595
Clean loans	14,225,151	15,138,188	14,193,031	15,123,188
Total, gross	195,425,380	167,254,605	191,487,597	166,541,981

(5). Loans and advances past due

					Group 31 Dec 2012
	Past due up to 90 days	Past due 90 days - 1 year	Past due 1-3 years	Past due over 3 years	Total
Collateralized loans	641,455	553,131	151,412	264,751	1,610,749
Guaranteed loans	109,431	144,717	7,245	59,634	321,027
Pledge Loans	11,976	32,438	-	1,760	46,174
Clean loans	11,062	13,508	450	-	25,020
Total, gross	773,924	743,794	159,107	326,145	2,002,970

					Bank 31 Dec 2012
	Past due up to 90 days	Past due 90 days - 1 year	Past due 1-3 years	Past due over 3 years	Total
Collateralized loans	637,400	553,131	151,412	264,751	1,606,694
Guaranteed loans	109,431	144,717	7,245	59,634	321,027
Pledge Loans	11,976	32,438	-	1,760	46,174
Clean loans	11,062	13,508	450	-	25,020
Total, gross	769,869	743,794	159,107	326,145	1,998,915

					Group and Bank 31 Dec 2011
	Past due up to 90 days	Past due 90 days - 1 year	Past due 1-3 years	Past due over 3 years	Total
Collateralized loans	94,384	48,834	130,979	888,588	1,162,785
Guaranteed loans	2,213	13,800	27,529	105,348	148,890
Pledge Loans	200	-	-	1,585	1,785
Clean loans	14,525	1,762	3,575	-	19,862
Total, gross	111,322	64,396	162,083	995,521	1,333,322

(6). Allowance for impairment losses on loans and advances

	Group					
			2012			2011
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
At 1 January 2012	(810,793)	(4,163,933)	(4,974,726)	(726,825)	(2,229,652)	(2,956,477)
Reversal/(charge) for the year (Note 7.36)	159,102	(801,414)	(642,312)	(146,989)	(1,924,542)	(2,071,531)
Transfer from liability as a result of collection of non-performing assets transferred out(Note1)	-	(3,854)	(3,854)	-	(9,739)	(9,739)
Recovery of loans previously written off	(1,337)	-	(1,337)	(5,113)	-	(5,113)
Write off	46,079	-	46,079	29,567	-	29,567
Unwind of discount on allowance	53,351	-	53,351	38,567	-	38,567
At 31 December 2012	(553,598)	(4,969,201)	(5,522,799)	(810,793)	(4,163,933)	(4,974,726)

			Group			
			2012			2011
	Individually assessed	Collectively assessed	Total	Individually assessed	Collectively assessed	Total
At 1 January 2012	(810,793)	(4,157,760)	(4,968,553)	(726,825)	(2,224,921)	(2,951,746)
Reversal/(charge) for the year (Note 7.36)	159,102	(708,122)	(549,020)	(146,989)	(1,923,100)	(2,070,089)
Transfer from liability as a result of collection of non-performing assets transferred out(Note1)	-	(3,854)	(3,854)	-	(9,739)	(9,739)
Recovery of loans previously written off	(1,337)	-	(1,337)	(5,113)	-	(5,113)
Write off	46,079	-	46,079	29,567	-	29,567
Unwind of discount on allowance	53,351	-	53,351	38,567	-	38,567
At 31 December 2012	(553,598)	(4,869,736)	(5,423,334)	(810,793)	(4,157,760)	(4,968,553)

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 1 April 2008.

In accordance with the Yin Jian Ban Tong [2003] No. 83, the repayment proceeds received by the Bank was reclassified as allowance for loan impairment. The Bank recorded RMB 3,854 thousand and RMB 9,739 thousand in 2012 and 2011 respectively in allowance for loan impairment.

7.8. Financial assets classified as available-for-sale

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Debt securities				
Government bonds	8,046,658	4,284,646	8,046,658	4,284,646
Financial bonds	2,840,565	2,366,566	2,778,647	2,266,566
Corporate bonds	5,078,312	3,288,948	4,872,298	3,262,566
	15,965,535	9,940,160	15,697,603	9,813,778
Wealth management products issued by other Banks	6,951,631	2,550,000	6,951,631	2,550,000
Equity investment (Note1)	1,582,827	1,140,688	1,582,827	1,140,688
Return on equity rights	-	659,894	-	659,894
Trust plans	1,743,000	-	1,553,000	-
	10,277,458	4,350,582	10,087,458	4,350,582
total	26,242,993	14,290,742	25,785,061	14,164,360

Note1: As of 31 December 2012, the equity investment mainly consists of:

a. In 2011, the Bank restructured its loans and receivables of Minfa Security Co., Ltd as equity investment. The Bank received these securities from the bankrupt properties distribution of Minfa Security Co., Ltd, which is a listed company . The fair value of the equity investment is 100,689 thousand. Also, the Bank restructured loans and receivables from Fuyou Security Co., Ltd as equity investment .These securities were received by the Bank due to Supreme People's Court judgement. Fair value of the equity investment is 816,427 thousand.The equity investments recognized impairment provision of 87,639 thousand and 1,022,759 thousand separately.

b. As of 31 December 2012, the fail value of the previous return on equity rights, which has now been recognized as equity investment, is 659,894 thousand.

7.9. Securities classified as held-to-maturity

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Government bonds	26,048,002	24,456,251	26,048,002	24,456,251
Financial bonds		3,025,776	10,112,530	2,985,776
Corporate bonds	62,262	6,824,544	-	6,804,462
	36,222,794	34,306,571	36,160,532	34,246,489

7.10. Securities classified as loans and receivables

		Group and Bank
	31 Dec 2012	31 Dec 2011
Government bonds	187,713	352,447
Wealth management products purchased from other Banks	-	1,112,067
	187,713	1,464,514

7.11. Long-term equity investment

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Subsidiary	-	-	943,500	51,000
Joint venture (a)	448,933	453,365	448,933	453,365
Other long-term equity investment (b)	18,258	18,258	18,258	18,258
Less: impairment of long-term equity investment (c)	(110,031)	(110,031)	(110,031)	(110,031)
	357,160	361,592	1,300,660	412,592

(a). Joint venture

						31 Dec 2012			2012
	Registration place	Nature of business	Registered capital	Shares held	Percentage of voting rate	Total assets	Total liabilities	Operation income	Net income/ (loss)
Shanghai Jingyi Industry Development Co., Ltd	Shanghai	Settle non-performing assets of Aijian Security	1,794,500	20.45	18,874	1,307,968	50,281	-	39,723
Shanghai Hu Yang Highway Development Co., Ltd	Shanghai	Highway management	550,000	35	35	1,696,452	1,028,955	177,146	27,740
Shanghai Southeast Suburb Ring Highway Development Co., Ltd	Shanghai	Highway management	552,000	45	45	1,607,400	1,351,214	113,674	(31,425)
						4,611,820	2,430,450	290,820	36,038

Investments in Joint venture are listed as follows

	Initial investment cost	31 Dec 2011	Net profit/(loss) by equity method adjustment	31 Dec 2012
Shanghai Jingyi Industry Development Co., Ltd	367,000	103,611	-	103,611
Shanghai Hu Yang Highway Development Co., Ltd	192,500	223,914	9,709	233,623
Shanghai Southeast Suburb Ring Highway Development Co., Ltd	248,400	125,840	(14,141)	111,699
		453,365	(4,432)	448,933

(b). Other long-term equity investment

		Group and Bank
	31 Dec 2012	31 Dec 2011
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

(c). Impairment

		Group and Bank
	31 Dec 2012	31 Dec 2011
Jingyi Industrial Company	(103,611)	(103,611)
Kangqiao Industrial Company	(3,000)	(3,000)
Kangqiao Development Zone	(2,500)	(2,500)
Kangqiao Investment	(920)	(920)
	(110,031)	(110,031)

7.12. Fixed assets

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Cost	5,006,028	4,183,596	4,891,328	4,183,129
Accumulated depreciation	(1,563,079)	(1,220,345)	(1,558,002)	(1,220,240)
Net	3,442,949	2,963,251	3,333,326	2,962,889
Construction in progress ("CIP")	2,441,160	1,787,286	2,439,926	1,787,286
Total	5,884,109	4,750,537	5,773,252	4,750,175

Fixed assets movement:

						Group
	Building	Motor Vehicle	Electronic equipment	Machinery	Office equipment	Total
Cost						
At 31 December 2011	3,284,166	71,981	651,800	147,036	28,613	4,183,596
Additions	48,216	22,556	84,242	38,365	12,302	205,681
Transferred from CIP	137,409	9,793	469,024	15,129	3,895	635,250
Disposals	(90)	(3,915)	(11,470)	(2,826)	(198)	(18,499)
At 31 December 2012	3,469,701	100,415	1,193,596	197,704	44,612	5,006,028
Accumulated depreciation						
At 31 December 2011	(800,435)	(41,538)	(286,811)	(77,765)	(13,796)	(1,220,345)
Additions(Note7.35)	(179,905)	(9,569)	(138,915)	(25,767)	(5,026)	(359,182)
Disposals	87	3,822	9,754	2,595	190	16,448
At 31 December 2012	(980,253)	(47,285)	(415,972)	(100,937)	(18,632)	(1,563,079)
Net book value						
At 31 December 2012	2,489,448	53,130	777,624	96,767	25,980	3,442,949
At 31 December 2011	2,483,731	30,443	364,989	69,271	14,817	2,963,251

						Bank
	Building	Motor Vehicle	Electronic equipment	Machinery	Office equipment	Total
Cost						
At 31 December 2011	3,284,166	71,563	651,795	147,036	28,569	4,183,129
Additions	16,363	7,588	77,088	29,650	7,683	138,372
Transferred from CIP	116,009	863	463,715	7,250	489	588,326
Disposals	(90)	(3,915)	(11,470)	(2,826)	(198)	(18,499)
At 31 December 2012	3,416,448	76,099	1,181,128	181,110	36,543	4,891,328
Accumulated depreciation						
At 31 December 2011	(800,435)	(41,451)	(286,809)	(77,765)	(13,780)	(1,220,240)
Additions(Note7.35)	(177,493)	(8,369)	(138,649)	(25,116)	(4,583)	(354,210)
Disposals	87	3,822	9,754	2,595	190	16,448
At 31 December 2012	(977,841)	(45,998)	(415,704)	(100,286)	(18,173)	(1,558,002)
Net book value						
At 31 December 2012	2,438,607	30,101	765,424	80,824	18,370	3,333,326
At 31 December 2011	2,483,731	30,112	364,986	69,271	14,789	2,962,889

Movement of construction in progress:

					Group
	Building	Motor Vehicle	Equipment	Others	Total
Balance at 1 January	1,357,542	-	399,147	30,597	1,787,286
Additions	781,434	9,793	528,085	100,576	1,419,888
Transfer to fixed assets	(137,409)	(9,793)	(488,048)	-	(635,250)
Transfer to other assets	(130,366)	-	-	(398)	(130,764)
Balance at 31 December	1,871,201	-	439,184	130,775	2,441,160

					Bank
	Building	Motor Vehicle	Equipment	Others	Total
Balance at 1 January	1,357,542	-	399,148	30,597	1,787,287
Additions(Note1)	725,502	863	489,014	94,496	1,309,875
Transfer to fixed assets	(116,009)	(863)	(471,454)	-	(588,326)
Transfer to other assets	(68,700)	-	-	(210)	(68,910)
Balance at 31 December	1,898,335	-	416,708	124,883	2,439,926

7.13. Deferred income tax assets

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

		Group
	31 Dec 2012	31 Dec 2011
At 1 January	1,389,963	516,401
Income statement credit /(charge) (Note 7.39)	258,451	531,860
Capital surplus (Note 7.27)		
- Fair value measurement of available-for-sale investments	(20,987)	258,724
-Impairment reversal of available-for-sale investments	(255,554)	(21,910)
-Disposal of available-for-sale investments	68,301	104,888
At 31 December	1,440,174	1,389,963

	Bank	
	31 Dec 2012	31 Dec 2011
At 1 January	1,389,963	516,401
Income statement credit /(charge) (Note 7.39)	224,746	531,860
Capital surplus (Note 7.27)		
-Fair value measurement of available-for-sale investments	(20,987)	258,724
-Impairment reversal of available-for-sale investments	(255,554)	(21,910)
-Disposal of available-for-sale investments	68,301	104,888
At 31 December	1,406,469	1,389,963

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

(a). Net deferred income tax assets

	Group			
	31 Dec 2012		31 Dec 2011	
	Net deferred income tax assets	Temporary differences	Net deferred income tax assets	Temporary differences
Carry-forward tax losses	23,843	-	-	-
Provision for impaired loans and advances	1,339,009	5,356,037	1,138,672	4,554,688
Share of net losses of investees under equity method	44,271	177,085	43,164	172,656
Unrealized losses of trading assets	354	1,415	-	-
Unrealized losses of available-for-sale investments	-	-	186,236	744,944
Other temporary differences	54,701	218,806	21,954	87,816
	1,462,178	5,753,343	1,390,026	5,560,104

	Bank			
	31 Dec 2012		31 Dec 2011	
	Net deferred income tax assets	Temporary differences	Net deferred income tax assets	Temporary differences
Provision for impaired loans and advances	1,329,147	5,316,586	1,138,672	4,554,688
Share of net losses of investees under equity method	44,271	177,085	43,164	172,656
Unrealized losses of trading assets	354	1,415	-	-
Unrealized losses of available-for-sale investments	-	-	186,236	744,944
Other temporary differences	54,701	218,806	21,954	87,816
	1,428,473	5,713,892	1,390,026	5,560,104

(b). Net deferred income tax liabilities

	Group			
	31 Dec 2012		31 Dec 2011	
	Net deferred income tax liabilities	Temporary differences	Net deferred income tax liabilities	Temporary differences
Unrealized gains of assets available-for-sale	(22,004)	(88,016)	-	-
Unrealized gains of trading assets	-	-	(63)	(250)
	(22,004)	(88,016)	(63)	(250)
Net	1,440,174	5,665,327	1,389,963	5,559,854

				Bank
		31 Dec 2012		31 Dec 2011
	Net deferred income tax liabilities	Temporary differences	Net deferred income tax liabilities	Temporary differences
Unrealized gains of assets available-for-sale	(22,004)	(88,016)	-	-
Unrealized gains of trading assets	-	-	(63)	(250)
	(22,004)	(88,016)	(63)	(250)
Net	1,406,469	5,625,876	1,389,963	5,559,854

7.14. Other assets

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Other receivables and prepayments (a)	314,219	236,573	309,889	236,335
Less: Bad debt provision (a)	(6,687)	(30,834)	(6,687)	(30,834)
Foreclosed assets (b)	668,712	231,800	668,712	231,800
Less: Impairment allowance for foreclosed assets (b)	(39,999)	(47,683)	(39,999)	(47,683)
Long-term prepaid expenses (c)	210,456	92,766	137,237	92,766
Intangible assets (d)	493,427	118,796	493,307	118,796
	1,640,128	601,418	1,562,459	601,180

(a). Other receivables and prepayments

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Intra-city bills under collection	14,337	1,523	14,279	1,523
Prepaid legal expenses	13,023	6,255	13,023	6,255
Rental deposits	7,519	6,798	7,392	6,798
Prepayment (Note1)	134,300	102,000	134,300	102,000
Others	145,040	119,997	140,895	119,759
	314,219	236,573	309,889	236,335
Less: Bad debt provision	(6,687)	(30,834)	(6,687)	(30,834)
	307,532	205,739	303,202	205,501

Note1: The Bank plans to establish rural banks in Beijing and Shenzhen. In 2012, the bank made an advancement Beijing Fangshan Shanghai Village Bank Co.,Ltd, and Shenzhen Guangming Village Bank Co.,Ltd., totalling up to 134,300 thousand. Shenzhen Guangming Shanghai Village Bank Co.,Ltd have a registered capital of 200,000 thousand, 83,300 thousand of which is from the Bank, accounting for 41.65% of the total shares. Beijing Fangshan Shanghai Village Bank Co.,Ltd. has a registered of 100,000 thousand, 51,000 thousand of which is from the Bank, accounting for 51% of the total shares.

On Janurary 2013, Beijing Fangshan Shanghai Village Bank Co.,Ltd. And Shenzhen Guangming Village Bank Co.,Ltd. officially opened (Note 11).

(b). Foreclosed assets

		Group and Bank
	31 Dec 2012	31 Dec 2011
Buildings	499,643	55,466
Land used right	140,629	147,875
Machinery	1,609	56
Others	26,831	28,403
	668,712	231,800
Less: Impairment allowance for foreclosed assets	(39,999)	(47,683)
	628,713	184,117

(c). Long-term prepaid expenses

		Group
	31 Dec 2012	31 Dec 2011
Leasehold improvement	177,301	76,999
Development expenses	21,304	12,549
Prepaid rental expenses	11,851	3,218
	210,456	92,766

		Bank
	31 Dec 2012	31 Dec 2011
Leasehold improvement	108,041	76,999
Development expenses	18,154	12,549
Prepaid rental expenses	11,042	3,218
	137,237	92,766

(d). Intangible assets

						Group
			31 Dec 2012			31 Dec 2011
	Land used right	Software	Total	Land used right	Software	Total
Cost						
Balance at 1 January	28,043	131,532	159,575	20,790	60,053	80,843
Add: Additions	374,564	33,650	408,214	7,253	71,479	78,732
Less: Disposal	-	(2,070)	(2,070)	-	-	-
Balance at 31 December	402,607	163,112	565,719	28,043	131,532	159,575
Accumulated amortization						
Balance at 1 January	(1,124)	(39,655)	(40,779)	(601)	(20,357)	(20,958)
Add: Additions(Note7.35)	(7,166)	(26,189)	(33,355)	(523)	(19,298)	(19,821)
Less: Disposal	-	1,842	1,842	-	-	-
Balance at 31 December	(8,290)	(64,002)	(72,292)	(1,124)	(39,655)	(40,779)
Net book value						
Balance at 1 January	26,919	91,877	118,796	20,189	39,696	59,885
Balance at 31 December	394,317	99,110	493,427	26,919	91,877	118,796

						Bank
			31 Dec 2012			31 Dec 2011
	Land used right	Software	Total	Land used right	Software	Total
Cost						
Balance at 1 January	28,043	131,532	159,575	20,790	60,053	80,843
Add: Additions	374,564	33,526	408,090	7,253	71,479	78,732
Less: Disposal	-	(2,070)	(2,070)	-	-	-
Balance at 31 December	402,607	162,988	565,595	28,043	131,532	159,575
Accumulated amortization						
Balance at 1 January	(1,124)	(39,655)	(40,779)	(601)	(20,357)	(20,958)
Add: Additions(Note7.35)	(7,166)	(26,185)	(33,351)	(523)	(19,298)	(19,821)
Less: Disposal	-	1,842	1,842	-	-	
Balance at 31 December	(8,290)	(63,998)	(72,288)	(1,124)	(39,655)	(40,779)
Net book value						
Balance at 1 January	26,919	91,877	118,796	20,189	39,696	59,885
Balance at 31 December	394,317	98,990	493,307	26,919	91,877	118,796

7.15. Due to other Banks and financial institutions

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Deposits from other Banks	2,928,632	2,688,333	6,781,418	2,902,197
Deposits from security firms	4,282,741	4,067,051	4,282,741	4,067,051
Deposits from other financial institutions	1,707,507	3,270,005	1,518,913	3,270,005
	8,918,880	10,025,389	12,583,072	10,239,253

7.16. Placement from other Banks

	Group and Bank	
	31 Dec 2012	31 Dec 2011
Placement from local banks	6,074,277	7,875,396
Placement from offshore banks	290,110	176,426
	6,364,387	8,051,822

7.17. Assets sold under repurchase agreement

	Group and Bank	
	31 Dec 2012	31 Dec 2011
Securities sold under repurchase agreements	6,470,000	10,067,260

7.18. Due to customers

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Individual time deposits	122,783,635	101,768,210	121,830,467	101,664,298
Corporate demand deposits	109,380,688	102,965,484	104,049,626	101,968,571
Corporate time deposits	29,524,504	19,718,611	28,906,086	19,645,101
Individual demand deposits	22,395,730	16,531,595	21,085,536	16,528,223
Pledged deposits	2,950,303	2,018,019	2,797,652	2,018,019
Other deposits	5,065,364	4,546,232	5,030,275	4,545,872
	292,100,224	247,548,151	283,699,642	246,370,084

7.19. Deposits from wealth management products

	Group and Bank	
	31 Dec 2012	31 Dec 2011
Deposits from principal guaranteed wealth management products	2,917,474	1,139,501

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.

7.20. Staff payroll and welfare payable

				Group
	31 Dec 2011	本年增加	本年减少	31 Dec 2012
Salary, bonus, allowance and subsidy	674,280	1,682,165	(1,256,593)	1,099,852
Staff welfare funds	-	217,438	(217,438)	-
Social insurance	8,626	444,548	(443,461)	9,713
Housing funds	-	119,283	(119,144)	139
Union fee and staff education fee	-	39,420	(39,378)	42
	682,906	2,502,854	(2,076,014)	1,109,746

				Bank
	31 Dec 2011	本年增加	本年减少	31 Dec 2012
Salary, bonus, allowance and subsidy	673,736	1,618,000	(1,198,133)	1,093,603
Staff welfare funds	-	211,966	(211,966)	-
Social insurance	8,626	437,494	(436,775)	9,345
Housing funds	-	115,392	(115,337)	55
Union fee and staff education fee	-	38,515	(38,515)	-
	682,362	2,421,367	(2,000,726)	1,103,003

7.21 Taxes payable

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Income tax	638,690	840,390	631,202	840,089
Business tax and surcharges	180,268	309,052	178,045	309,031
Withholding individual income tax	45,207	56,701	44,140	51,284
Others	16,632	(686)	16,556	(686)
	880,797	1,205,457	869,943	1,199,718

7.22. Interest payables

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Due to customers	5,712,916	3,720,165	5,689,541	3,716,566
Due to other Banks and financial institutions	94,608	95,279	102,056	95,279
Bond securities	17,336	6,516	17,336	6,516
Assets sold under repurchase agreement	3,807	17,557	3,807	17,557
Due to other Bank loans interests	3,505	13,931	3,505	13,931
	5,832,172	3,853,448	5,816,245	3,849,849

7.23. Provisions

		Group and Bank
	31 Dec 2012	31 Dec 2011
Expenses incurred for retirement benefit plans	343,884	319,342
Balance Sheet obligations for pension benefit -Pension Benefits		343,884
Income Statement charge for: -Pension Benefits		42,860

7.24. Subordinated debt

		Group and Bank
	31 Dec 2012	31 Dec 2011
Subordinated debt(Note 1)	1,500,000	1,500,000
Financial debt(Note 2)	5,000,000	-
	6,500,000	1,500,000

Note 1: 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.

Note 2: The bank issued 3 year fixed ratebonds in December 12, 2012. The par value of the financial bonds is 500,000,000and the coupon rate is 4.4%.

7.25. Other liabilities

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Suspense Credit	267,943	20,342	265,015	20,342
Funds under settlement process	173,153	98,463	169,312	98,463
Education funds	54,332	54,332	54,332	54,332
Disposal of fixed assets	48,564	-	48,564	19,685
ANZ technical assistance fund	17,366	22,726	17,366	22,726
Social welfare and individual income tax	10,602	5,178	10,602	5,178
Suspense long-term unclaimed deposits	10,524	13,578	10,524	13,578
Deferred income – Financial Consultancy Fees	-	94,721	-	94,721
Others	183,303	158,122	161,740	138,135
	765,787	467,462	737,455	467,160

7.26. Share capital

		Group and Bank
	31 Dec 2012	31 Dec 2011
Number of shares issued (thousands)	5,000,000	5,000,000
Paid-in capital	5,000,000	5,000,000

		31 Dec 2012		31 Dec 2011
	Number of shares issued (thousands)	%	Number of shares issued (thousands)	%
Legal person shares	3,218,834	64.38	3,218,834	64.38
Foreign investors shares	1,000,000	20.00	1,000,000	20.00
Individuals shares	781,166	15.62	781,166	15.62
	5,000,000	100.00	5,000,000	100.00

7.27. Capital Surplus

			Group and Bank
	Capital premium	Others-fair value change in available-for-sale financial assets	Total
1 January 2012	8,111,058	(558,709)	7,552,349
Addition	-	624,720	624,720
31 December 2012	8,111,058	66,011	8,177,069
1 January 2011	8,111,058	466,399	8,577,457
Addition	-	(1,025,108)	(1,025,108)
31 December 2011	8,111,058	(558,709)	7,552,349

Movement of other capital surplus is as follows:

	Group and Bank	
	2012	2011
At 1 January	(558,709)	466,399
Fair value changes of available-for-sale investments	83,948	(1,034,896)
Deferred income tax from fair value changes of available-for-sale investments (Note 7.13)	(20,987)	258,724
Impairment reversal of available-for-sale investments	1,022,216	87,640
Deferred income tax from impairment reversal of available-for-sale investments (Note 7.13)	(255,554)	(21,910)
Transferred out on disposal of available-for-sale investments.	(273,204)	(419,554)
Deferred income tax transferred out on disposal of available-for-sale investments (Note 7.13)	68,301	104,888
At 31 December	66,011	(558,709)

7.28. Surplus reserve

	Group and Bank		
	Statutory reserve	Discretionary reserve	Total
1 January 2012	1,101,947	3,158,224	4,260,171
Distribution of profit of year 2011	317,271	521,905	839,176
31 December 2012	1,419,218	3,680,129	5,099,347
1 January 2011	880,631	2,857,621	3,738,252
Distribution of profit of year 2010	221,316	300,603	521,919
31 December 2011	1,101,947	3,158,224	4,260,171

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 2011, amounting to RMB 317,271 thousand for the year 2012(2011: 10% of the net profit of 2010 for the year, amounting to RMB 221,316 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 27 April 2012, the Bank appropriated RMB 521,905 thousand as discretionary reserve (2011: RMB 300,603 thousand).

7.29. General Banking reserve

	Group and Bank	
	31 Dec 2012	31 Dec 2011
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.

In accordance with the "Regulation on management of Financial Institutions for Reserves" (Cai Jin[2012] No. 20), promulgated by MOF and will be applied as at 1 July, 2012, the balance of general reserve should not be less than 1.5% of the aggregate amount of all risk assets in principle. For institutions whose general reserve is difficult to reach 1.5% at once, a 5-year transition period is applied from 1 July, 2012.

7.30. Retained earnings

In accordance with the resolution at the general meeting of shareholders dated on 26 March 2012, the Bank declares a cash dividend in the amount of RMB 600,000 thousand (2011: 341,816 thousand).

In accordance with the resolution at the board of directors' meeting dated on 26 March 2013, the directors proposed the following appropriations to the Bank's net profit of 2012.

Appropriation of statutory reserve is RMB 380,114 thousand drawn from 10% of the profit after tax on the legal financial report and discretionary reserve is RMB 656,568 thousand drawn from 10% of the profit available for distribution to investors, generic risk reserve is 952,492 thousand. The Bank proposed cash dividend of RMB 0.13 for every share, up to RMB 650,000 thousand (including taxes) in total. The proposal was approved on the annual general meeting and not recorded as liabilities on the financial statements.

7.31. Net interest income

	Group		Bank	
	2012	2011	2012	2011
Loans	11,038,655	8,782,200	10,813,410	8,745,842
Security investments	2,030,758	1,602,772	2,019,731	1,598,968
Rediscount	1,798,990	1,174,004	1,796,782	1,174,004
Financial assets purchased under resale agreements	940,808	797,909	939,647	797,909
Deposits with the central Bank	799,133	712,509	792,340	710,205
Deposits with other Banks	433,449	264,208	422,975	264,053
Discounted bills	204,470	109,685	204,470	109,685
Placement with other Banks	107,366	38,787	107,366	38,787
Others	1,662	208	1,662	203
Interest income	17,355,291	13,482,282	17,098,383	13,439,656
Due to customers	(5,684,350)	(4,162,204)	(5,645,408)	(4,150,388)
Due to other Banks and financial institutions	(833,749)	(515,533)	(873,961)	(518,801)
Assets sold under repurchase agreement	(631,559)	(445,235)	(531,381)	(445,235)
Rediscount		(120,305)	(122,386)	(120,305)
Bond issued		(79,482)	(90,320)	(79,482)
Borrowings from other Banks		(70,293)	(150,572)	(70,293)
Interest expense	(7,513,705)	(5,393,052)	(7,414,028)	(5,384,504)
Net interest income	9,841,586	8,089,230	9,684,355	8,055,152

7.32. Net fee and commission income

	Group		Bank	
	2012	2011	2012	2011
Agency commissions	489,452	329,965	489,450	329,918
Advisory commission income	183,728	152,933	183,728	152,933
Settlement and clearing income	136,673	135,610	136,636	135,535
Asset management commission income	3,396	3,064	4,488	3,064
Others	1,987	265	1,653	265
Fee and commission income	815,236	621,837	815,955	621,715
Settlement and clearing fees	(46,198)	(27,011)	(46,047)	(26,998)
Fund collecting commissioning service charges	(13,296)	(12,697)	(13,296)	(12,263)
Broker commissions expenses	(389)	(277)	(389)	(277)
Agency commission expenses	(1,438)	(4)	-	-
Other agency commission expenses	(26,631)	(61,771)	(26,048)	(61,771)
Fee and commission expense	(87,952)	(101,760)	(85,780)	(101,309)
Net fee and commission income	727,284	520,077	730,175	520,406

7.33. Investment gain/(loss)

	Group		Bank	
	2012年	2011年	2012年	2011年
Realized gain of instruments classified as available-for-sale	276,104	428,210	273,204	419,555
Dividend income	684	651	4,764	651
Realized loss of trading assets	(11,796)	(31,956)	(13,326)	(31,956)
Realized loss of instruments classified as loans and receivables	(12,344)	(1,704)	(12,344)	(1,704)
Investment loss of Joint venture Investment	(4,432)	(1,983)	(4,432)	(1,983)
	248,216	393,218	247,866	384,563

7.34. Business tax and levies

	Group		Bank	
	2012年	2011年	2012年	2011年
Business tax		(498,359)	(601,383)	(497,305)
Urban construction tax	(26,264)	(22,136)	(26,112)	(22,066)
Educational surcharge	(30,260)	(24,867)	(30,069)	(24,862)
Levy of channel works building and maintenance fee	(5,896)	(4,949)	(5,894)	(4,950)
Other	(32)	-	(10)	-
	(667,690)	(550,311)	(663,468)	(549,183)

7.35. Operating expenses

	Group		Bank	
	2012	2011	2012	2011
Salary and bonus	(1,660,576)	(1,341,110)	(1,618,000)	(1,336,000)
Employee welfare and social insurance	(957,066)	(915,107)	(941,795)	(913,396)
Office and administrative expense	(1,086,116)	(818,481)	(938,404)	(814,687)
Depreciation of fixed assets (Note 7.12)	(359,182)	(278,725)	(354,210)	(278,638)
Rental expenses	(131,047)	(86,897)	(120,139)	(85,897)
Amortization of long term assets	(42,026)	(23,982)	(36,001)	(23,982)
Amortization of intangible assets (Note 7.14)	(33,355)	(19,821)	(33,351)	(19,821)
	(4,269,368)	(3,484,123)	(4,041,900)	(3,472,421)

7.36. Impairment losses

	Group		Bank	
	2012	2011	2012	2011
(Charge) of provision for instruments classified as available-for-sale	(1,022,216)	(87,640)	(1,022,216)	(87,640)
(Charge) of provision for impaired loans and advances to customers (Note7.7(6))	(642,312)	(2,071,531)	(549,020)	(2,070,089)
Provision for bad debt	24,147	-	24,147	-
Reversal of provision for impaired loans and receivables	-	164,668	-	164,668
Provision for long term investments(Note7.11)	-	(103,611)	-	(103,611)
(Charge) of provision for impairment of foreclosed assets	-	(9,624)	-	(9,624)
	(1,640,381)	(2,107,738)	(1,547,089)	(2,106,296)

7.37. Non-operating income

	Group		Bank	
	2012	2011	2012	2011
Cash - receivables from security companies	153,966	519,031	153,966	519,031
-Fuyou Security Co., Ltd	-	422,974	-	422,974
-Minfa Security Co., Ltd	91,655	12,741	91,655	12,741
-Nanfang Security Co., Ltd	62,311	-	62,311	-
-Others	-	83,316	-	83,316
Foreclosed stock - receivables from security companies	-	560,034	-	560,034
-Fuyou Security Co., Ltd	-	544,946	-	544,946
-Minfa Security Co., Ltd	-	15,088	-	15,088
Demolition compensation	-	112,482	-	112,482
Gains on disposal and physical inspection of fixed assets	474	2,996	474	2,996
Gain on recovery of non-performing assets transferred to Shanghai Municipal Government (Note1)	14,369	34,310	14,369	34,310
Gains on disposal of foreclosed assets	95,278	4,787	95,278	4,787
Gains on disposal of long-term unclaimed deposits	2,730	4,593	2,730	4,593
Others	39,493	43,941	10,961	30,387
	306,310	1,282,174	277,778	1,268,620

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.

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 2012 and 2011, the Bank recognized such non-operating income in the amount of RMB 14,369 thousand and RMB 34,310 thousand respectively.

7.38. Non-operating expense

	Group		Bank	
	2012	2011	2012	2011
Donations	(1,308)	(1,330)	(1,308)	(1,330)
Losses on disposal of fixed assets	(699)	(2,487)	(699)	(2,487)
Reversal of prepaid legal expenses	(1)	(22,855)	-	(22,855)
Others	(3,122)	(2,667)	(3,091)	(2,666)
	(5,130)	(29,339)	(5,098)	(29,338)

7.39. Income tax expense

	Group		Bank	
	2012	2011	2012	2011
Current income tax	(1,184,398)	(1,457,709)	(1,172,590)	(1,445,509)
Deferred tax benefit/(expenses) (Note 7.13)	258,451	531,860	224,746	531,860
	(925,947)	(925,849)	(947,844)	(913,649)

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	
	2012	2011	2012	2011
Profit before income tax	4,581,791	4,128,048	4,748,988	4,086,363
Provision for income tax calculated at the applicable rate of 25%	(1,145,448)	(1,032,012)	(1,187,247)	(1,021,591)
Effect of income not subject to tax	273,056	243,402	273,056	243,368
Effect of expenses not deductible for tax purposes	(41,230)	(105,810)	(36,790)	(105,780)
Effect of unrecognized deferred income tax assets from carry-forward tax losses	(15,462)	-	-	-
Reversal of deferred tax liability arising from over accrual of interest expenses in prior years	3,137	(31,429)	3,137	(29,646)
Income tax expense	(925,947)	(925,849)	(947,844)	(913,649)

7.40. Other Comprehensive income

	Group and Bank	
	2012	2011
Unrealised gains/(losses) on fair value measurement of available-for-sale investments	1,106,164	(947,256)
(Less)/Add: Effect of income tax	(276,541)	236,814
Effect of reclassifications from other comprehensive income to profit or loss	(204,903)	(314,666)
	624,720	(1,025,108)

7.41. Notes of cash flows

1. Cash and cash equivalents

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Non-restricted deposits with the central Bank	7,602,756	4,690,255	7,195,066	4,690,255
Deposits with other Banks with original maturity day within 3 months	3,522,653	10,118,681	2,877,637	9,904,817
Cash in hand	1,741,548	1,996,580	1,668,154	1,996,176
Cash and cash equivalents as at 31 December	12,866,957	16,805,516	11,740,857	16,591,248

2. Cash flows from operating activities

		Group		Bank	
	Notes	2012	2011	2012	2011
Net profit:		3,655,844	3,202,199	3,801,144	3,172,714
Adjustment: Impairment loss	7.36	1,640,381	2,107,738	1,547,089	2,106,296
Depreciation of fixed assets	7.35	359,182	278,725	354,210	278,638
Amortization of intangible asset	7.35	33,355	19,821	33,351	19,821
Amortization of long-term prepaid expenses	7.35	42,026	23,982	36,001	23,982
Gains on disposal of fixed assets and foreclose assets		(95,053)	(19,207)	(95,053)	(19,207)
Fair value change		1,665	(202)	1,665	(202)
Interest income for bonds investment	7.31	(2,030,758)	(1,602,772)	(2,019,731)	(1,598,968)
Investment Income		(248,216)	(393,218)	(247,866)	(384,563)
Interest expenses for bonds issued	7.31	79,500	79,482	79,500	79,482
Net decrease of deferred income tax assets		(258,451)	(873,562)	(224,746)	(873,562)
Increase on operating receivable		(39,203,774)	(53,933,543)	(34,981,382)	(53,650,201)
Increase on operating payable		42,507,591	56,417,368	38,518,732	56,165,933
Net cash provided from operating activities		6,483,292	5,306,811	6,802,914	5,320,163

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

	Group		Bank	
	2012	2011	2012	2011
	-	-	-	-

4. Net increase in cash and cash equivalents:

	Group		Bank	
	2012	2011	2012	2011
Cash and cash equivalents at end of year	12,866,957	16,805,516	11,740,857	16,591,248
Less: cash and cash equivalents at beginning of year	16,805,516	14,280,618	16,591,248	14,151,276
(Decrease)/Net increase in cash and cash equivalents	(3,938,559)	2,524,898	(4,850,391)	2,439,972

8. SEGMENT REPORTING

						Group
						2012
	Corporation Banking	Personal Banking	Treasury	Un-allocated	Elimination	Total
1. Operating income	7,473,919	1,861,318	1,479,238	56,195	-	10,870,670
Interest income	10,077,574	4,874,902	5,316,345	-	(2,913,530)	17,355,291
-External interest income	10,077,574	1,961,372	5,316,345	-	-	17,355,291
-Inter-group interest income	-	2,913,530	-	-	(2,913,530)	-
Interest expense	(2,983,954)	(3,289,602)	(4,153,679)	-	2,913,530	(7,513,705)
-External interest expense	(2,022,117)	(3,289,602)	(2,201,986)	-	-	(7,513,705)
-Inter-group interest expense	(961,837)	-	(1,951,693)	-	2,913,530	-
Net fee and commission income	380,299	276,018	66,273	4,694	-	727,284
Investment income/(loss)	-	-	251,964	(3,748)	-	248,216
Fair value gains/(losses)	-	-	(1,665)	-	-	(1,665)
Foreign exchange gains/(losses)	-	-	-	35,151	-	35,151
Other operating income	-	-	-	20,098	-	20,098
2. Operating expenses	(2,995,090)	(1,009,900)	(961,646)	(1,623,423)		(6,590,059)
Business tax and levies	(567,830)	(72,834)	(7,426)	(19,600)	-	(667,690)
Operating expense	(1,928,025)	(793,989)	(954,763)	(592,591)	-	(4,269,368)
Impairment charge for credit losses	(499,235)	(143,077)	543	(998,612)	-	(1,640,381)
Other operating expense	-	-	-	(12,620)	-	(12,620)
3. Operating profit	4,478,829	851,418	517,592	(1,567,228)	-	4,280,611
Add: Net non-operating income	-	-	-	306,310	-	306,310
Less: Net non-operating expense	-	-	-	(5,130)	-	(5,130)
Total profit	4,478,829	851,418	517,592	(1,266,048)	-	4,581,791
Total assets	175,165,125	24,597,945	148,684,414	13,520,935	-	361,968,419
Total liabilities	(150,181,065)	(150,549,549)	(28,537,523)	(3,100,214)	-	(332,368,351)

						Group
						2011
	Corporation Banking	Personal Banking	Treasury	Un-allocated	Elimination	Total
1. Operating income	5,785,889	1,497,674	1,578,971	164,533	-	9,027,067
Interest income	7,825,092	3,588,711	4,002,588	-	(1,934,109)	13,482,282
-External interest income	7,825,092	1,654,602	4,002,588	-	-	13,482,282
-Inter-group interest income	-	1,934,109	-	-	(1,934,109)	-
Interest expense	(2,423,809)	(2,241,202)	(2,662,150)	-	1,934,109	(5,393,052)
-External interest expense	(1,659,349)	(2,241,202)	(1,492,501)	-	-	(5,393,052)
-Inter-group interest expense	(1,201,655)	-	(1,492,501)	-	1,934,109	-
Net fee and commission income	375,951	150,165	12,658	(18,697)	-	520,077
Investment income/(loss)	8,655	-	225,673	158,890	-	393,218
Fair value gains/(losses)	-	-	202	-	-	202
Foreign exchange gains/(losses)	-	-	-	5,081	-	5,081
Other operating income	-	-	-	19,259	-	19,259
2. Operating expenses	(4,001,753)	(759,398)	(668,642)	(722,061)	-	(6,151,854)
Business tax and levies	(456,254)	(60,358)	(10,451)	(23,248)	-	(550,311)
Operating expense	(1,675,070)	(698,265)	(658,191)	(452,597)	-	(3,484,123)
Impairment charge for credit losses	(1,870,429)	(775)	-	(236,534)	-	(2,107,738)
Other operating expense	-	-	-	(9,682)	-	(9,682)
3. Operating profit	1,784,136	738,276	910,329	(557,528)	-	2,875,213
Add: Net non-operating income	13,554	-	-	1,268,620	-	1,282,174
Less: Net non-operating expense	-	-	-	(29,339)	-	(29,339)
Total profit	1,797,690	738,276	910,329	681,753	-	4,128,048
Total assets	156,939,563	22,445,248	121,156,803	9,385,469	-	309,927,083
Total liabilities	(129,206,646)	(122,144,491)	(30,363,769)	(3,145,832)	-	(284,860,738)

	Bank					
						2012
	Corporation Banking	Personal Banking	Treasury	Un-allocated	Elimination	Total
1. Operating income	7,323,787	1,826,027	1,505,891	85,527	-	10,741,232
Interest income	9,895,721	4,831,508	5,284,684	-	(2,913,530)	17,098,383
-External interest income	9,895,721	1,917,978	5,284,684	-	-	17,098,383
-Inter-group interest income	-	2,913,530	-	-	(2,913,530)	-
Interest expense	(2,953,760)	(3,281,578)	(4,092,220)	-	2,913,530	(7,414,028)
-External interest expense	(1,991,923)	(3,281,578)	(2,140,527)	-	-	(7,414,028)
-Inter-group interest expense	(961,837)	-	(1,951,693)	-	2,913,530	-
Net fee and commission income	381,826	276,097	67,558	4,694	-	730,175
Investment income/(loss)	-	-	247,534	332	-	247,866
Fair value gains/(losses)	-	-	(1,665)	-	-	(1,665)
Foreign exchange gains/(losses)	-	-	-	35,151	-	35,151
Other operating income	-	-	-	45,350	-	45,350
2. Operating expenses	(2,799,267)	(933,527)	(908,860)	(1,623,270)	-	(6,264,924)
Business tax and levies	(565,122)	(72,187)	(6,559)	(19,600)	-	(663,468)
Operating expense	(1,791,173)	(755,292)	(902,844)	(592,591)	-	(4,041,900)
Impairment charge for credit losses	(442,972)	(106,048)	543	(998,612)	-	(1,547,089)
Other operating expense	-	-	-	(12,467)	-	(12,467)
3. Operating profit	4,524,520	892,500	597,031	(1,537,743)	-	4,476,308
Add: Net non-operating income	-	-	-	277,778	-	277,778
Less: Net non-operating expense	-	-	-	(5,098)	-	(5,098)
Total profit	4,524,520	892,500	597,031	(1,265,063)	-	4,748,988
Total assets	171,367,701	23,025,499	147,569,949	14,242,204	-	356,205,353
Total liabilities	(144,026,728)	(148,279,930)	(32,044,162)	(3,054,285)	-	(327,405,105)

	Bank					
						2011
	Corporation Banking	Personal Banking	Treasury	Un-allocated	Elimination	Total
1. Operating income	5,754,665	1,492,840	1,572,625	164,533	-	8,984,663
Interest income	7,794,774	3,582,764	3,996,227	-	(1,934,109)	13,439,656
-External interest income	7,794,774	1,648,655	3,996,227	-	-	13,439,656
-Inter-group interest income	-	1,934,109	-	-	(1,934,109)	-
Interest expense	(2,416,389)	(2,240,089)	(2,662,135)	-	1,934,109	(5,384,504)
-External interest expense	(1,651,929)	(2,240,089)	(1,492,486)	-	-	(5,384,504)
-Inter-group interest expense	(764,460)	-	(1,169,649)	-	1,934,109	-
Net fee and commission income	376,280	150,165	12,658	(18,697)	-	520,406
Investment income/(loss)	-	-	225,673	158,890	-	384,563
Fair value gains/(losses)	-	-	202	-	-	202
Foreign exchange gains/(losses)	-	-	-	5,081	-	5,081
Other operating income	-	-	-	19,259	-	19,259
2. Operating expenses	(3,987,827)	(759,052)	(668,642)	(722,061)	-	(6,137,582)
Business tax and levies	(455,126)	(60,358)	(10,451)	(23,248)	-	(549,183)
Operating expense	(1,663,368)	(698,265)	(658,191)	(452,597)	-	(3,472,421)
Impairment charge for credit losses	(1,869,333)	(429)	-	(236,534)	-	(2,106,296)
Other operating expense	-	-	-	(9,682)	-	(9,682)
3. Operating profit	1,766,838	733,788	903,983	(557,528)	-	2,847,081
Add: Net non-operating income	-	-	-	1,268,620	-	1,268,620
Less: Net non-operating expense	-	-	-	(29,338)	-	(29,338)
Total profit	1,766,838	733,788	903,983	681,754	-	4,086,363
Total assets	156,541,547	22,318,057	120,615,943	9,385,188	-	308,860,735
Total liabilities	(128,283,458)	(122,094,033)	(30,363,769)	(3,145,091)	-	(283,886,351)

9. CONTINGENT LIABILITIES AND COMMITMENTS

9.1. Off-balance sheet items

		Group and Bank
	31 Dec 2012	31 Dec 2011
Acceptances	4,277,607	3,019,101
Unused credit card facility	1,913,116	2,206,804
Letters of guarantee issued	1,031,403	717,364
Letters of credit issued	782,200	675,625
	8,004,326	6,618,894

9.2. Operating lease commitments

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

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Within 1 year	131,656	79,551	116,725	78,007
Within 1 year to 5 years	371,153	261,721	310,650	255,545
Above 5 years	144,775	108,800	109,362	107,640
	647,584	450,072	536,737	441,192

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 Dec 2012	31 Dec 2011
Sold under repo agreements: Security investment	6,470,000	10,067,260

9.4. Capital commitments

		Group		Bank
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Approved but not contracted	145,073	353,155	145,073	353,155
Contracted but not paid	232,554	721,201	231,990	721,201
	377,627	1,074,356	377,063	1,074,356

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 1.289 billion at 31 December 2012 (31 December 2011: RMB 1.685 billion). 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 2012 (Neither in 31 December 2011).

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.

		Group and Bank
	31 Dec 2012	31 Dec 2011
Entrust loans	42,439,083	29,944,469
Entrusted investment funds	8,208,030	4,743,195

11. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Shenzhen Guangming Shanghai Village Bank Co.,Ltd and Beijing Fangshan Shanghai Village Bank Co.,Ltd., where the bank is one of the investors, officially opened in January 2013. Shenzhen Guangming Shanghai Village Bank Co.,Ltd. has a registered capital of RMB 0.2 billion, RMB 83.3 million of which was from the bank, contributing to 41.65% of the total shares. Beijing Fangshan Shanghai Village Bank Co.,Ltd. has a registered capital of RMB 0.1billion, RMB 51 million which from the bank, contributing to 51% of the total share. The total amounts were paid on 17 and 12 December 2012. The bank recognized the amount under other receivables account because the capital verification is not yet completed by 31 December 2012.

12. RELATED PARTIES AND RELATED PARTY TRANSATIONS

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 Group's related parties include key management personnel (including directors and senior management personnel) and their close family members, as well as entities that are controlled, joint controlled by key management personnel and their close family members, and shareholders who hold more than 5% equity shares of the Bank.

(1). Subsidiaries and associates

Please refer to Note 6 for the subsidiary information and Note 7.11 for the associate information.

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

Shareholders who hold more than 5% equity shares of the Bank in 2012:

Name of entity	Main business	Percentage of total shares
ANZ Banking (Group) Co., Ltd.	Banking	20.00%
Shanghai International (Group) Co., Ltd	Investment	8.01%
Shanghai State-owned Assets management Co., Ltd	Capital management and Industrial investment	8.01%
China Pacific Life Insurance Co.,Ltd.	Insurance and Capital investment	7%
Shanghai Dragon Investment Co., Ltd	Investment	6%
Shenzhen Lenovo Science and Technology Park Co., Ltd	Investment	5.73%

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:

		Group and Bank
	31 Dec 2012	31 Dec 2011
Shareholders with more than 5% of equity shares	-	-
Shareholders whose key management persons can control	109,267	65,200
Key management personnel :	17,816	17,930
Total	127,083	83,130
	2012年度	2011年度
Interest income	10,600	5,769

(2). Deposits

	31 Dec 2012	31 Dec 2011
Shareholders with more than 5% of equity shares	-	-
Shareholders whose key management persons can control	79,791	79,706
Total	79,791	79,706
	2012年度	2011年度
Interest expenses	1,020	1,017

(3). Transaction with key management personal

The loans extended to key management personnel amounting to RMB 17,816 thousand as at 31 December 2012 (31 December 2011: RMB 17,930 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 2012 amounted to RMB 19,311.4 thousand (2011: RMB 19,618 thousand).

(4). Transactions with subsidiaries

Balance sheet items with subsidiaries is as follows:

	31 Dec 2012	31 Dec 2011
Due to other Banks and financial institutions	3,709,203	213,864

Income statement items with subsidiaries is as follows:

	2012年	2011年
Interest expense	32,848	3,311

Off-balance sheet items of non-guaranteed wealth investment products are as follows:

	2012年	2011年
non-guaranteed wealth investment products	370,000	280,000

The effect of inter-group transactions has been eliminated within the consolidation 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.

(vi). Placements with other banks and financial institutions

The head office reviews and manages credit risk of individual financial institutions regularly. The Group sets individual credit limits for counterparties of interbank lending transactions.

(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 of types 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 difference 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 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Credit risk exposures relating to balance sheet items:				
Deposits with other Banks	14,540,327	13,659,942	13,859,887	13,601,611
Placement with other Banks	1,251,421	4,063,009	1,251,421	4,063,009
Trading assets	3,523,838	438,500	3,523,838	438,500
Financial assets purchased under resale agreements	18,663,457	19,106,289	18,751,270	19,106,289
Interest receivables	1,434,506	1,097,103	1,418,660	1,092,546
Loans and advances	189,902,581	162,279,879	186,064,263	161,573,428
Financial assets classified as available-for-sale	24,660,166	12,490,160	24,202,234	12,363,778
Securities classified as held-to-maturity	36,222,794	34,306,571	36,160,532	34,246,489
Securities classified as loans and receivables	187,713	1,464,514	187,713	1,464,514
Other assets	152,690	205,739	148,487	205,501
Subtotal	290,539,493	249,111,706	285,568,305	248,155,665
Credit risk exposures relating to off balance sheet items:				
Acceptances	4,277,607	3,019,101	4,277,607	3,019,101
Unused credit card facility	1,913,116	2,206,804	1,913,116	2,206,804
Letters of guarantee issued	1,031,403	717,364	1,031,403	717,364
Letters of credit issued	782,200	675,625	782,200	675,625
Subtotal	8,004,326	6,618,894	8,004,326	6,618,894
Total	298,543,819	255,730,600	293,572,631	254,774,559

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2012 and 2011, 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 65% of the total maximum on-balance-sheet exposure (31 December 2011: 65%).

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

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Neither past due nor impaired	34,455,205	36,829,240	33,862,578	36,770,909

(6). Loans and advances

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Neither past due nor impaired(a)	192,490,589	164,966,788	188,556,861	164,254,164
Past due but not impaired(b)	477,873	337,615	477,218	337,615
Impaired(c)	2,456,918	1,950,202	2,453,518	1,950,202
Gross	195,425,380	167,254,605	191,487,597	166,541,981
Less: provision	(5,522,799)	(4,974,726)	(5,423,334)	(4,968,553)
Net	189,902,581	162,279,879	186,064,263	161,573,428

The balance of impairment provision for loans and advances of the Group is amounted 5.523 billion (31 December 2011: 4.975 billion), of which RMB 554 million (31 December 2011: RMB 811 million) represents individually assessed provision and the remaining amount of RMB 4.969 billion (31 December 2011: RMB 4.164 billion) represents collectively assessed provision.

As of 31 December, the balance of impairment provision for loans and advances of the Bank is amounted to RMB 5.423 billion (31 December 2011: 4.968 billion), of which RMB 553 million (31 December 2011: RMB 811 million) represents individually assessed provision and the remaining amount of RMB 4.87 billion (31 December 2011: RMB 4.158 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	Total
31 December 2012			
Pass	168,160,253	17,202,365	185,362,618
Special mention	7,127,971	-	7,127,971
	175,288,224	17,202,365	192,490,589
31 December 2011			
Pass	142,449,598	16,415,494	158,865,092
Special mention	6,101,696	-	6,101,696
	148,551,294	16,415,494	164,966,788

			Bank
	Corporate loans	Retail loans	Total
31 December 2012			
Pass	164,242,960	17,202,365	181,445,325
Special mention	7,111,536	-	7,111,536
	171,354,496	17,202,365	188,556,861
31 December 2011			
Pass	141,845,451	16,307,017	158,562,468
Special mention	6,101,696	-	5,691,696
	147,947,147	16,307,017	164,254,164

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

					Group
	Past due up to 30 days	Past due 30 - 60 days	Past due 60-90 days	Past due over 90 days	Total
31 December 2012					
Corporate loans	25,987	37,225	24,000	4,278	91,490
Retail loans	283,161	68,302	34,920	-	386,383
	309,148	105,527	58,920	4,278	477,873
31 December 2011					
Corporate loans	8,813	11,100	1,700	2,980	24,593
Retail loans	241,782	49,891	21,349	-	313,022
	250,595	60,991	23,049	2,980	337,615

					Bank
	Past due up to 30 days	Past due 30 - 60 days	Past due 60-90 days	Past due over 90 days	Total
31 December 2012					
Corporate loans	25,332	37,225	24,000	4,278	90,835
Retail loans	283,161	68,302	34,920	-	386,383
	308,493	105,527	58,920	4,278	477,218
31 December 2011					
Corporate loans	8,813	11,100	1,700	2,980	24,593
Retail loans	241,782	49,891	21,349	-	313,022
	250,595	60,991	23,049	2,980	337,615

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.

(c). Loans and advances individually impaired

	Group		Bank	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Corporate loans	2,221,864	1,814,917	2,218,464	1,814,917
Retail loans	235,054	135,285	235,054	135,285
	2,456,918	1,950,202	2,453,518	1,950,202

As at 31 December 2012, the Group performed individual assessment for individually significant impaired loans and made provisions of RMB 554 million (31 December 2011: RMB 811 million) after considering the value of collaterals. The Group has also provided RMB 360 million (31 December 2011: RMB 70 million) for individually insignificant impaired loans based on collective assessment at portfolio level.

The majority of the Group's retail loans are mortgage loans, which account for approximately 78.9% (31 December 2011: 91 %) 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 2012, the renegotiated loans held by the Group amounted to RMB 134 million (31 December 2011: RMB 157 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).

					Group
					31 Dec 2012
Securities	Trading assets (Note 7.4)	Available for sale -Bonds and wealth management products (Note 7.8)	Held to maturity (Note 7.9)	Loans and receivables (Note 7.10)	Total
AAA- to AAA+	704,881	4,399,186	7,222,957	-	12,327,024
AA- to AA+	217,288	799,491	440,575	-	1,457,354
A-1	675,766	761,661	-	-	1,437,427
No rated:					
Government bonds	-	8,046,658	26,048,002	187,713	34,282,373
Bonds issued by policy banks	1,726,633	1,466,027	1,809,706	-	5,002,366
Short-term financing bills(Note1)	199,270	193,776	-	-	393,046
Medium-term financing bills (Note1)	-	298,736	-	-	298,736
Bonds issued by other Banks	-	-	701,554	-	701,554
Trust plans(Note 2)	-	1,743,000	-	-	1,743,000
Wealth management products purchased from other Banks(Note3)	-	6,951,631	-	-	6,951,631
	3,523,838	24,660,166	36,222,794	187,713	64,594,511

Note 1: The unrated short-term financing bonds and medium-term notes of the group are mainly issued by the central enterprises and the large state-owned enterprises, including China Electric Power Co. Ltd, China Aluminum Corp and Shenhua Group.

Note 2: In the year of 2012, the bank's principal guaranteed wealth management products partially invested in trust plans. These plans are mainly invested in trust funds managed by trust corporations. These trust funds mainly invested in fixed income bonds and currency market financial products.

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

					Group
					31 Dec 2011
Securities	Trading assets (Note 7.4)	Available for sale -Bonds and wealth management products (Note 7.8)	Held to maturity (Note 7.9)	Loans and receivables (Note 7.10)	Total
AAA- to AAA+	-	2,107,889	5,972,265	-	8,080,154
AA- to AA+	-	680,383	1,170,519	-	1,850,902
A+	-	100,000	40,000	-	140,000
A-1	371,051	995,159	51,744	-	1,417,954
No rated:					
Government bonds	8,971	4,284,646	24,456,251	352,447	29,102,315
Bonds issued by central Bank	48,319	-	-	-	48,319
Bonds issued by policy Banks	10,159	1,772,083	2,105,965	-	3,888,207
Bonds issued by other Banks	-	-	509,827	-	509,827
Wealth management products purchased from other Banks	-	2,550,000	-	1,112,067	3,662,067
	438,500	12,490,160	34,306,571	1,464,514	48,699,745

Securities	Trading assets (Note 7.4)	Available for sale -Bonds and wealth management products (Note 7.8)	Held to maturity (Note 7.9)	Loans and receivables (Note 7.10)	Bank 31 Dec 2012 Total
AAA- to AAA+	704,881	4,177,669	7,222,957	-	12,105,507
AA- to AA+	217,288	753,076	419,902	-	1,390,266
A- to A	-	-	-	-	-
A-1	675,766	761,661	-	-	1,437,427
BBB	-	-	-	-	-
No rated:					
Government bonds	-	8,046,658	26,048,002	187,713	34,282,373
Bonds issued by policy Banks	1,726,633	1,466,027	1,809,706	-	5,002,366
Bonds issued by other Banks	-	-	659,965	-	659,965
Short-term financing bills	199,270	193,776	-	-	393,046
Medium-term	-	298,736	-	-	298,736
Trust plans	-	1,553,000	-	-	1,553,000
Wealth management products purchased from other Banks	-	6,951,631	-	-	6,951,631
	3,523,838	24,202,234	36,160,532	187,713	64,074,317

Securities	Trading assets (Note 7.4)	Available for sale -Bonds and wealth management products (Note 7.8)	Held to maturity (Note 7.9)	Loans and receivables (Note 7.10)	Bank 31 Dec 2011 Total
AAA- to AAA+	-	2,081,507	5,972,265	-	8,053,772
AA- to AA+	-	680,383	1,150,437	-	1,830,820
A+	-	-	-	-	-
A-	371,051	995,159	51,744	-	1,417,954
No rated:					
Government bonds	8,971	4,284,646	24,456,251	352,447	29,102,315
Bonds issued by central Bank	48,319	-	-	-	48,319
Bonds issued by policy Banks	10,159	1,772,083	2,105,965	-	3,888,207
Bonds issued by other Banks	-	-	509,827	-	509,827
Wealth management products purchased from other Banks	-	2,550,000	-	1,112,067	3,662,067
	438,500	12,363,778	34,246,489	1,464,514	48,513,281

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

(2). 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:

				Group
				31 Dec 2012
	RMB	USD	Other currencies	Total
Assets				
Cash and deposits with the central Bank	60,558,249	66,108	49,894	60,674,251
Deposits with other Banks	13,959,153	326,521	254,653	14,540,327
Precious metals	2,967	-	-	2,967
Placement with other Banks	1,000,000	251,421	-	1,251,421
Trading assets	3,523,838	-	-	3,523,838
Financial assets purchased under resale agreements	18,663,457	-	-	18,663,457
Interest receivables	1,432,620	1,859	27	1,434,506
Loans and advances	188,244,104	1,654,095	4,382	189,902,581
Financial assets classified as available-for-sale	26,242,993	-	-	26,242,993
Securities classified as held-to-maturity	36,222,794	-	-	36,222,794
Securities classified as loans and receivables	187,713	-	-	187,713
Long-term equity investments	357,160	-	-	357,160
Fixed assets	5,884,109	-	-	5,884,109
Deferred income tax assets	1,440,174	-	-	1,440,174
Other assets	1,624,808	129	15,191	1,640,128
Total assets	359,344,139	2,300,133	324,147	361,968,419
Liabilities				
Borrowing from the central Bank	(165,000)	-	-	(165,000)
Due to other Banks and financial institutions	(8,684,402)	(234,477)	-	(8,918,880)
Placement from other Banks	(5,602,400)	(735,407)	(26,580)	(6,364,387)
Financial assets sold under repurchased agreements	(6,470,000)	-	-	(6,470,000)
Due to customers	(291,103,496)	(738,337)	(258,391)	(292,100,224)
Deposits from wealth management products	(2,917,474)	-	-	(2,917,474)
Staff payroll and welfare payable	(1,109,746)	-	-	(1,109,746)
Taxes payable	(880,797)	-	-	(880,797)
Interest payable	(5,830,531)	(1,414)	(227)	(5,832,172)
Provision	(343,884)	-	-	(343,884)
Bonds payable	(6,500,000)	-	-	(6,500,000)
Other liabilities	(508,096)	(218,794)	(38,897)	(765,787)
Total Liabilities	(330,115,826)	(1,928,430)	(324,095)	(332,368,351)
Net on-balance sheet position	29,228,313	371,703	52	29,600,068
Financial guarantees and credit related commitments	7,078,558	897,422	28,346	8,004,326

				Group
				31 Dec 2011
	RMB	USD	Other currencies	Total
Assets				
Cash and deposits with the central Bank	52,027,693	42,810	36,710	52,107,213
Deposits with other Banks	13,249,175	309,045	101,722	13,659,942
Precious Metal	9,811	-	-	9,811
Placement with other Banks	4,000,000	63,009	-	4,063,009
Trading assets	438,500	-	-	438,500
Financial assets purchased under resale agreements	19,106,289	-	-	19,106,289
Interests receivable	1,096,898	205	-	1,097,103
Loans and advances	161,102,038	1,153,827	24,014	162,279,879
Financial assets classified as available-for-sale	14,290,742	-	-	14,290,742
Securities classified as held to-- maturity	34,306,571	-	-	34,306,571
Securities classified as loans and receivables	1,464,514	-	-	1,464,514
Long-term equity investments	361,592	-	-	361,592
Fixed assets	4,750,537	-	-	4,750,537
Deferred income tax assets	1,389,963	-	-	1,389,963
Other assets	598,229	154	3,035	601,418
Total assets	308,192,552	1,569,050	165,481	309,927,083
Liabilities				
Due to other Banks and financial institutions	(10,025,121)	(268)	-	(10,025,389)
Placement from other banks	(7,410,000)	(617,490)	(24,332)	(8,051,822)
Financial assets sold under repurchased agreements	(10,067,260)	-		(10,067,260)
Due to customers	(247,053,695)	(401,821)	(92,635)	(247,548,151)
Deposits from wealth management products	(1,139,501)	-	-	(1,139,501)
Staff payroll and welfare payable	(682,906)	-	-	(682,906)
Taxes payable	(1,205,457)	-	-	(1,205,457)
Interest payable	(3,851,121)	(2,002)	(325)	(3,853,448)
Provision	(319,342)	-	-	(319,342)
Bonds payable	(1,500,000)	-	-	(1,500,000)
Other liabilities	98,707	(517,482)	(48,687)	(467,462)
Total Liabilities	(283,155,696)	(1,539,063)	(165,979)	(284,860,738)
Net on-balance sheet position	25,036,856	29,987	(498)	25,066,345
Financial guarantees and credit related commitments	5,831,532	772,155	15,207	6,618,894

				Bank
				31 Dec 2012
	RMB	USD	Other currencies	Total
Assets				
Cash and deposits with the central Bank	59,040,899	66,108	49,894	59,156,901
Deposits with other Banks	13,278,713	326,521	254,653	13,859,887
Precious metals	2,967	-	-	2,967
Placement with other Banks	1,000,000	251,421	-	1,251,421
Trading assets	3,523,838	-	-	3,523,838
Financial assets purchased under resale agreements	18,751,270	-	-	18,751,270
Interest receivables	1,416,774	1,859	27	1,418,660
Loans and advances	184,405,786	1,654,095	4,382	186,064,263
Financial assets classified as available-for-sale	25,785,061	-	-	25,785,061
Securities classified as held-to-maturity	36,160,532	-	-	36,160,532
Securities classified as loans and receivables	187,713	-	-	187,713
Long-term equity investments	1,300,660	-	-	1,300,660
Fixed assets	5,773,252	-	-	5,773,252
Deferred income tax assets	1,406,469	-	-	1,406,469
Other assets	1,547,139	129	15,191	1,562,459
Total assets	353,581,073	2,300,133	324,147	356,205,353
Liabilities				
Due to other Banks and financial institutions	(12,348,594)	(234,478)	-	(12,583,072)
Placement from other Banks	(5,602,400)	(735,407)	(26,580)	(6,364,387)
Financial assets sold under repurchased agreements	(6,470,000)	-	-	(6,470,000)
Due to customers	(282,702,914)	(738,337)	(258,391)	(283,699,642)
Deposits from wealth management products	(2,917,474)	-	-	(2,917,474)
Staff payroll and welfare payable	(1,103,003)	-	-	(1,103,003)
Taxes payable	(869,943)	-	-	(869,943)
Interest payable	(5,814,604)	(1,414)	(227)	(5,816,245)
Provision	(343,884)	-	-	(343,884)
Bonds payable	(6,500,000)	-	-	(6,500,000)
Other liabilities	(479,764)	(218,794)	(38,897)	(737,455)
Total Liabilities	(325,152,580)	(1,928,430)	(324,095)	(327,405,105)
Net on-balance sheet position	28,428,493	371,703	52	28,800,248
Financial guarantees and credit related commitments	7,078,558	897,422	28,346	8,004,326

				Bank
				31 Dec 2011
	RMB	USD	Other currencies	Total
Assets				
Cash and deposits with the central Bank	51,866,748	42,810	36,710	51,946,268
Deposits with other Banks	13,190,844	309,045	101,722	13,601,611
Precious Metal	9,811	-	-	9,811
Placements with other banks	4,000,000	63,009	-	4,063,009
Trading assets	438,500	-	-	438,500
Financial assets purchased under resale agreements	19,106,289	-	-	19,106,289
Interest receivables	1,092,341	205	-	1,092,546
Loans and advances	160,395,587	1,153,827	24,014	161,573,428
Financial assets classified as available-for-sale	14,164,360	-	-	14,164,360
Securities classified as held-to-maturity	34,246,489	-	-	34,246,489
Securities classified as loans and receivables	1,464,514	-	-	1,464,514
Long-term equity investments	412,592	-	-	412,592
Fixed assets	4,750,175	-	-	4,750,175
Deferred income tax assets	1,389,963	-	-	1,389,963
Other assets	597,991	154	3,035	601,180
Total assets	307,126,204	1,569,050	165,481	308,860,735
Liabilities				
Due to other Banks and financial institutions	(10,238,985)	(268)	-	(10,239,253)
Placements from other banks	(7,410,000)	(617,490)	(24,332)	(8,051,822)
Financial assets sold under repurchased agreements	(10,067,260)	-	-	(10,067,260)
Due to customers	(245,875,628)	(401,821)	(92,635)	(246,370,084)
Deposits from wealth management products	(1,139,501)	-	-	(1,139,501)
Staff payroll and welfare payable	(682,362)	-	-	(682,362)
Taxes payable	(1,199,718)	-	-	(1,199,718)
Interest payable	(3,847,522)	(2,002)	(325)	(3,849,849)
Provision	(319,342)	-	-	(319,342)
Bonds payable	(1,500,000)	-	-	(1,500,000)
Other liabilities	99,009	(517,482)	(48,687)	(467,160)
Total Liabilities	(282,181,309)	(1,539,063)	(165,979)	(283,886,351)
Net on-balance sheet position	24,944,895	29,987	(498)	24,974,384
Financial guarantees and credit related commitments	5,831,532	772,155	15,207	6,618,894

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 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Appreciation against RMB by 5%	18,589	1,474	18,589	1,474
Depreciation against RMB by 5%	(18,589)	(1,474)	(18,589)	(1,474)

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 30% 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 can be set with a floor of 10% 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 Dec 2012
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with the central Bank	58,874,263	-	-	-	1,799,988	60,674,251
Deposits with other Banks	9,907,957	4,627,370	-	-	5,000	14,540,327
Precious Metals	-	-	-	-	2,967	2,967
Placement with other Banks	1,251,421	-	-	-	-	1,251,421
Trading assets	146,394	788,920	2,588,524	-	-	3,523,838
Financial assets purchased under resale agreements	13,088,104	5,575,353	-	-	-	18,663,457
Loans and advances	70,792,971	115,427,316	2,715,755	966,539	-	189,902,581
Financial assets classified as available-for-sale	9,458,394	2,369,064	9,020,469	3,812,239	1,582,827	26,242,993
Securities classified as held-to-maturity	926,473	4,375,246	21,391,021	9,530,054	-	36,222,794
Securities classified as loans and advances	8,085	81,850	97,778	-	-	187,713
Other assets	-	-	-	-	10,756,077	10,756,077
Total financial assets	164,454,062	133,245,119	35,813,547	14,308,832	14,146,859	361,968,419
Borrowing from the central Bank	-	(165,000)	-	-	-	(165,000)
Due to other Banks and financial institutions	(7,056,937)	(1,861,943)	-	-	-	(8,918,880)
Financial assets sold under repurchased agreements	(6,470,000)	-	-	-	-	(6,470,000)
Placement from other Banks	(6,304,940)	(59,447)	-	-	-	(6,364,387)
Due to customers	(175,314,261)	(64,931,070)	(51,470,681)	(6,018)	(378,194)	(292,100,224)
Deposits from wealth management products	(2,534,823)	(382,651)	-	-	-	(2,917,474)
Bonds issued	-	-	(6,500,000)	-	-	(6,500,000)
Other liabilities	(23,427)	-	-	-	(8,908,959)	(8,932,386)
Total financial liabilities	(197,704,388)	(67,400,111)	(57,970,681)	(6,018)	(9,287,153)	(332,368,351)
Net interest re-pricing gap	(33,250,326)	65,845,008	(22,157,134)	14,302,814	4,859,706	29,600,068

						Group
						31 Dec 2011
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with the central Bank	50,082,526	-	-	-	2,024,687	52,107,213
Deposits with other Banks	9,909,818	3,750,124	-	-	-	13,659,942
Precious Metals	-	-	-	-	9,811	9,811
Placements to other banks	4,063,009	-	-	-	-	4,063,009
Trading assets	10,159	428,341	-	-	-	438,500
Financial assets purchased under resale agreements	17,507,645	1,598,644	-	-	-	19,106,289
Loans and advances	62,675,858	95,996,686	2,975,298	632,037	-	162,279,879
Financial assets classified as available-for-sale	3,948,528	2,685,272	3,612,560	2,117,418	1,926,964	14,290,742
Securities classified as held-to-maturity	848,002	7,092,744	17,851,402	8,514,423	-	34,306,571
Securities classified as loans and advances	25,911	1,351,493	87,110	-	-	1,464,514
Other assets	-	-	-	-	8,200,613	8,200,613
Total financial assets	149,071,456	112,903,304	24,526,370	11,263,878	12,162,075	309,927,083
Due to other Banks and financial institutions	(9,425,389)	(600,000)	-	-	-	(10,025,389)
Financial assets sold under repurchased agreements	(10,067,260)	-	-	-	-	(10,067,260)
Placements from other banks	(8,051,822)	-	-	-	-	(8,051,822)
Due to customers	(160,436,980)	(52,249,959)	(34,861,021)	(191)	-	(247,548,151)
Deposits from wealth management products	(942,155)	(197,346)	-	-	-	(1,139,501)
Bonds issued	-	-	(1,500,000)	-	-	(1,500,000)
Other liabilities	(15,340)	-	-	-	(6,513,275)	(6,528,615)
Total financial liabilities	(188,938,946)	(53,047,305)	(36,361,021)	(191)	(6,513,275)	(284,860,738)
Net interest re-pricing gap	(39,867,490)	59,855,999	(11,834,651)	11,263,687	5,648,800	25,066,345

					Bank
					31 Dec 2012
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with the central Bank	57,426,152	-	-	-	1,730,749	59,156,901
Deposits with other Banks	9,574,887	4,280,000	-	-	5,000	13,859,887
Precious Metal	-	-	-	-	2,967	2,967
Placement with other Banks	1,251,421	-	-	-	-	1,251,421
Trading assets	146,394	788,920	2,588,524	-	-	3,523,838
Financial assets purchased under resale agreements	13,175,917	5,575,353	-	-	-	18,751,270
Loans and advances	70,383,487	112,131,339	2,603,876	945,561	-	186,064,263
Financial assets classified as available-for-sale	9,088,394	2,281,132	9,020,469	3,812,239	1,582,827	25,785,061
Securities classified as held-to-maturity	926,473	4,375,246	21,328,759	9,530,054	-	36,160,532
Securities classified as loans and advances	8,085	81,850	97,778	-	-	187,713
Other assets	-	-	-	-	11,461,500	11,461,500
Total financial assets	161,981,210	129,513,840	35,639,406	14,287,854	14,783,043	356,205,353
Due to other Banks and financial institutions	(10,721,129)	(1,861,943)	-	-	-	(12,583,072)
Financial assets sold under repurchased agreements	(6,470,000)	-	-	-	-	(6,470,000)
Placement from other Banks	(6,304,940)	(59,447)	-	-	-	(6,364,387)
Due to customers	(167,980,786)	(64,251,833)	(51,088,829)	-	(378,194)	(283,699,642)
Deposits from wealth management products	(2,534,823)	(382,651)	-	-	-	(2,917,474)
Bonds issued	-	-	(6,500,000)	-	-	(6,500,000)
Other liabilities	(23,427)	-	-	-	(8,847,103)	(8,870,530)
Total financial liabilities	(194,035,105)	(66,555,874)	(57,588,829)	-	(9,225,297)	(327,405,105)
Net interest re-pricing gap	(32,053,895)	62,957,966	(21,949,423)	14,287,854	5,557,746	28,800,248

						Bank
						31 Dec 2011
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with the central Bank	49,922,389	-	-	-	2,023,879	51,946,268
Deposits with other Banks	9,909,818	3,691,793	-	-	-	13,601,611
Precious Metals	-	-	-	-	9,811	9,811
Placements to other banks	4,063,009	-	-	-	-	4,063,009
Trading assets	10,159	428,341	-	-	-	438,500
Financial assets purchased under resale agreements	17,507,645	1,598,644	-	-	-	19,106,289
Loans and advances	62,675,858	95,426,635	2,847,881	623,054	-	161,573,428
Financial assets classified as available-for-sale	3,948,528	2,685,272	3,612,560	2,117,418	1,800,582	14,164,360
Securities classified as held-to-maturity	848,002	7,092,744	17,791,320	8,514,423	-	34,246,489
Securities classified as loans and advances	25,911	1,351,493	87,110	-	-	1,464,514
Other assets	-	-	-	-	8,246,456	8,246,456
Total financial assets	148,911,319	112,274,922	24,338,871	11,254,895	12,080,728	308,860,735
Due to other Banks and financial institutions	(9,639,253)	(600,000)	-	-	-	(10,239,253)
Financial assets sold under repurchased agreements	(10,067,260)	-	-	-	-	(10,067,260)
Placement from other Banks	(8,051,822)	-	-	-	-	(8,051,822)
Due to customers	(159,337,081)	(52,111,868)	(34,847,821)	(2)	(73,312)	(246,370,084)
Deposits from wealth management products	(942,155)	(197,346)	-	-	-	(1,139,501)
Bonds issued	-	-	(1,500,000)	-	-	(1,500,000)
Other liabilities	(15,340)	-	-	-	(6,503,091)	(6,518,431)
Total financial liabilities	(188,052,911)	(52,909,214)	(36,347,821)	(2)	(6,576,403)	(283,886,351)
Net interest re-pricing gap	(39,141,592)	59,365,708	(12,008,950)	11,254,893	5,504,325	24,974,384

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 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
+ 100 basis point parallel move in all yield curves	(44,022)	(124,381)	(44,379)	(118,259)
- 100 basis point parallel move in all yield curves	44,022	124,381	44,379	118,259

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

a.There are no significant changes in business operations after balance sheet date;

b.The impacts on different assets and liabilities are same;

c.All interest re-priced assets and liabilities are re-priced in the middle of each specified time period;

d. Customers' responses to interest rate movement are not considered ;

e.Impact from interest rate movement on market prices of assets and liabilities are not considered;

f.Impact from interest rate movement on off-balance sheet items are not considered;

g.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 partyas 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 rations, 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
						31 Dec 2012
	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	60,686,303	26,866	-	-	-	60,713,169
Deposits with other Banks	5,339,337	4,773,320	4,778,272	-	-	14,890,929
Precious Metals	2,967	-	-	-	-	2,967
Placement with other Banks	1,253,704	-	-	-	-	1,253,704
Trading assets	495	111,351	920,041	2,933,528	-	3,965,415
Financial assets purchased under resale agreements	8,720,465	4,541,550	5,759,282	-	-	19,021,297
Loans and advances	13,029,684	25,709,720	88,493,505	66,203,195	27,982,121	221,418,225
Financial assets classified as available-for-sale	7,168,212	3,410,123	1,602,194	12,376,508	4,235,991	28,793,028
Securities classified as held-to-maturity	146,570	769,694	5,325,974	25,142,472	10,630,482	42,015,192
Securities classified as loans and receivables	1,239	8,115	89,793	114,056	-	213,203
Other financial assets	148,781	3,310	339	260	-	152,690
Total financial assets (contractual maturity dates)	96,497,757	39,354,049	106,969,400	106,770,019	42,848,594	392,439,819
Financial Liabilities						
Borrowing from the central bank	-	-	(170,578)	-	-	(170,578)
Due to other Banks and financial institutions	(2,928,353)	(4,204,558)	(1,929,087)	-	-	(9,061,998)
Placement from other Banks	(5,956,331)	(355,262)	(61,384)	-	-	(6,372,977)
Financial assets sold under repurchased agreements	(6,477,011)	-	-	-	-	(6,477,011)
Due to customers	(152,414,283)	(24,107,403)	(67,624,914)	(58,811,547)	-	(302,958,147)
Deposits from wealth management products	(1,190,894)	(1,345,952)	(387,760)	-	-	(2,924,606)
Bonds issued	-	(299,500)	(5,893,000)	(1,749,000)	-	(7,941,500)
Other financial liabilities	(6,250)	(5,215)	(4,254)	-	-	(15,719)
Total financial liabilities (contractual maturity dates)	(168,973,122)	(30,317,890)	(76,070,977)	(60,560,547)	-	(335,922,536)
Net cash flows	(72,475,365)	9,036,159	30,898,423	46,209,472	42,848,594	56,517,283

						Group
						31 Dec 2011
	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	52,141,245	-	-	-	-	52,141,245
Deposits with other Banks	13,614,290	83,404	336,141	-	-	14,033,835
Precious Metals	9,811	-	-	-	-	9,811
Placements to other banks	3,011,126	1,081,460	-	-	-	4,092,586
Trading assets	-	159	458,829	-	-	458,988
Financial assets purchased under resale agreements	15,646,222	1,985,339	1,653,915	-	-	19,285,476
Loans and advances	9,914,541	19,405,019	71,339,902	60,391,680	30,669,929	191,721,071
Financial assets classified as available-for-sale	696,754	1,687,091	3,888,486	7,940,943	2,501,773	16,715,047
Securities classified as held-to-maturity	25,952	650,414	3,324,799	26,673,888	10,312,111	40,987,164
Securities classified as loans and receivables	1,961	45,554	1,325,512	192,413	-	1,565,440
Other financial assets	90,686	-	-	-	-	90,686
Total financial assets (contractual maturity dates)	95,152,588	24,938,440	82,327,584	95,198,924	43,483,813	341,101,349
Financial Liabilities						
Due to other Banks and financial institutions	(1,860,358)	(7,850,033)	(612,640)	-	-	(10,323,031)
Placements from other banks	(7,609,883)	(462,636)	-	-	-	(8,072,519)
Financial assets sold under repurchased agreements	(9,721,748)	(713,938)	-	-	-	(10,435,686)
Due to customers	(136,100,673)	(25,411,216)	(54,180,963)	(39,198,113)	-	(254,890,965)
Deposits from wealth management products	(943,580)	(200,262)	(4,275)	-	-	(1,148,117)
Bonds issued	-	-	(79,500)	(2,281,500)	-	(2,361,000)
Total financial liabilities	(156,236,242)	(34,638,085)	(54,877,378)	(41,479,613)	-	(287,231,318)
Net cash flows	(61,083,654)	(9,699,645)	27,450,206	53,719,311	43,483,813	53,870,031

						Bank
						31 Dec 2012
	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	59,196,069	-	-	-	-	59,196,069
Deposits with other Banks	5,850,994	3,867,818	4,471,499	-	-	14,190,311
Precious metals	2,967	-	-	-	-	2,967
Placement with other Banks	1,253,704	-	-	-	-	1,253,704
Trading assets	495	111,351	920,041	2,933,528	-	3,965,415
Financial assets purchased under resale agreements	8,808,278	4,541,550	5,759,282	-	-	19,109,110
Loans and advances	12,957,425	25,433,795	85,357,577	65,576,242	27,940,171	217,265,210
Financial assets classified as available-for-sale	7,006,816	3,198,128	1,602,194	12,288,576	4,235,991	28,331,705
Securities classified as held-to-maturity	146,570	769,694	5,325,974	25,075,112	10,630,482	41,947,832
Securities classified as loans and receivables	1,239	8,115	89,793	114,056	-	213,203
Other financial assets	148,487	-	-	-	-	148,487
Total financial assets (contractual maturity dates)	95,373,044	37,930,451	103,526,360	105,987,514	42,806,644	385,624,013
Financial Liabilities						
Due to other Banks and financial institutions	(6,597,536)	(4,199,549)	(1,929,087)	-	-	(12,726,172)
Placement from other Banks	(5,956,331)	(355,262)	(61,384)	-	-	(6,372,977)
Financial assets sold under repurchased agreements	(6,477,011)	-	-	-	-	(6,477,011)
Due to customers	(146,201,906)	(22,954,315)	(66,922,868)	(58,446,201)	-	(294,525,290)
Deposits from wealth management products	(1,190,894)	(1,345,952)	(387,760)	-	-	(2,924,606)
Bonds issued	-	(299,500)	(5,893,000)	(1,749,000)	-	(7,941,500)
Total financial liabilities (contractual maturity dates)	(166,423,678)	(29,154,578)	(75,194,099)	(60,195,201)	-	(330,967,556)
Net cash flows	(71,050,634)	8,775,873	28,332,261	45,792,313	42,806,644	54,656,457

						Bank
						31 Dec 2011
	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	51,980,300	-	-	-	-	51,980,300
Deposits with other Banks	13,614,290	83,404	122,277	-	-	13,819,971
Precious Metals	9,811	-	-	-	-	9,811
Placements to other banks	3,011,126	1,081,460	-	-	-	4,092,586
Trading assets	-	159	458,829	-	-	458,988
Financial assets purchased under resale agreements	15,646,222	1,985,339	1,653,915	-	-	19,285,476
Loans and advances	9,914,541	19,405,019	70,866,515	60,262,976	30,660,856	191,109,907
Financial assets classified as available-for-sale	696,754	1,687,091	3,888,486	7,940,943	2,501,773	16,715,047
Securities classified as held-to-maturity	25,952	649,604	3,322,675	26,605,086	10,312,111	40,915,428
Securities classified as loans and receivables	1,961	45,554	1,325,512	192,413	-	1,565,440
Other financial assets	90,448	-	-	-	-	90,448
Total financial assets (contractual maturity dates)	94,991,405	24,937,630	81,638,209	95,001,418	43,474,740	340,043,402
Financial Liabilities						
Due to other Banks and financial institutions						
Placements from other banks	(7,609,883)	(462,636)	-	-	-	(8,072,519)
Financial assets sold under repurchased agreements	(9,721,748)	(713,938)	-	-	-	(10,435,686)
Due to customers	(135,098,587)	(25,297,635)	(54,118,752)	(39,197,924)	-	(253,712,898)
Deposits from wealth management products	(943,580)	(200,262)	(4,275)	-	-	(1,148,117)
Bonds issued	-	-	(79,500)	(2,281,500)	-	(2,361,000)
Total financial liabilities (contractual maturity dates)	(155,234,156)	(34,524,504)	(54,815,167)	(41,479,424)	-	(286,053,251)
Net cash flows	(60,242,751)	(9,586,874)	26,823,042	53,521,994	43,474,740	53,990,151

(ii) Off-balance sheet items

				Group
				31 Dec 2012
	No later than 1 year	1-5 years	Over 5 years	Total
Letters of credit issued	782,200	-	-	782,200
Letters of guarantee issued	634,118	397,285	-	1,031,403
Acceptances	4,277,607	-	-	4,277,607
Unused credit card facility	1,913,116	-	-	1,913,116
Operating lease commitments	131,656	371,153	144,775	647,584
Capital commitments	274,217	103,410	-	377,627
Total	8,012,914	871,848	144,775	9,029,537

				Group
				31 Dec 2011
	No later than 1 year	1-5 years	Over 5 years	Total
Letters of credit issued	675,625	-	-	675,625
Letters of guarantee issued	410,131	307,233	-	717,364
Acceptances	3,019,101	-	-	3,019,101
Unused credit card facility	2,206,804	-	-	2,206,804
Operating lease commitments	79,551	261,721	108,800	450,072
Capital commitments	524,356	550,000	-	1,074,356
Total	6,915,568	1,118,954	108,800	8,143,322

				Bank
				31 Dec 2012
	No later than 1 year	1-5 years	Over 5 years	Total
Letters of credit issued	782,200	-	-	782,200
Letters of guarantee issued	634,118	397,285	-	1,031,403
Acceptances	4,277,607	-	-	4,277,607
Unused credit card facility	1,913,116	-	-	1,913,116
Operating lease commitments	116,725	310,650	109,362	536,737
Capital commitments	273,653	103,410	-	377,063
Total	7,997,419	811,345	109,362	8,918,126

				Bank
				31 Dec 2011
	No later than 1 year	1-5 years	Over 5 years	Total
Letters of credit issued	675,625	-	-	675,625
Letters of guarantee issued	410,131	307,233	-	717,364
Acceptances	3,019,101	-	-	3,019,101
Unused credit card facility	2,206,804	-	-	2,206,804
Operating lease commitments	78,007	255,545	107,640	441,192
Capital commitments	524,356	550,000	-	1,074,356
Total	6,914,024	1,112,778	107,640	8,134,442

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 2012, the financial instruments with differences between carrying value and fair value are showed as follows:

				Group
	31 Dec 2012		31 Dec 2011	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets				
Securities classified as held-to-maturity	36,561,649	36,222,794	34,645,426	34,306,571
Investment securities- loans and receivables	190,626	187,713	1,483,194	1,464,514
Financial liabilities				
Customer deposits	(290,366,083)	(289,412,558)	(254,026,812)	(251,268,316)
Subordinated debt	(6,520,649)	(6,517,336)	(1,414,160)	(1,506,516)

				Bank
		31 Dec 2012		31 Dec 2011
	Fair value	Carrying value	Fair value	Carrying value
Financial assets				
Securities classified as held-to-maturity	36,302,264	36,160,532	34,585,344	34,246,489
Investment securities- loans and receivables	190,626	187,713	1,483,194	1,464,514
Financial liabilities				
Customer deposits	(290,342,708)	(289,389,183)	(252,845,146)	(250,086,650)
Subordinated debt	(6,520,649)	(6,517,336)	(1,414,160)	(1,506,516)

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). Subordinated debt

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 Dec 2012
	Level 1	Level 2	Level 3	Total
Trading assets				
-Debt securities	-	3,523,838	-	3,523,838
Investment securities available-for-sale				
-Debt securities	-	15,965,535	-	15,965,535
-Equity securities	922,933	-	659,894	1,582,827
-Return on equity rights	-	-	1,743,000	1,743,000
-Wealth management securities of other banks	-	-	6,951,631	6,951,631
Total financial assets	922,933	19,489,373	9,354,525	29,766,831

				Bank
				31 Dec 2012
	Level 1	Level 2	Level 3	Total
Trading assets				
-Debt securities	-	3,523,838	-	3,523,838
Investment securities available-for-sale				
-Debt securities	-	15,697,603	-	15,697,603
-Equity securities	922,933	-	659,894	1,582,827
-Return on equity rights	-	-	1,553,000	1,553,000
-Wealth management securities of other banks	-	-	6,951,631	6,951,631
Total financial assets	922,933	19,221,441	9,164,525	29,308,899

				Group
				31 Dec 2011
	Level 1	Level 2	Level 3	Total
Trading assets				
-Debt securities	-	438,500	-	438,500
Investment securities available-for-sale				
-Debt securities	-	9,940,160	-	9,940,160
-Equity securities	1,140,688	-	-	1,140,688
-Return on equity rights	-	-	659,894	659,894
-Wealth management securities of other Banks	-	-	2,550,000	2,550,000
Total financial assets	1,140,688	10,378,660	3,209,894	14,729,242

				Bank
				31 Dec 2011
	Level 1	Level 2	Level 3	Total
Trading assets				
-Debt securities	-	438,500	-	438,500
Investment securities available-for-sale				
-Debt securities	-	9,813,778	-	9,813,778
-Equity securities	1,140,688	-	-	1,140,688
-Return on equity rights	-	-	659,894	659,894
-Wealth management securities of other Banks	-	-	2,550,000	2,550,000
Total financial assets	1,140,688	10,252,278	3,209,894	14,602,860

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 wealth management products by other banks and trust plans. 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
	Financial assets classified as available-for-sale				Total financial assets
	Debt securities	Equity securities	Wealth management securities of other Banks	Trust plans	Total
Balance of 1 January 2012	659,894	-	2,550,000	-	3,209,894
Total gains or losses					
-profit or loss	-	-	239,498	-	239,498
-other comprehensive income	-	-	-	-	-
Purchase	-	659,894	16,160,000	1,743,000	18,562,894
Disposal	(659,894)	-	(11,997,867)	-	(12,657,761)
Balance of 31 December 2012	-	659,894	6,951,631	1,743,000	9,354,525
Total gains or losses for assets/liabilities held at 31 December 2012	-	-	239,498	-	239,498

					Bank
	Financial assets classified as available-for-sale				Total financial assets
	Debt securities	Equity securities	Wealth management securities of other Banks	Trust plans	Total
Balance of 1 January 2012	659,894	-	2,550,000	-	3,209,894
Total gains or losses					
-profit or loss	-	-	239,498	-	239,498
-other comprehensive income	-	-	-	-	-
Purchase	-	659,894	16,160,000	1,553,000	18,372,894
Disposal	(659,894)	-	(11,997,867)	-	(12,657,761)
Balance of 31 December 2012	-	659,894	6,951,631	1,553,000	9,164,525
Total gains or losses for assets/liabilities held at 31 December 2012	-	-	239,498	-	239,498

					Group and Bank
	Financial assets classified as available-for-sale				Total financial assets
	Debt securities	Equity securities	Wealth management securities of other Banks	Trust plans	Total
Balance of 1 January 2011	-	1,150,893	5,833,555	-	6,984,448
Total gains or losses				-	
-profit or loss	-	-	282,174	-	282,174
-other comprehensive income	-	-	14,705	-	14,705
Purchase	659,894	-	9,350,000	-	10,009,894
Disposal	-	(1,150,893)	(12,930,434)	-	(14,081,327)
Balance of 31 December 2011	659,894	-	2,550,000	-	3,209,894
Total gains or losses for assets/liabilities held at 31 December 2011	-	-	282,174	-	282,174

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 2012:

	31 Dec 2012	31 Dec 2011
Core capital		
Share capital	5,000,000	5,000,000
Capital surplus	8,177,069	7,552,349
Statutory reserve	5,099,347	4,260,171
General Banking reserve	2,625,540	2,625,540
Retained earnings	7,924,887	5,536,324
Adjustment:		
Unrealized gain of available-for-sale securities(i)	(66,011)	-
Unrealized gain of trading securities(i)	-	(186)
Cash dividends(ii)	(650,000)	(600,000)
Sub-total	28,110,832	24,374,198
Less: 50% of equity investment and 50% of investment properties	(647,579)	(707,989)
Net core capital	27,463,253	23,666,209
Supplementary Capital		
Collectively assessed impairment provision (iii)	4,347,867	4,157,760
Long-term subordinated debts	1,500,000	1,500,000
Unrealized gain of available-for-sale securities (i)	33,006	-
Unrealized gain of trading securities (i)	-	186
Sub-total	5,880,873	5,657,946
Total capital	33,991,705	30,032,144
Less: Equity investments and investment properties	(1,295,158)	(1,415,978)
Subordinated bonds issued by other Banks	(50,818)	(50,809)
Net capital	32,645,729	28,565,357

(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 Dec 2012	31 Dec 2011
Risk-weighted assets:		
On-balance sheet	197,413,923	170,961,724
Off-balance sheet	4,055,254	3,226,540
Total risk-weighted assets	201,469,177	174,188,264
Market risk capital	72,615	240,341
Core Capital adequacy ratio	13.57%	13.36%
Total capital adequacy ratio	16.13%	16.12%

SUPPLEMENTARY FINANCIAL INFORMATION PROVIDED BY MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012 Financial Statements of Foreign Currency Operation

(除特别注明外, 金额单位均为美元)

	31 Dec 2012	31 Dec 2011
Assets		
Cash and deposits with the central Bank	18,455,513	12,620,358
Deposits with other Banks	92,462,602	65,191,592
Placement with other Banks	40,000,084	10,000,000
Trading assets	-	-
Financial assets purchased under resale agreements	-	-
Interest receivables	299,979	32,583
Loans and advances	263,857,554	186,931,497
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	2,437,387	24,557
Total Assets	417,513,119	274,800,587
Liabilities		
Due to other Banks and financial institutions	37,304,547	42,480
Placements from other banks	121,229,285	101,861,600
Financial assets sold under repurchased agreements	-	-
Due to customers	158,575,720	78,473,561
Deposits from wealth management products	-	-
Employee benefits payable	-	-
Taxes payable	-	-
Interest payable	261,005	369,270
Provision	-	-
Deferred tax liabilities	-	-
Subordinated debt	-	-
Other liabilities	69,787,804	89,373,304
Total Liabilities	387,158,361	270,120,215
Shareholders' Equity		
Share capital	-	-
Capital surplus	-	-
Surplus reserve	-	-
General Banking reserve	-	-
Undistributed profits	30,354,758	4,680,372
Total Shareholders' Equity	30,354,758	4,680,372
Total Liabilities and Shareholders' Equity	417,513,119	274,800,587

	2012	2011
1.Operating Income	5,967,560	3,327,113
Net interest income	4,928,169	2,929,957
Interest income	8,771,992	4,582,212
Interest expense	(3,843,823)	(1,652,255)
Net fee and commission income	1,035,977	396,372
Fee and commission income	1,195,877	473,860
Fee and commission expenses	(159,900)	(77,488)
Investment loss	-	-
Including: share of losses of associates	-	-
Fair value gains	-	-
Foreign exchange gains/(losses)	3,384	754
Other operating income	30	30
2.Operating Expense	-	-
Business tax and levies	-	-
Operating expenses	-	-
Asset impairment losses	-	-
Other operating expenses	-	-
3.Operating Profit	5,967,560	3,327,113
Non-operating income	-	-
Non-operating expenses	-	-
4.Total Profit	5,967,560	3,327,113
Less: Income tax	-	-
5.Net Profit	5,967,560	3,327,113

SRCB

Annual Report

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