2018

Annual Report
Bank of Shanghai

Stock Code:601229

上海银行
Bank of Shanghai

智慧金融·专业服务

上海银行
Bank of Shanghai
智慧金融·专业服务

Important Notice

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and the senior management of the Bank undertake that the information in this report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume individual and joint liabilities.

2. The Bank's Board of Directors approved the resolution regarding 2018 Annual Report of Bank of Shanghai Co., Ltd. at the 5th meeting of the tenth session of the Board of Directors on 19 April 2019. 17 Directors were eligible to attend this meeting and this meeting was attended in person or by proxy by 15 Directors, among which, Ye Jun (Non-executive Director) authorized Ying Xiaoming (Non-executive Director),Xu Jianxin (Independent Non-executive Director) authorized Sun Zheng (Independent Non-executive Director),to attend the meeting and vote at the meeting on his behalf. Three members of the Board of Supervisors participated this meeting.

3. According to the profit distribution proposal subject to the approval of Board of Directors, on the basis of the total share capital of 10,928,099,000 shares as at the end of 2018, a cash dividend of RMB4.50 (tax inclusive) for every 10 shares, RMB4,917,644,550 in aggregate, and three bonus shares for every 10 shares by way of capitalisation of capital reserve, RMB3,278,429,700 in aggregate, to be distributed to all shareholders. The registered capital of the Bank will increase from RMB10,928,099,000 to RMB14,206,528,700 after the capitalisation of capital reserve. Profit distribution proposal shall be submitted to the 2018 annual general meeting for approval.

4. The 2018 financial statements prepared by the Group in accordance with Chinese Accounting Standards have been audited by KPMG Huazhen (Special General Partnership) in accordance with Auditing Standards for the Chinese Certified Public Accountants respectively, with standard unqualified auditor's reports being issued.

5. The financial data and indicators contained in this annual report are prepared in accordance with Chinese Accounting Standards. Unless otherwise specified, all amounts are the consolidated data of the Group and stated in RMB. The "Group" shall be referred to as Bank of Shanghai Co., Ltd. and its subsidiaries.

6. Jin Yu, Chairman of the Bank, Hu Youlian, President, Shi Hongmin, Vice President and Chief Financial Officer, hereby warrant and guarantee that the financial statements contained in this annual report are true, accurate and complete.

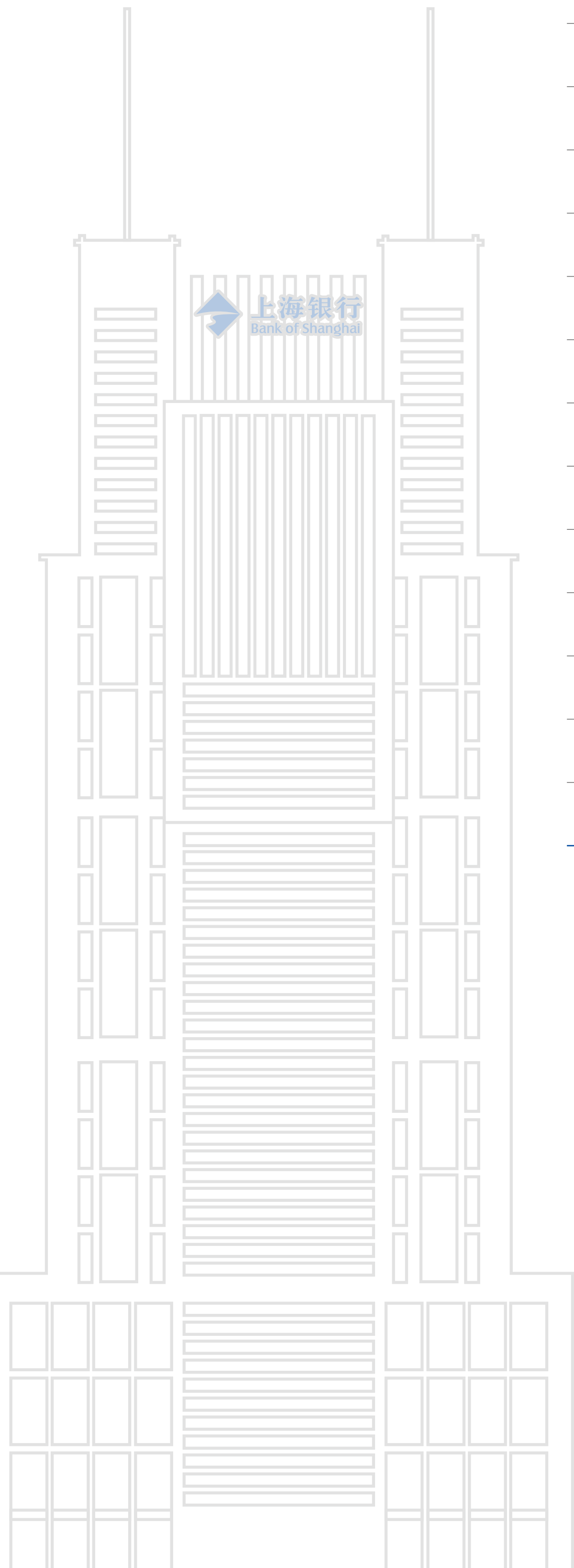
7. Disclaimer on forward looking statements: The forward-looking statements regarding future plans and development strategies contained in this annual report do not constitute any commitment by the Group to investors. Investors and related parties shall maintain adequate risk awareness of such statements and understand the differences between plans, projections and commitments.

8. Material risk reminder: There was no foreseeable material risk of the Bank. Risks faced by the Bank in its operations mainly include: credit risk, market risk, operational risk and liquidity risk. Various measures were taken by the Bank so as to manage and control various business risks. Please refer to the Chapter of "Discussion and Analysis of Operation" for details.

Definitions

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

Bank	Bank of Shanghai Co., Ltd.
Group	Bank of Shanghai Co., Ltd. and its subsidiaries
Hong Kong Subsidiary	Bank of Shanghai (Hong Kong) Ltd.
BOSC International	BOSC International Company Limited
BOSC Asset	BOSC Asset Management Limited
Central Bank or PBOC	The People's Bank of China
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CBIRC Shanghai Office	China Banking and Insurance Regulatory Commission Shanghai Office
SSE	the Shanghai Stock Exchange
Free Trade Zone	China (Shanghai) Pilot Free Trade Zone
Santander	Banco Santander, S.A.
Shanghai Commercial Bank	Shanghai Commercial Bank Limited
RMB	Renminbi



Chairman's Statement

The year 2018 marked the 40th anniversary of the reform and opening-up of China as well as the beginning of the Three-year Development Plan of the third stage of the Bank's "boutique bank" strategy. Against the backdrop of a complex and fast-changing environment, we maintained strategic focus and carried out work in accordance with the goals and plans already set. While opening up to the market and seeking to promote comprehensive development, we strove to achieve our goal of becoming a "boutique bank" with confidence. Operating income and net profit attributable to the shareholders of the Bank recorded a double-digit growth during the year. Business structure was optimised, and strategic business continued to bloom. Asset quality remained stable, and provision resulted in a higher level. Stable dividend policy was maintained, and investment returns were further increased.

We understand that every commercial banks have to operate risks, and satisfactory operating results can never be accomplished overnight. As such, we have persevered with our "boutique bank" strategy not only as a commitment to our shareholders, customers and the community, but also as a pursuit of our sustainable development. In the course of our development, we have integrated the "boutique bank" strategy with new banking operation and management measures so as to explore and to expand our sustainable development possibilities.

Our sustainability is built upon the promising development of the real economy and the favourable opportunities arising from the uncertain economic environment. We capitalised on the opportunities brought about by country strategy and supported the Belt and Road Initiative, the integrated development of the Yangtze River Economic Zone, the Beijing-Tianjin-Hebei Economic Integration, the establishment of the Guangdong-Hong Kong-Macau Greater Bay Area and the development of the Free Trade Zone. Fully leveraging our presence and insightful arrangements, we established the Belt and Road Initiative Service Centre, the Greater Bay Area Business Promotion Committee and other organisations to expedite the creation of new sources of growth. Grasping the pulse of the times and follow the market footsteps, we actively supported the supply-side reform, facilitated transformation and upgrading in manufacturing and speed up the growth of the strategic emerging industries. Efforts were made to enhance credit structure and develop featured businesses and products. As at the end of 2018, the balance of corporate loans was RMB534,270 million, representing an increase of 19.63% as compared with the end of the previous year. During the year, loans to the supply-chain finance amounted to RMB52,487 million, representing a year-on-year increase of 117.22%. As at the end of the year, the balance of loans to technological enterprises amounted to RMB65,874 million, representing an increase of 37.92% as compared with the end of the previous year. In addition, we took advantage of the upgrade of consumption market, and further strengthened our strategic positioning by making retail business our priority. With greater understanding of the consumption trend, we made full use of the internal and external channels to boost the returns of our retail business. As at the end of the year, the balance of retail loans was RMB276,821 million, representing an increase of 59.05% as compared with the end of the previous year. Consumption loans accounted for 68.07% of the total balance of retail loans, representing an increase of 14.01 percentage points when compared with the end of the previous year.

Our sustainability focuses on the responsiveness of the financing needs of our customers and the commitment to customer-centric value creation. During the year, based on the supply-side reform, we optimised the allocation of our financial resources, strengthened our financial innovation and portfolios, and made good use of our advantages in comprehensive financial services. With our precise and professional services that cater for customers' increasing needs and improve customers' loyalty, we were able to enhance our competitive strengthens. Through the synergy of our comprehensive financial services, we are pleased to note that our service efficiency and competence have been improving. Strategic business segments such as transaction banking, cross-border banking, investment banking, wealth management and internet finance have picked up their growth momentum, which further boosted our development. Moreover, we introduced "30 measures in support of private and small and micro enterprises". A mechanism was formulated to solve the financing problems of private firms and small and micro businesses, which further consolidated our customer base. We will keep exploring the potential of inclusive finance business development.

Our sustainability is integrated with technological reforms and trends in order to support the growing financing business with advanced technologies. Finance and technology have become inseparable. Based on the technological advancement, we carried out extensive reforms in our operation and management so as to strive for better competitive edges. We established an online supply-chain financial products system, "BOSC e-chain". Efforts were made to optimise online consumption loans, namely "Credit Loan" and "Online Express Credit Loan". Information technology was applied to solve the customers' pain points and facilitated business expansion. Our positioning as an online financial service provider was consolidated by further developing two major online platforms, namely "BOSC Express" and mobile banking. Fintech was extensively applied and integrated in our daily operation. Innovative services and products were launched to improve customers' satisfaction and experience. As at the end of 2018, the number of online customers of the Bank was 20,499,200, representing an increase of 59.33% as compared with the end of the previous year. The number of mobile banking customers was 4,504,500, representing an increase of 40.94% as compared with the end of the previous year. We stepped up our efforts to accelerate digital transformation and broaden digital application. Business decision-making mechanism was digitalised in a bid to facilitate precise operation and quantify risk management. In 2018, we also upgraded our core business system and created a digital financial platform, OpenAPI, laying a solid foundation for information technology innovation. The enhancement of innovative operation mechanism and technological resource allocation allowed us to carry out continuous improvement in our innovation initiatives.

Our sustainability is consolidated through efficient management. We pursue steady and resilient operation based on optimal management. Continuous efforts were made to enhance our management system and approaches. Strategic close-loop management was strengthened as we aligned our strategic goals with our integrated operation plan, asset and liability management, resource allocation and risk management. Adhering to the bottom line of our risk profile, we thoroughly perfected our risk control and established risk control mechanisms for different types of risks. We also attached importance to effective risk alert in major aspects by enhancing risk control mechanisms, risk prevention measures and risk management initiatives. Full-scale asset and liability management was conducted according to in-depth trend analysis. We set up an operation mechanism that allows us to strategically coordinate and control assets and liabilities with insightful measures. Emphasis was placed on stringent management, refined systems and self-improvement while staff motivation and profession expertise were enhanced in key segments. We also formulated work procedures to improve operation and management efficiency.

Our sustainability is derived from the interests of our stakeholders, on which our value creation and sharing mechanism are based. With the development philosophy of a "boutique bank" in mind, we strengthened the mechanism of investor relations management and enhanced different interaction channels for investors. We took prompt follow-up measures in response to market concerns and address the issues in due course. We also considered market expectations when refining our strategies and improving value creation. Furthermore, as part of our commitment to becoming a socially responsible enterprise, we have integrated social responsibilities into our "boutique bank" strategy. In an effort to bring wellspring of finance to the real economy, we continued to explore green financing models. Based on our people-oriented principle, we facilitated the improvement of employees' abilities in line with the growth of the Bank. To fulfil our obligations as a corporate citizen, we stepped up our poverty alleviation efforts.

Our sustainability depends on good corporate governance, which is essential to our continuous value creation. Adhering to advancing corporate governance, we incorporated the guiding principles of the Communist Party of China into our corporate governance initiatives. We also strove to achieve our strategic goals in line with our "boutique bank" strategy. The Board of Directors strengthened its stock option management through maintaining comprehensive, diversified and stable equity structure, establishing prudent shareholding culture and consolidating corporate governance foundation. In order to ensure the efficient operation of each business unit, we optimised the incentive and restraint mechanism, carried out market-oriented reforms, smoothed out the implementation of our strategies and energised our operation. With the diligence, expertise and wisdom of each director, the Board of Directors was able to make decisions effectively and operate efficiently.

Despite all kinds of challenges, we are still on the march for greater success. Looking forward to 2019, in the face of the increasingly complicated and intense market conditions, greater risks and tougher challenges against the backdrop of a long-term upward economic trend, it is crucial for us to remain poised to capture strategic opportunities. We have identified optimal coping methods, fostered strategic strengthens, expanded development capacity and bolstered development confidence, which will underpin our sustainable development. In 2019, we will remain determined and committed when carrying out our strategies, solutions, reforms and innovations, risk management and steady execution. With continuous efforts and relentless pursuit of comprehensive development, we will take the sustainability of Bank of Shanghai to a new level and celebrate the 70th anniversary of the founding of the People's Republic with our exceptional performance.

Chairman: 

President's Statement

The year 2018 was the first year of the stage of the Bank's strategy. With strong support from all sectors of society, we adhered to our strategies and focused on creating value, and took increasing operating income and managing risks as our main task in response to the changing environment. We seized the opportunities with great efforts amid challenges. Significant achievements were made in pursuit of the "boutique bank" strategy.

Firstly, we recorded rapid growth in profit through general improvement of our strengths. The net profit attributable to the shareholders of the Bank for the reporting period was RMB18,034 million, representing a year-on-year growth of 17.65%. Our operating income for the reporting period amounted to RMB43,888 million, representing a year-on-year growth of 32.49%. Our total assets exceeded RMB2 trillion and our balance of total deposits exceeded RMB1 trillion. We ranked 76th among the Top 1000 World Banks in terms of tier-1 capital by The Banker, an advancement of 9 places as compared with previous year.

Secondly, we further optimised our development structure during the process of transformation. As at the end of the year, the proportion of total loans and advances to customers in total assets recorded a growth of 5.22 percentage points and the proportion of retail loans recorded a growth of 6.33 percentage points compared with the end of the previous year. The balance of general deposit accounted for 55.87% of our total liabilities, representing a year-on-year growth of 0.24 percentage point. Furthermore, the contribution from transaction banking, cross-border banking, investment banking, wealth management, internet finance and other featured businesses were steadily increased.

Thirdly, our asset quality remained stable and our risk coverage was further enhanced. As at the end of the reporting period, our non-performing loans ratio of the Bank was 1.14%, representing a decrease of 0.01 percentage point compared with the end of the previous year. The allowance of non-performing loans was 332.95%, representing an increase of 60.43 percentage points compared with the end of the previous year.

In retrospect, our outstanding performance was attributable to our continuous efforts in the exploration to become a "boutique bank", our services for the real economy, our prudent operation focusing on solid risk management and the consolidation of our competitiveness.

Over the year, we rooted in the real economy to accelerate the process of transformation and put great efforts in strengthening our development ability. We always stay true to the vision of customers-centred development, aiming to deliver excellent customer experience by further improving our service quality and expanding our service coverage.

We stay true to our founding mission and exerted efforts to strengthen services. In line with the general development of China, we provided stronger credit support and optimised our business structure. To serve the real economy, we introduced "30 measures in support of private and small and micro enterprises" and supply-chain financing services as well as technology and innovation financing service solutions to support inclusive finance. We further improved our product portfolio and services and enhanced our internal management and risk control level to better service private firms and small and micro businesses and technology and innovation enterprises. Focused on financing industry upgrade, enhancing cooperation between banks and enterprises and supporting real economy, the bank's inclusive finance, supply-chain finance and technology and innovation financing businesses recorded rapid growths.

We built a more intimate bond with the development of regional economy and further expanded the coverage of our services. Leveraging on our advantages of the geographical distribution of our outlets, we were able to cope with the strategies and policies of the government. In a bid to integrate our services in Yangtze River Delta and to modify business plan in response to government policies, we initiated a conference of city commercial banks in Yangtze River Delta with a view to integrating with regional economy and services enhancement. In addition, to support the Beijing-Tianjin-Hebei Economic Integration, we facilitated the relocation of non-capital functions of Beijing, the development of Xiong'an New District and satellite city in Tongzhou. We seized the opportunities of financing the development of transportation infrastructure and migration of corporates and population. To support the development of Guangdong-Hong Kong-Macau Greater Bay Area, we established a promotion committee to prepare for business development in the area through improving integration of internal resources and services enhancement. In respect of the development of "five centres" in Shanghai, we further optimised our services and accelerated the development of technology and innovation financing, transaction banking, cross-border banking, investment banking and other strategic businesses which closely related to the development of "five centres" in Shanghai.

We further optimised our services to cater for the needs of customers precisely. In line with the economic transformation, we took retail banking as our major priority. We further improved our professionalism of operation and aimed to acquire customers from different sectors and establish an operation and service system according to effective management strategies on sales, services and establishing professional operation team and ancillary services system. Attaching great importance to systematic operation, we launched innovative products and services, optimised strategies on sales channel and strengthened the system comprising customers, products and channels. In addition to prudent expansion of consumer finance business, we continued to position ourselves as an expert in wealth management and pension finance services.

Over the year, in order to maintain long-term stability, we strictly defended our risk baselines and developed our business in a prudent manner. We emphasised the importance of risk baseline and further enhanced our risk control ability to maintain our sustainable development.

We focused on certain major sectors and took advantage of the government's elimination of irregularities in the banking industry. To improve the implementation of regular risk prevention measures, we carried out general risk inspection, in particular credit risks and operational risks of the Bank. Effective measures have been taken to address structural problems and risk management has been further consolidated. We focused on the risk management of major segments and implemented preventive measures to eliminate risk factors at the levels of customers and products. As we placed great importance on post-disbursement management, we further enhanced our risk alert and exist mechanism and put efforts in loan recovery.

We focused on risk management of systems, operation and compliance and strengthened the closed-loop management through setting management targets and implementing accountability and assessment system and strengthening operational risk management and tightening internal control requirements. In respect of credit risk management, we had studied our credit approval procedure for further improvement. In respect of reputation risk management, we optimised the cooperation among various departments and business lines in the Bank and established a comprehensive risk elimination and prevention system to further strengthen our risk management and control ability as a whole.

We focused on supporting business by using management tool to facilitate the guiding effect of credit approval policy. Targets of credit provision and the strategic objectives were specified to improve our credit structure. Dynamic monitoring was conducted to strengthen our management. We increased our ability to provide scientific and technological support in operation risk management system and internal control system. Our management and control efficiency was improved through the establishment of a standardised rectification system.

Over the year, we laid a solid foundation for development with sophisticated management and believed that the time will come for us to shine. To address the image as a bank which offering smart financial and professional services, we put great efforts in providing professional financial services, improving management efficiency and applying strong technology.

We are committed to meeting the financial needs of our customers and providing more caring services. On one hand, we focus on offline services. We proactively improved the operation of our outlets and established outlets with new business model. Our services were furthered improved through the establishment of smart outlets. On the other hand, we focus on online services. By applying big data, OpenAPI and other fintech, we integrated financial services with ecological scenario and established internet service platform. Our internet finance business grew rapidly and had more than 20 million retail online customers as at the end of the year, and the business is still promising.

As our operation relies on our effective management, we put greater efforts to improve the efficiency of operation management. To swiftly response to market changes and to strengthen our operation ability, we established a dashboard system, streamlined our credit approval procedures and optimised our coordination. We have adopted a proactive approach to strengthen the operation of middle office of our branches and promote proactive operation at different levels through management system optimisation, performance assessment and effective allocation of resources.

Aiming to maintain sustainable development, we strived to develop strong technology supports. We had increased investments in information and technology. A number of major projects were launched during the year, including the core system, transition of new accounting standards, and STP system under IMA. With the commencement of operation of the development and testing centre in Suzhou, our technology innovation ability and production volume have been further strengthened and extended. In addition, we have strengthened our technology capability and established digital models for risk identification, customer analysis, outlet operation and operation of middle and back office. By utilising artificial intelligence technology, we further strengthened our technology support and development for further digital transformation.

Persistence is the path to success. We surpassed our peers and became a leading bank in 2018, which marked the first year of our new stage of the strategic development. With a splendid year 2019 ahead, we will continue to adhere to our strategy, put greater efforts in strengthening our ability and consolidating our foundation, and sail full speed ahead towards the shore of "boutique bank".

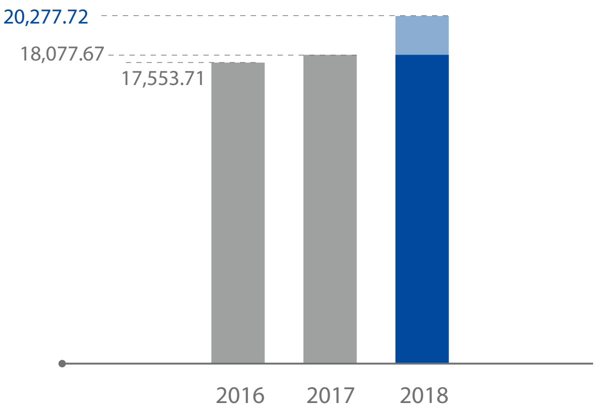
President:

Operation Results

Total Assets

(Unit: RMB100 million)

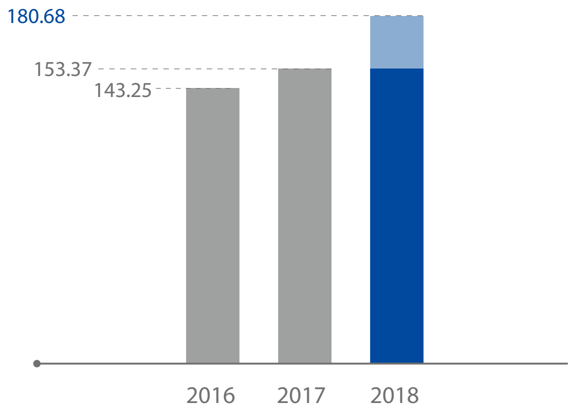
↗ 12.17%



Net Profit

(Unit: RMB100 million)

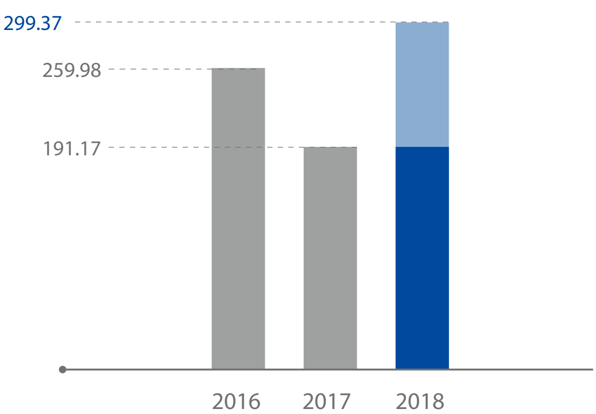
↗ 17.81 %



Net interest income

(Unit: RMB100 million)

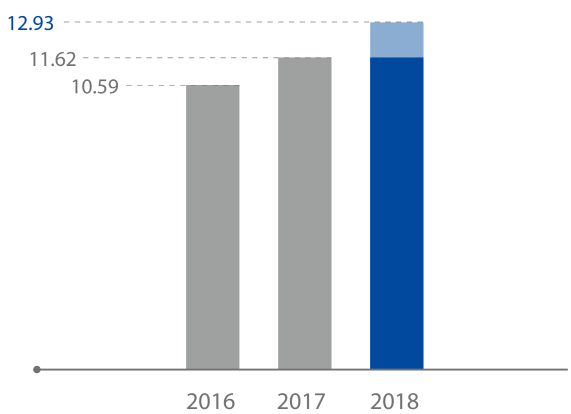
↗ 56.60 %



Net Assets Per Share Attributable to Shareholders of the Bank

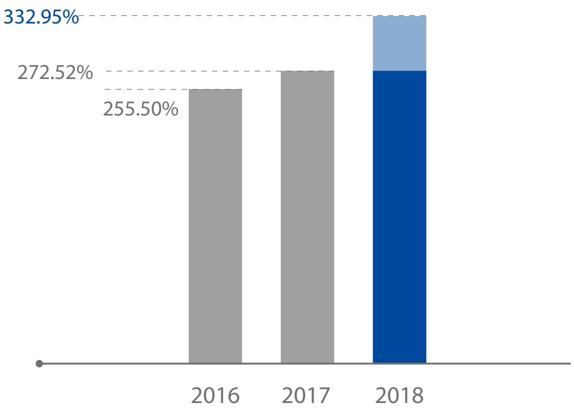
(Unit: RMB)

↗ 11.27 %



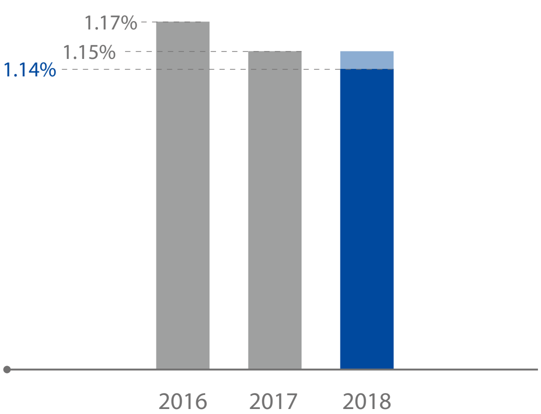
Allowance to non-performing loans

60.43 p.p



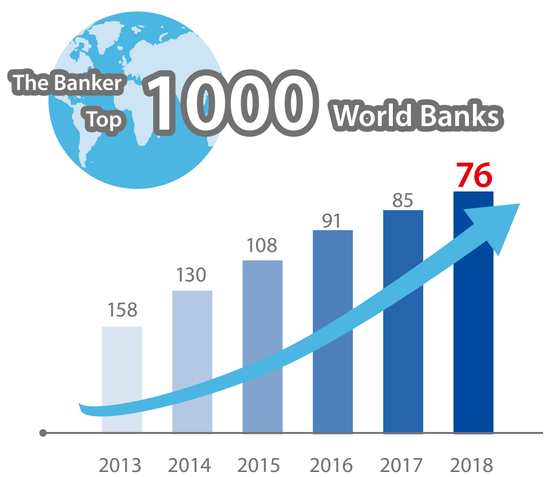
Non-performing Loans Ratio

0.01 p.p.



Ranking

The Bank was ranked 76th among the "Top 1000 Word Banks" in terms of tier-1 capital by *The Banker*, climbing 9 places as compared with previous year.



Contents

Company Profile and Major Financial Indicators

- Company Profile
- Major accounting data and financial indicators for the past three years
- Quarterly major financial data for 2018
- Extraordinary items and amount
- Other financial information disclosed in accordance with the regulatory requirements

Company Profile and Major Financial Indicators

I.Company Profile

I. Legal name in Chinese: 上海银行股份有限公司 (abbreviated as " 上海银行 ")

Legal name in English: Bank of Shanghai Co., Ltd.(abbreviated as "Bank of Shanghai", "BOSC")

II. Legal representative: Jin Yu

III. Board secretary: Li Xiaohong

Representative of securities affairs: Du Jinchao

Mailing address: No. 168, Middle Yincheng Road, China (Shanghai) Pilot Free Trade Zone

Telephone: 8621-68476988

Facsimile: 8621-68476215

E-Mail: ir@bosc.cn

IV. Registered address: No. 168, Middle Yincheng Road, China (Shanghai) Pilot Free Trade Zone

Business address: No. 168, Middle Yincheng Road, China (Shanghai) Pilot Free Trade Zone

Postal code: 200120

Website: http://www.bosc.cn

E-Mail: webmaster@bosc.cn

Telephone: 8621-68475888

Facsimile: 8621-68476215

Service hotline: 95594

V. Official newspaper for information disclosure: *China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily*

Website for annual reports: the website of the Shanghai Stock Exchange (http://www.sse.com.cn)

Location where copies of the annual report are kept : Office of the Board of Directors of the Bank and the Shanghai Stock Exchange

VI. Class of shares: Ordinary A shares

Stock exchange on which shares are listed: Shanghai Stock Exchange

Stock name: Bank of Shanghai

Stock code: 601229

Class of shares: Preference Shares

Stock exchange on which shares are listed: Shanghai Stock Exchange

Stock name: 上银优 1

Stock code: 360029

VII. Date of initial registration: 30 January 1996

Date of change of registration: 25 October 2018

Registration authority: Shanghai Administration of Industry and Commerce

Unified social credit code of legal person business license No.: 91310000132257510M

VIII. Other information

Audit firm: KPMG Huazhen(Special General Partnership)

Business address: 8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang an Avenue, Beijing, China

Auditors: Jin Naiwen, Zhang Chenchen

Sponsor responsible for continuous supervision during the reporting period: Guotai Junan Securities Co., Ltd.

Business address: 5th Floor, China Financial Information Center, 18 Dongyuan Road, Pudong New District, Shanghai, China

Representatives of sponsor: Xu Lan, Zeng Dacheng

Supervision period: 16 November 2016 to 31 December 2018 (Initial Public Offering)
12 January 2018 to 31 December 2019 (Preference Shares)

Entrusted organization for outstanding ordinary shares with selling restrictions: Shanghai Branch of China Securities Depository and Clearing Co., Ltd.

IX. The annual report has been prepared in both Chinese and English. Should there be any difference between the two versions, the Chinese version shall prevail.

X. Rankings, Ratings and Awards

(1) Ranking in the banking industry

The Bank was ranked 76th and 88th in the rankings of the Top 1000 World Banks in terms of tier-1 capital and total assets, respectively, by *The Banker*, climbing 9 and 1 places as compared with previous year, respectively.

(2) Ratings

During the reporting period, Moody's Investors Service upgraded the Company's long-term issuer and long-term deposit rating to "Baa2" from "Baa3", and the short-term issuer and short-term deposit rating to "Prime-2" from "Prime-3". The rating outlook is stable.

(3) Awards during the reporting period

<table>
<tr><th>Awards</th><th>Awarding Party</th></tr>
<tr><td>3rd Prize of Technology Development Award</td><td>People's Bank of China</td></tr>
<tr><td>3rd and 4th Category Achievement Awards of 2018 Information Technology Risk Management in Banking Industry Research Project</td><td>Chinese Banking and Insurance Regulatory Committee</td></tr>
<tr><td>1st Prize of Achievement Award of 2018 Development Research of Banking Industry in China</td><td rowspan="5">China Banking Association</td></tr>
<tr><td>Top 1,000 Outstanding Units of Civilised and Standardised Service in Banking Industry in 2018 (2 branches)</td></tr>
<tr><td>Pioneer Model Unit Award, Outstanding Innovative Achievement Award and Outstanding Talent Training Award in the 2018 Evaluation of Customer Service Centres of Banking Industry in China</td></tr>
<tr><td>2018 Best Development Prize Award of Syndicated Loan Business</td></tr>
<tr><td>2017 Best Social Responsibility Practice Case Award in the Banking Industry in China</td></tr>
<tr><td>224th among Top 500 Enterprises of China in 2018 and 86th among Top 500 Enterprises in Service Industry of China in 2018</td><td>China Enterprise Confederation and China Enterprise Directors Association</td></tr>
<tr><td>2018 Excellent CCDC Member – Excellent Market Dealer of Treasury Bonds and Settlement Award</td><td rowspan="2">China Securities Depository & Clearing Corporation Limited</td></tr>
<tr><td>2018 Excellent CCDC Member – Top 100 Settlement and Excellent Proprietary Institution Award</td></tr>
<tr><td>Award of Innovative Collaboration in Category II/ III Account Services in 2017</td><td>China UnionPay</td></tr>
<tr><td>Third Prize of 2017 Shanghai Financial Innovative Award</td><td>Shanghai Municipal People's Government</td></tr>
<tr><td>8th among Top 100 Taxpayers of Foreign-Invested Enterprises in Shanghai</td><td>Shanghai Municipal Commission of Commerce and Shanghai Association of Foreign Investment</td></tr>
<tr><td>2017 Outstanding Unit of Internet Security Level Protection in Shanghai</td><td>Coordination Panel of Shanghai on Important Information System Security Level Protection</td></tr>
<tr><td>"2018 Outstanding Performance Award of Credit Fund for Small and Micro Enterprises in Pudong New District of Shanghai"</td><td>Financial Services Bureau of Pudong, Shanghai</td></tr>
</table>

Awards	Awarding Party
First Award of 2018 Data Reporting in 2018	Shanghai Branch of the People's Bank of China
"2018 Shanghai Banking Institutional Contribution Award" in Shanghai Banking Industry Annual Award	Shanghai Banking Association
"2018 Outstanding Innovative Financial Services for Small and Micro Enterprises in Shanghai" in Shanghai Banking Industry Annual Award	
"2018 Best Syndicated Loan Business in Shanghai" in Shanghai Banking Industry Annual Award	
"Best Financial Service Counter" in 2018 Shanghai Financial Worker Meritorious Competition (2 branches)	Working Committee of Shanghai Financial Workers' Union and Shanghai Financial Work Committee of Communist Youth League
23rd among Top 100 Enterprises in Shanghai in 2018 and 12th among Top 100 Enterprises in Service Industry in Shanghai in 2018	Shanghai Enterprise Confederation, Shanghai Enterprise Directors Association and Shanghai Federation of Economic Organisation
2017 Best Fund Custody Institution	PE Association of Shanghai
"Targeted Poverty Alleviation Award" in the Fourth Session of Shanghai Listing Companies' Social Responsibility Summit	The Listed Companies Association of Shanghai, China Business Network and Shanghai Federation of Economic Organizations
Best Domestic Bank for Belt and Road Initiative	The Global Finance
Best Private Wealth Philanthropic Services Award in China	The Asian Banker
2018 Most Influential Financial Brand	Financial Times and Organisation Committee of Chinese Financial Brand Forum
Excellent Case of Financial Technology Innovative Application Award	2018 Forum on Fintech Development Forum, Organisation Committee of China Fintech Innovation Conference and www.cebnet.com.cn
Award of 2018 Outstanding Contribution to Financial Technology Innovation – Operation and Maintenance Innovation Contribution Award	Financial Electronics
2018 Best Bank of Technology and Innovation Financing Service	China Business Network and Lujiazui Forum 2018
2018 Junding Award of Syndicated Financing Bank in China	Securities Times
2018 Outstanding Company of Investor Relations Management	China Times
City Commercial Bank of 2017	
Most Valuable Institutions of 2018	Chinese Business Journal, Chinese Academy of Social Sciences and China Business Institution for Finance Research
2018 Excellent Assets Management Bank	Chinese Business Journal
Bank with Outstanding Competitiveness in Brand Building	
"Excellent City Commercial Bank in Wealth Management of the Year" in the 2018 Golden Wealth Management	Shanghai Securities News and Chinese Wealth Management Summit
Best Growth Value Award	National Business Daily
Excellent Wealth Management Bank of the Year	
City Commercial Bank of the Year in the 2018 List of TOP Financial Companies	The Paper
2018 Best Employer in Shanghai	Zhaopin.com

II. Major accounting data and financial indicators for the past three years

(1) Major accounting data

Unit: RMB'000

Item	2018	2017	Change	2016
Operating income	43,887,822	33,124,995	32.49%	34,403,517
Operating profit	19,084,319	15,985,723	19.38%	16,207,909
Total profit	19,251,872	16,082,462	19.71%	16,319,373
Net profit	18,067,835	15,336,793	17.81%	14,325,064
Net profit attributable to shareholders of the Bank	18,034,040	15,328,499	17.65%	14,308,265
Net profit attributable to shareholders of the Bank after extraordinary items	17,887,207	15,235,509	17.40%	14,235,213
Net cash flow from operating activities	-21,732,994	-60,767,289	N/A	170,845,912
Net interest income	29,936,829	19,117,309	56.60%	25,998,109
Net fee and commission income	5,979,539	6,255,786	-4.42%	6,156,844
Other operating income	7,971,454	7,751,900	2.83%	2,248,564
General and administrative expenses	9,006,391	8,105,358	11.12%	7,875,911
Impairment losses on assets	15,331,901	8,671,315	76.81%	9,576,344
	31 December 2018	31 December 2017	Change	31 December 2016
Total assets	2,027,772,399	1,807,766,938	12.17%	1,755,371,102
Total loans and advances to customers	850,695,655	664,021,617	28.11%	553,999,300
- Corporate loans and advances	534,269,554	446,591,730	19.63%	359,625,050
- Individual loans and advances	276,821,216	174,051,049	59.05%	119,098,293
- Discounted bills	39,604,885	43,378,838	-8.70%	75,275,957
Total liabilities	1,866,003,791	1,660,325,535	12.39%	1,639,152,488
Total deposit	1,042,489,605	923,585,324	12.87%	849,073,364
- Corporate deposits	729,895,206	651,550,674	12.02%	585,708,978
- Individual deposits	230,307,308	205,267,648	12.20%	204,770,014
- Pledged deposits	82,287,091	66,767,002	23.25%	58,594,372
Shareholders' equity	161,768,608	147,441,403	9.72%	116,218,614
Net assets attributable to shareholders of the Bank	161,276,549	146,985,136	9.72%	115,769,223
Net assets attributable to holders of ordinary shares of the Bank	141,319,379	127,027,966	11.25%	115,769,223
Net capital	186,679,181	169,959,268	9.84%	136,684,201
Total risk-weighted assets	1,435,652,196	1,185,925,725	21.06%	1,037,999,210
Provision for doubtful debts	-32,335,459	-20,830,293	N/A	-16,602,775
Share capital	10,928,099	7,805,785	40.00%	6,004,450
Per share (RMB/share)				
Basic earnings per share	1.56	1.40	11.43%	1.43
Diluted earnings per share	1.56	1.40	11.43%	1.43
Basic earnings per share after extraordinary items	1.54	1.39	10.79%	1.42
Net cash from operating activities per share	-1.99	-5.56	N/A	15.63
Net assets per share attributable to holders of ordinary shares of the Bank	12.93	11.62	11.27%	10.59

Notes: 1. Earnings per share and weighted average of return on net assets were calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9) – Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) issued by CSRC. In July 2018, the Bank implemented profit distribution plan for 2017 and plan of capital reserve capitalization, pursuant to which, based on the total number of ordinary shares of 7,805,785,000 shares as at the end of 2017, the Bank capitalized the capital reserve in a proportion of 0.4 share for every share. The total number of shares to be issued by capitalization of the capital reserve was 3,122,314,000 shares. After the completion of capital reserve capitalization, the total number of ordinary shares of the Bank was 10,928,099,000 shares. Indicators per share for the reporting period and each period under comparison were calculated based on the adjusted number of shares. In December 2018, the Bank distributed dividends on preference shares of 上银优 1 amounting to RMB1,040 million. The effect of dividend distribution for preference shares was taken into consideration for the calculation of basic earnings per share and weighted average of return on net assets attributable to holders of ordinary shares of the Bank during the reporting period;

2. In accordance with Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2018 (Cai Hui [2018] No.15) issued by the Ministry of Finance on 15 June 2018, the gains and losses on disposal of assets which were classified in "non-operating income" and "non-operating expense", respectively, and government grants in relation to daily operation of the Bank shall be reclassified into "gains on disposal of assets" and "other income", respectively. The gains on disposal of assets for periods under comparison were adjusted retrospectively while operating income and other indicators were recalculated. The aforesaid requirements did not have any effect on the total profits and net profits of the Bank.

(2) Major financial indicators

Profitability	2018	2017	Change (percentage points)	2016
Average of return on assets	0.94%	0.86%	0.08	0.89%
Weighted average of return on net assets attributable to holders of ordinary shares of the Bank	12.67%	12.63%	0.04	14.35%
Weighted average of return on net assets after extraordinary items	12.56%	12.55%	0.01	14.28%
Net interest spread	1.81%	1.38%	0.43	1.74%
Net interest margin	1.76%	1.25%	0.51	1.73%
Return on risk-weighted assets	1.38%	1.38%	No change	1.48%
Cost-to-income ratio	20.52%	24.47%	-3.95	22.89%
Ratio of net fee and commission income to operating income	13.62%	18.89%	-5.27	17.90%
Capital adequacy	**31 December 2018**	**31 December 2017**	**Change (percentage points)**	**31 December 2016**
Capital adequacy ratio	13.00%	14.33%	-1.33	13.17%
Tier-1 capital adequacy ratio	11.22%	12.37%	-1.15	11.13%
Core tier-1 capital adequacy ratio	9.83%	10.69%	-0.86	11.13%
Asset quality	**31 December 2018**	**31 December 2017**	**Change (percentage points)**	**31 December 2016**
Non-performing loans ratio	1.14%	1.15%	-0.01	1.17%
Allowance to non-performing loans	332.95%	272.52%	60.43	255.50%
Allowance to total loans ratio	3.80%	3.14%	0.66	3.00%

III. Quarterly major financial data for 2018

Unit: RMB'000

	First quarter (January to March)	Second quarter (April to June)	Third quarter (July to September)	Fourth quarter (October to December)
Operating income	9,155,512	10,594,306	11,879,895	12,258,109
Net profit attributable to shareholders of the Bank	4,398,267	4,973,480	4,904,696	3,757,597
Net profit attributable to shareholders of the Bank after extraordinary items	4,367,468	4,943,821	4,839,100	3,736,818
Net cash flow from operating activities	-82,595,773	2,815,699	-2,022,989	60,070,069

IV. Extraordinary items and amount

Unit: RMB'000

Extraordinary items	2018	2017	2016
Bank card surcharge	91,043	71,318	59,512
Income from the compensation of litigation and breach of contract	62,509	6,035	45,338
Subsidy income	42,998	29,105	47,451
Settlement of receivables	42	2,944	2,519
Net income from disposal of repossessed assets	-	613	-
Net (losses)/ gains from disposal of fixed assets	-6,867	9,292	-5,296
Net expenses from disposal of other assets	-8,958	-87	-10,101
Donation expenses	-12,412	-15,206	-44,055
Other gains and losses	35,329	31,735	10,800
Tax effects of the above items	-55,742	-38,473	-29,476
Net extraordinary items	**147,942**	**97,276**	**76,692**

Note: Calculated in accordance with the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 1) – Extraordinary Gains or Losses (CSRC Announcement [2008] No. 43)].

V. Other financial information disclosed in accordance with the regulatory requirements

Item	Benchmark	31 December 2018	31 December 2017	31 December 2016
Liquidity ratio	≥25%	44.17%	41.71%	51.92%
Liquidity coverage ratio	≥100%	128.85%	141.52%	152.01%
Loan to deposit ratio		81.61%	71.90%	65.25%
Loans to the largest single borrower	≤10%	7.84%	4.93%	4.25%
Loans to the top 10 borrowers	≤50%	31.76%	27.99%	24.44%

Business Summary

- Major business and operation model
- Overview, development and trend of the industry
- Development strategies, investment value and core competitive strengths
- Business plans for 2019
- Potential risks
- Material changes in major assets

Business Summary

I. Major business and operation model

The Bank is a company incorporated in 1995 and listed on the main board of the Shanghai Stock Exchange and is one of the top 100 world banks. Adhering to the goal of becoming a "boutique bank" and its regional positioning of "rooting in Shanghai and setting foot in Yangtze River Delta with rational nationwide development and steady overseas expansion", the Bank has established branch network and business presence covering the major cities in Yangtze River Delta, Bohai Rim, Pearl River Delta and Central and Western China, and continued to improve its cross-border and comprehensive financial services.

According to its strategic positioning, the Bank provides comprehensive financial services, wealth management and pension financial services, financial market transaction services and online financial services for corporate and individual customers. The Bank is dedicated to the cultivation and establishment of featured businesses such as transaction banking, cross-border banking, investment banking, inclusive finance, wealth management, pension finance and internet finance by introducing a number of advantageous products and services.

During the reporting period, the Bank actively responded to the changing conditions and enhanced its service for the real economy and optimised the service experience of customers by adhering to the customer-oriented approach with focus on risk management. The Bank has striven to position itself as a corporate offering smart financial and professional services to further strengthen its sustainable development. Over the year, its business development achieved significant progress with ongoing enhancement in professional operation and sophisticated management. In 2019, the Bank will further promote its strategy of becoming a "boutique bank" and target to achieve breakthroughs in major areas such as inclusive finance, supply-chain finance and digitalisation to diversify its business development and strengthen its business sustainability.

II. Overview, development and trend of the industry

During the reporting period, the general economy of China remained stable. The central bank adopted prudent and neutral monetary policy to ensure sufficient liquidity in the financial system. The regulatory authorities put efforts in the prevention and resolution of risks and eliminated irregularities in the banking industry, resulting in the improvement of banking services for the real economy. During the reporting period, the total assets and liabilities of the banking industry expanded soundly with steady profit growth. To comply with policy requirements, financial services for private and small and micro enterprises were improved with rapid increase in loans through inclusive finance services. The assets quality was stable and capital strength was enhanced. In addition, the banking industry supported the promotion of major national strategies and the development of emerging industries. With wide application of fintech, the transformation of banks was accelerated, and more simplified and intelligent financial services through platforms were developed. Service efficiency continued to improve and the service abilities for the real economy were further strengthened.

III. Development strategies, investment value and core competitive strengths

Strategic vision:

The Bank aims to become a boutique bank with professional services and excellent quality.

Positioning:

The Bank strives to become a comprehensive financial service provider for enterprises; an expert in wealth management and pension finance for urban residents; a leading transaction service provider for the financial market based in Shanghai, an international financial centre; and a unique online financial service provider with advantage of traditional banking services.

Development strategies:

1. Accelerated transformation. In response to the changing conditions and strategic requirements, the Bank solves its bottleneck and constrains and develops its competitive strengths by focusing on customer management, features formation, restructuring and comprehensive financial services and sophisticated management.

2. Promoted business features. For the corporate banking business, the Bank enhances the features of transaction banking, cross-border banking, investment banking and custody banking, so as to become a comprehensive financial service provider with more superior competitive strengths and brand advantage in districts where it operates. For the retail banking, the Bank further expands the consumer finance business and shapes itself as an expert in wealth management and pension finance. For the financial market business, the Bank promotes organic transformation and development to become a leading transaction service provider. For the internet finance business, the Bank creates a unique online comprehensive finance service platform with apparent advantage.

Investment value and core competitive strengths:

The Bank has a mature system for managing strategies, and the "boutique bank" strategy is promoted orderly with satisfactory progress. The Bank has established a comprehensive strategic plan that outlines the strategies of the Head Office, branches and subsidiaries. Based on the closed-loop management theory, the Bank promotes its strategic targets and measures during the course of operation management and business development, so as to improve the efficiency of execution.

The Bank has established a strong customer base and an extensive and multi-layer distribution network. With a deeply rooted foundation in Shanghai, the Bank has significant competitive strength through its major business, and has acquired a number of quality customers by capitalizing on its good reputation and recognition in Shanghai. The Bank has also developed a business network covering major cities in Yangtze River Delta, Bohai Rim, Pearl River Delta and Central and Western China. The Bank is the only city commercial bank that has established offshore subsidiaries.

The Bank has a comprehensive corporate financial service system. Strengthening its professional operation capability which featured its businesses in transaction banking, cross-border banking, investment banking, technology and innovation financing and other domains, the Bank facilitated its business transformation from a conventional money lender into a comprehensive financial service provider.

The Bank has advanced the strategic positioning of retail business by prioritising its transformation and development. The Bank has accelerated the development of consumer finance, resulting in rapid growth in retail credit and more rational assets structure. The Bank continues to build its professionalism in wealth management and pension finance businesses based on its accumulated extensive experience in professional pension finance service in Shanghai over the years. The market influence and reputation of the Bank has further increased.

The Bank has a comprehensive service platform for cross-border business. The Bank has established a unique cross-border financial service platform supported by its subsidiary in Hong Kong and the cooperation of "Bank of Shanghai" in Shanghai, Hong Kong and Taiwan and Santander. Together with the global network strengths of strategic investors, our cross-border financial service capacity and competitiveness have been increasing.

The Bank has a comprehensive integrated business structure. The business of BOSC Hong Kong, BOSC International and BOSC Asset grow soundly, and the development of Shanghai ShangCheng Consumer Finance Corporation Limited is smooth. The synergy effects have been significantly improved through further integration of internal resources of the Bank.

The Bank has a solid foundation of quantitative risk management. Adhering to the principle of solid risk control system and sophisticated internal control, the Bank continued to optimise its risk management tools, procedures, supervision and disciplinary system. Construction of system for managing credit risk, market risk, operational risk and other systems has been accelerated with more extensive application of big data analysis to improve effectiveness of risk alert. Assets quality of the Bank is remarkable.

The Bank has adopted fintech in its business. It has further strengthened the innovation of fintech systematically to promote the innovative application of new technologies such as artificial intelligence in order to further improve customer experience. An application system of big data has been established to facilitate digital, automatic and smart approaches for the development of customer base and risk control, which has reinforced the competitive strengths in the Bank's financial services.

The Bank has a comprehensive omni-channel operation. Aiming to develop the brand of smart financial and professional services, the Bank has further refined the coordination between its online channel, branches and call centre with focus on digitalised and smart services to enhance customers' experience and operation ability.

The brand influence of the Bank continues to rise. In 2018, the Bank was ranked 76th and 88th among the Top 1000 World Banks in terms of tier-1 capital and total assets, respectively, by The Banker, a U.K. magazine.

IV. Business plans for 2019

In 2019, according to the Three-Year Development Plan (2018-2020) and its target positioning, the Bank will comply with the national macro control policy and pay attention to the changes and trend of external market and regulatory policies in order to maintain sound growth of various businesses. The Bank will speed up the business transformation, strengthen its featured businesses, and enhance its support to the real economy. The Bank will continue to optimise its assets and liabilities structure and credit structure, and further strengthen its risk management and capital constrains to enhance its unique competitive strengths and sustainability. In general, in 2019, the total assets and liabilities of the Bank are expected to expand soundly with more optimised structure, the operating income will continue to increase and profits will record steady growth.

V. Potential risks

In 2019, the global financial market is subject to increasing uncertainties due to the expected slowdown of the global economic growth, the rise of trade protectionism, and significant adjustments in the global industry chain and international trade. In China, despite the long term favourable outlook of domestic economy, there is structural inconsistency caused by the shift in growth drivers, significant fluctuation in assets value, and adjustments in trade and industries in the short term. In particular, commercial banks are exposed to more complicated risk conditions amid the emerging effects of policies including the property market control, structural reform of the supply side, interest rate liberalisation, financial deleverage and new regulations on asset and wealth management. Potential credit risk arising from implicit liabilities of small and medium property enterprises and financing platforms, enterprises with over productivity and excessive loans for individual consumption may further increase, which may also lead to higher operational risk and reputation risk. Competition for quality assets and general deposits from customers will be more intense, and liquidity risk pressure will increase due to the mismatch of maturity profile. Prevention of case and compliance risks will remain the top priority.

The Bank will adhere to its strategy of prudent risk appetite. In order to maintain steady growth while adjusting its structure with controllable risks, the Bank will proactively adapt to the new economic development trend and grasp market opportunities timely by strengthening customer management and structural adjustment for more efficient capital allocation. Based on the concept of risk management at the frontline, risk operation is promoted and risk management is enhanced with more specified limits and compulsory constrains. The Bank will further improve its professional operation and sophisticated management to facilitate its transformation and development with focus on feature establishment, ability building and efficiency improvement. The transformation and application of digital systems will also be accelerated to improve its risk management and operation ability comprehensively, so to actively cope with the potential risk exposure during unfavourable economic condition.

VI. Material changes in major assets

For details regarding the changes in major assets of the Bank, please see "Discussion and Analysis of Operation – Analysis of balance sheet".

Discussion and Analysis Of Operation

- Operation Summary
- Major Operational Performance during the Reporting Period
- Off-balance sheet items that may materially affect financial situation and operating results
- Business Overview
- Performance and profitability of wealth management business, asset securitisation, custody, trust and financial planning business during the reporting period
- Development of new businesses during the reporting period
- Risks and risk management during the reporting period
- Related-Party Transactions

Discussion and Analysis of Operation

I. Operation Summary

In 2018, adhering to its strategy of becoming a "boutique bank", the Group implemented a series of new plans to capture opportunities arising from changing external economic and financial conditions and serve the real economy. The Group accelerated business transformation, facilitated professional operation and sharpened the competitive edges of featured businesses. Technological innovation and application were enhanced to improve technology financing services. Risk management was further improved through optimisation of risk management mechanisms. During the reporting period, all businesses enjoyed sound development with optimised business structure and significantly higher profitability. Asset quality remained stable while core operational indicators were further improved, marking the smooth commencement of the new plans.

(I) Operating income and profit grew rapidly with further improved core operational indicators

During the reporting period, the Group's operating income amounted to RMB43.888 billion, representing an increase of 32.49% as compared with the previous year. Net profit attributable to the shareholders of the Bank amounted to RMB18.034 billion, representing an increase of 17.65% as compared with the previous year. In response to changes of market interest rates, the Group continued to optimise its assets and liabilities structure and strengthen pricing management. Net interest spread increased by 0.51 percentage points as compared with the previous year. The size of interest-earning assets increased steadily. Net interest income increased by RMB10.820 billion, or 56.60%, as compared with the previous year. Net non-interest income was basically the same as that of the previous year.

Basic earnings per share was RMB1.56, representing an increase of 11.43% as compared with the previous year. Average of return on assets was 0.94%, representing an increase of 0.08 percentage points as compared with the previous year. Weighted average of return on net assets was 12.67%, representing an increase of 0.04 percentage points as compared with the previous year.

(II) Assets and liabilities scale expanded steadily with further optimised business structure

As at the end of the reporting period, total assets of the Group amounted to RMB2,027.772 billion, representing an increase of 12.17% as compared with the end of the previous year. Total deposits amounted to RMB1,042.490 billion, representing an increase of 12.87% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB850.696 billion, representing an increase of 28.11% as compared with the end of the previous year. The Group served the real economy through restructuring its assets and increasing its credit extension, resulting in higher percentage of loans. As at the end of the reporting period, total loans and advances to customers accounted for 41.95% of total assets, representing an increase of 5.22 percentage points as compared with the end of the previous year. Credit structure was further optimised while development of retail credit business was accelerated. As at the end of the reporting period, individual loans and advances accounted for 32.54% of the total loans, representing an increase of 6.33 percentage points as compared with the end of the previous year.

(III) Development of featured businesses was accelerated with improved professional operation

In pursuit of value creation, the Group accelerated business transformation, continued to improve its customer services and consolidated the competitive edges of its core business. Efforts were also made to promote the development of featured businesses, enhance technological support for finance and further strengthen professional operation.

Firstly, in line with the national strategic planning and regional economic development, the Bank increased the general deposits from customers and acquisitions of quality assets. The Bank ranked top in the market in terms of the growth rate of deposits and loans. By developing supply-chain finance and features of technology and innovation financing, the Bank launched featured inclusive finance services while improving the management system of professional operation. The Bank also stepped up the management of its core and basic customer bases and consolidated its featured banking businesses including transaction banking, cross-border banking and investment banking. As at the end of the reporting period, the balance of loans to technological enterprises amounted to RMB65.874 billion, representing an increase of 37.92% as compared with the end of the previous year. The balance of inclusive finance loans amounted to RMB17.001 billion (according to the CBIRC), representing an increase of 34.33% as compared with the end of the previous year. During the reporting period, the balance of loans to supply-chain finance amounted to RMB52.487 billion, representing an increase of 117.22% as compared with the previous year. Income from cross-border intermediate business and income from investment banking and financial advisory intermediate business amounted to RMB978 million and RMB1,295 million, respectively, representing an increase of 15.33% and 16.88% as compared with the previous year, respectively. The size of debt financing underwriting grew rapidly and the amount of debt financing underwritten amounted to RMB87.785 billion, representing an increase of 50.92% as compared with the previous year.

Secondly, adhering to its major retail banking strategies, the Bank focused on development and strengthening of consumer finance, wealth management, pension finance and other strategic featured businesses. Riding on the success of its consumer finance, the Bank was able to record a breakthrough in its retail credit indicators within a short period of time and continued to lay a solid foundation for its sustainable development, which resulted in a significant increase in value. As at the end of the reporting period, the balance of individual loans and advances (including credit cards) amounted to RMB276.821 billion, representing an increase of 59.05% as compared with the end of the previous year. The balance of consumption loans (including credit cards) accounted for 68.07% of the total outstanding loans, representing an increase of 14.01 percentage points as compared with the end of the previous year. As at the end of the reporting period, the Bank had issued an aggregate of 4.3965 million active credit cards, representing an increase of 41.06% as compared with the end of the previous year, and there were 3.3493 million active credit-card users, representing an increase of 34.80% as compared with the end of the previous year. As at the end of the reporting period, the number of retail customers amounted to 14.298 million, representing an increase of 10.68% as compared with the end of the previous year. The AUM (asset under management) of retail customers amounted to RMB519.617 billion, representing an increase of 20.90% as compared with the end of the previous year. The number of individual customers with average monthly AUM of RMB1 million or above on daily basis amounted to 87,212, representing an increase of 30.60% as compared with the end of the previous year. The monthly AUM on daily basis of the abovementioned customers amounted to RMB219.828 billion, representing an increase of 27.84% as compared with the end of the previous year. The number of customers of pension business was 1,563,900 with over 20 million pension transfers annually. The total assets from customers of pension business amounted to RMB227.554 billion, representing an increase of 24.17% as compared with the end of the previous year. The total assets from customers of pension business accounted for 43.79% of the AUM of retail customers, representing an increase of 1.15 percentage points as compared with the end of the previous year.

Thirdly, in order to strengthen financial technology and promote digital innovation, the Bank created OpenAPI, an open digital financial platform, to increase the accessibility of its core banking systems in support of its continuous product innovation, industry scenario-based services and customer service management. Capitalising on the professional service features and core competitiveness of internet finance, "BOSC Express", an online direct banking brand of the Bank, enjoyed higher brand awareness and recognition in the industry. As at the end of the reporting period, the number of online retail customers of the Bank amounted to 20,499,200, representing an increase of 59.33% as compared with the end of the previous year, which allowed the Bank to maintain its leading position among its peers. The balance of internet deposits amounted to RMB12.196 billion, representing an increase of RMB11.220 billion as compared with the end of the previous year. The balance of internet consumption loans amounted to RMB109.519 billion, representing an increase of 267.55% as compared with the end of the previous year. During the reporting period, the total number of transactions conducted through internet amounted to 204,746,800, representing an increase of 118.83% as compared with the previous year. The amount of transactions conducted through internet was RMB1,209.931 billion, representing an increase of RMB1,046.116 billion as compared with the previous year. The sales amount of internet wealth management products was RMB26.079 billion, representing an increase of 50.30% as compared with the previous year.

(IV) Asset quality remained stable with higher risk coverage

During the reporting period, in response to the existing risks, the Group further optimised its risk management and control mechanism and improved risk mitigation and solutions for non-performing loans to enhance its risk management capability. With stable asset quality and prudent provision for impairment, the Group had stronger risk resilience. As at the end of the reporting period, non-performing loan ratio of the Group was 1.14%, representing a decrease of 0.01 percentage points as compared with the end of the previous year. Allowance to non-performing loans was 332.95%, representing an increase of 60.43 percentage points as compared with the end of the previous year. Allowance to total loans ratio was 3.80%, representing an increase of 0.66 percentage points as compared with the end of the previous year.

(V) Management of economic capital was strengthened and capital adequacy remained satisfactory

The Group continued to strengthen its economic capital management, enhance incentives and constraints and improve capital efficiency. Effective measures were taken to support the increase in its asset scale, structural adjustment, and stable operations. As at the end of the reporting period, the capital adequacy ratio of the Group was 13.00%, the tier-1 capital adequacy ratio was 11.22% and the core tier-1 capital adequacy ratio was 9.83%. Capital adequacy remained satisfactory.

II. Major Operational Performance during the Reporting Period

(I) Analysis of income statement

During the reporting period, net profit of the Group amounted to RMB18.068 billion, representing an increase of RMB2.731 billion, or 17.81%, as compared with the previous year. The table below sets out the change in major items of the income statement.

Unit: RMB'000

Item	2018	2017	Change
Net interest income	29,936,829	19,117,309	56.60%
Net non-interest income	13,950,993	14,007,686	-0.40%
Operating income	43,887,822	33,124,995	32.49%
Less: operating expenses	24,803,503	17,139,272	44.72%
Including: Taxes and surcharges	446,728	343,679	29.98%
General and administrative expenses	9,006,391	8,105,358	11.12%
Impairment losses on assets	15,331,901	8,671,315	76.81%
Other operating expenses	18,483	18,920	-2.31%
Operating profit	19,084,319	15,985,723	19.38%
Add: Net non-operating income and expense	167,553	96,739	73.20%
Total profit	19,251,872	16,082,462	19.71%
Less: Income tax expenses	1,184,037	745,669	58.79%
Net profit	18,067,835	15,336,793	17.81%
Including: Net profit attributable to the shareholders of the Bank	18,034,040	15,328,499	17.65%
Minority interests	33,795	8,294	307.46%

1. Net interest income

(1) Average yield on interest-earning assets and average cost of interest-bearing liabilities

During the reporting period, the net interest margin and net interest spread of the Group continued to improve, with year-on-year increases of 0.51 percentage points and 0.43 percentage points, respectively. The increases were mainly because the Group managed to take advantages of the changes in monetary and credit policies and market interest rates, optimised its asset allocation structure, increased credit extension and strengthened its pricing management, resulting in a year-on-year increase of 0.53 percentage points in the average yield of interest-earning assets. The average interest rate of interest-bearing liabilities recorded a mild year-on-year increase of 0.10 percentage points.

The table below sets out the average balance of assets and liabilities item, interest income/expenses and the average yield/cost. The average balances of interest-earning assets and interest-bearing liabilities are on daily basis.

Unit: RMB'000

Item	2018			2017		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Assets						
Loans and advances to customers	756,215,907	39,918,346	5.28%	591,223,588	26,538,366	4.49%
Investment in debt instruments	621,407,011	25,860,958	4.16%	648,792,245	26,273,058	4.05%
Deposits in the central bank	138,626,064	2,049,359	1.48%	135,851,409	2,028,931	1.49%
Deposits and placements with banks and other financial institutions	148,841,056	6,358,636	4.27%	125,503,475	4,239,410	3.38%
Redemptory monetary capital for sale	39,092,190	1,542,899	3.95%	30,349,194	889,683	2.93%
Others	-	146,862	-	-	112,837	-
Total interest-earning assets	**1,704,182,228**	**75,877,060**	**4.45%**	**1,531,719,911**	**60,082,285**	**3.92%**

Item	2018			2017		
	Average balance	Interest expense	Average cost rate	Average balance	Interest expense	Average cost rate
Liabilities						
Deposits from customers	970,075,247	19,475,849	2.01%	869,236,382	16,198,350	1.86%
Deposits and placements from banks and other financial institutions	423,085,281	13,561,711	3.21%	356,467,121	10,860,805	3.05%
Debt securities issued	192,516,076	8,129,648	4.22%	213,663,421	8,353,584	3.91%
Financial assets sold under repurchase agreements	59,023,605	1,731,349	2.93%	78,460,287	2,611,742	3.33%
Borrowings from central bank	92,163,611	3,035,941	3.29%	95,943,836	2,935,567	3.06%
Others	-	5,733	-	-	4,928	-
Total interest-bearing liabilities	**1,736,863,820**	**45,940,231**	**2.64%**	**1,613,771,047**	**40,964,976**	**2.54%**
Net interest income	-	**29,936,829**	-	-	**19,117,309**	-
Net interest spread	-	-	**1.81%**	-	-	**1.38%**
Net interest margin	-	-	**1.76%**	-	-	**1.25%**

(2) Analysis of change in interest income and expenses

The table below sets out the change in interest income and interest expenses due to changes of volume and interest rate. The change of volume refers to the change in daily average balance, and the change of interest rate refers to the change in average interest rate. Changes in interest income and expenses due to the changes of volume and interest rate are accounted for as the impact of change of volume on interest income and expenses.

Unit: RMB'000

Item	Impact of change of volume	Impact of change of interest rate	Changes in interest income and expenses
Assets			
Loans and advances to customers	7,406,042	5,973,938	13,379,980
Investment in debt instruments	-1,108,974	696,874	-412,100
Deposits in central bank	41,439	-21,011	20,428
Deposits and placements with banks and other financial institutions	788,325	1,330,901	2,119,226
Redemptory monetary capital for sale	256,300	396,916	653,216
Others	-	-	34,025
Changes in interest income	**7,383,132**	**8,377,618**	**15,794,775**
Liabilities			
Deposits from customers	1,879,147	1,398,352	3,277,499
Deposits and placements from banks and other financial institutions	2,029,716	671,190	2,700,906
Debt securities issued	-826,796	602,860	-223,936
Financial assets sold under repurchase agreements	-646,997	-233,396	-880,393
Deposits made by the central bank	-115,662	216,036	100,374
Others	-	-	805
Changes in interest expense	**2,319,408**	**2,655,042**	**4,975,255**
Changes in net interest income	**5,063,724**	**5,722,576**	**10,819,520**

(3) Interest expenses on deposits from customers and interest income from loans and advances to customers

During the reporting period, the average yield of loans and advances to customers of the Group was 5.28%, representing a year-on-year increase of 0.79 percentage points. The Group continued to optimise the credit structure by allocating more credit resources to high-yield corporate and individual loans, grasping market opportunities and managing credit extension. As such, the average yield of loans increased significantly.

The average interest rate of deposits from customers was 2.01%, representing a year-on-year increase of 0.15 percentage points, mainly due to higher market interest rate of deposit as a result of intensified competition.

Unit: RMB'000

Item	2018			2017		
	Average balance	Interest expense	Average interest rate	Average balance	Interest expense	Average interest rate
Corporate demand deposits	321,682,688	2,127,006	0.66%	296,475,727	1,973,038	0.67%
Corporate time deposits	354,535,680	10,816,720	3.05%	303,250,297	8,491,760	2.80%
Individual demand deposits	62,568,274	189,020	0.30%	58,424,841	175,445	0.30%
Individual time deposits	154,364,536	4,572,654	2.96%	146,909,382	4,345,463	2.96%
Pledged deposits	76,924,069	1,770,449	2.30%	64,176,135	1,212,644	1.89%
Total deposits from customers	**970,075,247**	**19,475,849**	**2.01%**	**869,236,382**	**16,198,350**	**1.86%**
Corporate loans and advances	511,140,275	24,633,460	4.82%	408,320,976	17,757,665	4.35%
Individual loans and advances	212,004,776	13,831,166	6.52%	128,640,553	6,857,596	5.33%
Discounted bills	33,070,856	1,453,720	4.40%	54,262,060	1,923,105	3.54%
Total loans and advances to customers	**756,215,907**	**39,918,346**	**5.28%**	**591,223,588**	**26,538,366**	**4.49%**

Note: In calculating the average yield of loans and advances, credit card instalment is adjusted to non-interest-earning assets based on the principle of matching returns with assets.

2. Net non-interest income

(1) Net fee and commission income

During the reporting period, the net fee and commission income of the Group amounted to RMB5.980 billion, representing a decrease of 4.42% as compared with the previous year. Agency service fees decreased due to impacts of new regulations on asset management and capital market. Fees for certain products were reduced due to business and product transformation.

Unit: RMB'000

Item	2018	2017	Change
Bank card fees	1,802,351	1,353,300	33.18%
Agency service fees	1,531,473	1,919,918	-20.23%
Advisory service fees	1,394,235	1,183,029	17.85%
Custodian and other fiduciary service fees	904,570	1,239,868	-27.04%
Settlement and clearing fees	198,639	170,042	16.82%
Electronic banking service fees	86,566	75,962	13.96%
Others	826,661	843,439	-1.99%
Fee and commission income	**6,744,495**	**6,785,558**	**-0.61%**
Fee and commission expense	**764,956**	**529,772**	**44.39%**
Net fee and commission income	**5,979,539**	**6,255,786**	**-4.42%**

(2) Other net non-interest income

During the reporting period, net gain on investment of the Group amounted to RMB7.906 billion, representing a decrease of RMB1.730 billion as compared with the previous year. The decrease was mainly due to adjustment of assets structure of the Group and increase in the percentage of credit extension, as well as decrease in gain on investment due to the decrease in return of funds. Gains or losses arising from changes in fair value and gains or losses from foreign exchange are highly correlated. The total of the two items increased by RMB1.968 billion as compared with the previous year, mainly due to revaluation of derivative financial instruments.

Unit: RMB'000

Item	2018	2017	Change
Other gains	42,998	29,105	47.73%
Net gain on investment	7,906,133	9,636,523	-17.96%
Net gain/(loss) from changes in fair value	4,652,482	-5,569,912	N/A
Net foreign exchange (loss)/gain	-4,718,719	3,535,189	-233.48%
Other income	95,427	111,090	-14.10%
(Losses)/gains from asset disposals	-6,867	9,905	-169.33%

3. Operating expenses

(1) General and administrative expenses

During the reporting period, general and administrative expenses of the Group amounted to RMB9.006 billion, representing an increase of RMB0.901 billion, or 11.12%, as compared with the previous year. The increase was mainly due to the increase in human resources costs and office and administrative expenses. The cost-to-income ratio was 20.52%, representing a decrease of 3.95 percentage points as compared with the previous year. The decrease was mainly due to the rapid growth of operating income, which was higher than the increase of general and administrative expenses.

Unit: RMB'000

Item	2018	2017	Change
Human resource costs	5,423,827	4,945,653	9.67%
Premises and equipment expenses	1,663,240	1,553,386	7.07%
Other office and administrative expenses	1,919,324	1,606,319	19.49%
General and administrative expenses	**9,006,391**	**8,105,358**	**11.12%**
Cost-to-income ratio	**20.52%**	**24.47%**	**Decreased by 3.95 percentage points**

(2) Impairment losses on assets

During the reporting period, the impairment losses on assets of the Group amounted to RMB15.332 billion, representing an increase of RMB6.661 billion as compared with the previous year. The increase was mainly due to the increase in loans and optimised risk prevention resulted from prudent provision. Impairment losses on different assets are as follows:

Unit: RMB'000

Item	2018	2017	Change
Loans and advances to customers	15,302,201	6,082,971	151.56%
Held-to-maturity investments	823,823	1,959	41,953.24%
Available-for-sale financial assets	583,321	145,773	300.16%
Placements with banks and other financial institutions	9,424	9,637	-2.21%
Financial assets held under resale agreements	-	135,454	N/A
Investments classified as receivables	-1,495,438	2,263,425	-166.07%
Other assets	108,570	32,096	238.27%
Total	**15,331,901**	**8,671,315**	**76.81%**

4. Income tax expense

During the reporting period, the income tax expenses of the Group amounted to RMB1,184 million, representing an increase of RMB438 million, or 58.79%, as compared with the previous year. The increase was mainly due to the increase of total profit and the decrease in percentage of non-taxable income.

Unit: RMB'000

Item	2018	2017	Change
Current income tax	3,653,111	3,967,227	-7.92%
Deferred income tax	-2,297,526	-2,472,018	N/A
Adjustment to income tax for final settlement	-171,548	-749,540	N/A
Total	**1,184,037**	**745,669**	**58.79%**

(II) Analysis of balance sheet

1. Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB2,027.772 billion, representing an increase of RMB220.005 billion, or 12.17%, as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2018		31 December 2017	
	Amount	Percentage	Amount	Percentage
Total loans and advances to customers	850,695,655	41.95%	664,021,617	36.73%
Less: provision for doubtful debts	-32,335,459	-1.59%	-20,830,293	-1.15%
Net loans and advances to customers	**818,360,196**	**40.36%**	**643,191,324**	**35.58%**
Investment assets[1]	859,061,962	42.36%	833,203,304	46.09%
Cash and deposits with central bank	145,105,775	7.16%	136,063,645	7.53%
Deposits and placements with banks and other financial institutions (including financial assets held under resale agreements)	166,803,406	8.23%	161,775,396	8.95%
Interest receivable	9,760,277	0.48%	7,680,426	0.42%
Long-term equity investments	402,120	0.02%	395,131	0.02%
Others[2]	28,278,663	1.39%	25,457,712	1.41%
Total Assets	**2,027,772,399**	**100.00%**	**1,807,766,938**	**100.00%**

Notes: 1. Including financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables;
2. Including derivative financial assets, fixed assets, intangible assets, deferred income tax assets and other assets.

(1) Loans and advances to customers

As at the end of the reporting period, the balance of corporate loans and advances of the Group amounted to RMB534.270 billion, representing a decrease of 4.46 percentage points as compared with the end of the previous year. Individual loans and advances amounted to RMB276.821 billion, representing an increase of 6.33 percentage points as compared with the end of the previous year. Discounted bills amounted to RMB39.605 billion, representing a decrease of 1.87 percentage points as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2018		31 December 2017		31 December 2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Corporate loans and advances	534,269,554	62.80%	446,591,730	67.26%	359,625,050	64.91%
Individual loans and advances	276,821,216	32.54%	174,051,049	26.21%	119,098,293	21.50%
Discounted bills	39,604,885	4.66%	43,378,838	6.53%	75,275,957	13.59%
Total loans and advances to customers	**850,695,655**	**100.00%**	**664,021,617**	**100.00%**	**553,999,300**	**100.00%**

(1.1) Loans to the top ten customers

The Bank strengthened its standardised credit approval management so as to manage customer concentration. As at the end of the reporting period, the total loan balance of top ten loan customers amounted to RMB57.504 billion, accounting for 6.76% of the total loans and advances to customers of the Group. The loan balance of the largest single customer amounted to RMB14.195 billion, accounting for 1.67% of the total loans and advances to customers of the Group.

Unit: RMB'000

Name of customer	31 December 2018	Percentage of total loan and advances
Customer A	14,194,731	1.67%
Customer B	8,610,000	1.01%
Customer C	7,459,625	0.88%
Customer D	5,644,630	0.66%
Customer E	4,778,000	0.56%
Customer F	3,860,000	0.45%
Customer G	3,422,500	0.40%
Customer H	3,240,000	0.38%
Customer I	3,164,570	0.37%
Customer J	3,129,860	0.37%
Total	**57,503,916**	**6.76%**

Note: Difference between the sums of the amounts and the totals is due to rounding of decimal place.

(1.2) Individual loan composition

As at the end of the reporting period, the balance of individual loans of the Group amounted to RMB276.821 billion, representing an increase of 59.05% as compared with the end of the previous year. The percentage of individual consumption loans to total loans increased as compared with the end of the previous year while the percentage of property mortgages, personal business loans and credit card loans to total loans slightly decreased as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2018		31 December 2017	
	Loan balance	Percentage	Loan balance	Percentage
Individual consumption loans	157,475,662	56.89%	69,253,364	39.79%
Property mortgages	72,768,999	26.29%	64,532,841	37.08%
Credit cards	30,953,025	11.18%	24,842,719	14.27%
Personal business loans	15,623,530	5.64%	15,422,125	8.86%
Total	**276,821,216**	**100.00%**	**174,051,049**	**100.00%**

(2) Investment

As at the end of the reporting period, the total investment assets of the Group amounted to RMB859.062 billion, representing an increase of RMB25.859 billion as compared with the end of the previous year. The increase was mainly due to the adjustment of investment structure of the banking industry and the increase of held-to-maturity investments.

Unit: RMB'000

Type	31 December 2018		31 December 2017	
	Balance	Percentage	Balance	Percentage
Financial assets at fair value through profit or loss	17,874,361	2.08%	11,554,237	1.39%
Available-for-sale financial assets	401,779,521	46.77%	420,684,813	50.49%
Held-to-maturity investments	310,643,240	36.16%	264,262,868	31.71%
Investments classified as receivables	128,764,840	14.99%	136,701,386	16.41%
Total investment assets	**859,061,962**	**100.00%**	**833,203,304**	**100.00%**

The composition of investment assets by nature of financial assets was as follows:

Unit: RMB'000

Type	31 December 2018	31 December 2017
Bond Investment	679,510,109	622,628,143
Equity Instrument	179,551,853	210,575,161
Total investment assets	**859,061,962**	**833,203,304**

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

Unit: RMB'000

Item	31 December 2017	Gains or losses arising from changes in fair value for the period	Accumulative changes in fair value reported in equity	Impairment made for the period	31 December 2018
Financial assets at fair value through profit or loss	11,554,237	56,979	-	-	17,874,361
Available-for-sale financial assets	420,684,813	-	1,227,346	-583,321	401,779,521
Derivative financial assets	839,088	4,609,425	-	-	1,237,616
Derivative financial liabilities	1,359,342		-	-	829,640
Financial liabilities at fair value through profit or loss	-	12,458	-	-	7,168

Note: The data are not necessarily co-related.

(2.2) Financial bonds held

The composition of bond investments classified by the issuing entities is as follows:

Unit: RMB'000

Type	Amount
Bonds issued by policy banks	29,954,119.00
Bonds issued by commercial banks	14,718,563.71
Bonds issued by non-bank financial institutions	18,317,542.02

The top ten financial bonds with the greatest nominal value held by the Bank are as follows:

Unit: RMB'000

Name of the bonds	Nominal value	Annual interest rate	Maturity date	Impairment
2016 policy financial bonds	5,040,000.00	2.96%	2021-7-27	-
2018 non-bank financial institutions bonds	4,000,000.00	4.90%	2019-7-18	-
2016 policy financial bonds	2,620,000.00	2.96%	2021-2-18	-
2016 policy financial bonds	2,140,000.00	2.92%	2021-11-1	-
2018 non-bank financial institutions bonds	2,000,000.00	5.50%	2019-4-19	-
2016 non-bank financial institutions bonds	1,926,260.00	3.25%	2021-11-29	-
2014 policy financial bonds	1,870,000.00	4.77%	2021-6-9	-
2016 policy financial bonds	1,670,000.00	3.10%	2021-3-11	-
2018 policy financial bonds	1,650,000.00	3.76%	2023-8-14	-
2018 commercial bank bonds	1,500,000.00	4.80%	2028-1-22	-

(3) Financial assets held under resale agreements

As at the end of the reporting period, the balance of the Group's financial assets held under resale agreements amounted to RMB36,369 million, representing an increase of RMB10,560 million, or 40.92%, as compared with the end of the previous year. See Note V. 6 to the financial statements.

(4) Equity Investment

(4.1) Investment in associated companies

Investment in associated companies represents investment in Shanghai ShangCheng Consumer Finance Corporation Limited and Shanghai Shangkang Yinchuang Investment Management Co., Ltd. As at the end of the reporting period, the book value of investment in associated companies amounted to RMB402 million.

(4.2) Other equity investments

Unit: RMB'000

Investee	Investment cost	Shareholding percentage	Carrying value as at the end of the period	Gain for the period	Accounting item
Shenlian International Investment Company	288,044	16.50%	519,266	30,304	Available-for-sale financial assets
China UnionPay Co., Ltd.	63,727	1.71%	63,727	5,500	Available-for-sale financial assets
Clearing Centre for City Commercial Banks	600	1.94%	600	-	Available-for-sale financial assets
China Everbright Bank Co., Ltd.	18,000	0.03%	62,678	3,066	Available-for-sale financial assets
Total	**370,371**	-	**646,271**	**38,870**	-

(4.3) Structured entities controlled by the Bank

For information on the structured entities consolidated into the Group and the structured entities which are managed by the Group, or in which the Group has equity interest, but has not been consolidated into the Group, see Note VI to the financial statements.

(5) Interests receivable

As at the end of the reporting period, the balance of the interests receivable of the Group amounted to RMB9,760 million, representing an increase of RMB2,080 million, or 27.08%, as compared with the end of the previous year.

Unit: RMB'000

Type	As at 31 December 2018	Addition during the period	Recovery during the period	As at 31 December 2017
Interests receivable	9,760,277	75,877,060	73,797,209	7,680,426

2. Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB1,866,004 million, representing an increase of RMB205,678 million, or 12.39%, as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2018		31 December 2017	
	Amount	Percentage of total	Amount	Percentage of total
Deposits from customers	1,042,489,605	55.87%	923,585,324	55.63%
Deposits and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	498,455,746	26.71%	459,028,526	27.65%
Debt securities issued	189,375,530	10.15%	168,148,078	10.12%
Others [Note]	135,682,910	7.27%	109,563,607	6.60%
Total liabilities	**1,866,003,791**	**100.00%**	**1,660,325,535**	**100.00%**

Note: Including borrowings from central bank, financial liabilities at fair value through profit or loss, derivative financial liabilities, employee benefits payable, taxes payable, interests payable, deferred income tax liabilities and other liabilities.

(1) Deposits from customers

As at the end of the reporting period, the total deposits from customers of the Group amounted to RMB1,042,490 million, representing an increase of RMB118,904 million, or 12.87%, as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2018		31 December 2017		31 December 2016	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Corporate deposits	**729,895,206**	**70.01%**	**651,550,674**	**70.55%**	**585,708,978**	**68.98%**
Demand deposits	336,208,174	32.25%	323,092,112	34.98%	298,863,842	35.20%
Time deposits	393,687,032	37.76%	328,458,562	35.57%	286,845,136	33.78%
Individual deposits	**230,307,308**	**22.09%**	**205,267,648**	**22.22%**	**204,770,014**	**24.12%**
Demand deposits	63,933,594	6.13%	58,390,833	6.32%	55,967,453	6.59%
Time deposits	166,373,714	15.96%	146,876,815	15.90%	148,802,561	17.53%
Pledged deposits	**82,287,091**	**7.89%**	**66,767,002**	**7.23%**	**58,594,372**	**6.90%**
Total deposits from customers	**1,042,489,605**	**100.00%**	**923,585,324**	**100.00%**	**849,073,364**	**100.00%**

Note: Difference between the sums of the amounts and the totals is due to rounding off.

(2) Deposits from banks and other financial institutions

Unit: RMB'000

Counterparty	31 December 2018		31 December 2017	
	Balance	Percentage of total	Balance	Percentage of total
Mainland China	**319,321,729**	**86.54%**	**297,603,093**	**90.55%**
Banks	100,731,341	27.30%	85,890,216	26.13%
Other financial institutions	218,590,388	59.24%	211,712,877	64.42%
Outside mainland China	**49,646,621**	**13.46%**	**31,051,168**	**9.45%**
Bank	49,646,621	13.46%	31,051,168	9.45%
Total	**368,968,350**	**100.00%**	**328,654,261**	**100.00%**

(3) Financial assets sold under repurchase agreements

Unit: RMB'000

Type	31 December 2018		31 December 2017	
	Balance	Percentage	Balance	Percentage
Bonds	44,557,940	72.87%	45,800,000	58.29%
Bills	16,297,318	26.65%	32,559,419	41.44%
Other financial assets business	296,000	0.48%	213,750	0.27%
Total	**61,151,258**	**100.00%**	**78,573,169**	**100.00%**

(4) Interests payable

Unit: RMB'000

Type	31 December 2018	31 December 2017
Interests payable	17,383,127	16,570,559

3. Equity of shareholders

As at the end of the reporting period, the equity of shareholders of the Group amounted to RMB161,769 million, representing an increase of RMB14,327 million, or 9.72%, as compared with the end of the previous year, mainly due to the profit growth.

Unit: RMB'000

Item	31 December 2018	31 December 2017	Change
Share capital	10,928,099	7,805,785	40.00%
Other equity instruments	19,957,170	19,957,170	0.00%
Capital reserve	25,331,364	28,452,203	-10.97%
Other comprehensive income	627,454	-571,337	N/A
Surplus reserve	30,969,554	26,435,300	17.15%
General reserve	25,804,758	25,780,256	0.10%
Retained earnings	47,658,150	39,125,759	21.81%
Total equity attributable to shareholders of the Bank	161,276,549	146,985,136	9.72%
Minority equity	492,059	456,267	7.84%
Total shareholders' equity	**161,768,608**	**147,441,403**	**9.72%**

(III) Analysis of Cash Flow Statement

During the reporting period, net cash flow from activities of the Group was RMB-21,733 million, which was mainly due to the increase in loans and advances to customers.

Net cash flow from investing activities was RMB12,906 million, representing a decrease of RMB105,517 million as compared with the previous year. The decrease was mainly due to the decrease in proceeds from disposal of investments.

Net cash flow from financing activities was RMB8,641 million, representing an increase of RMB64,635 million as compared with the previous year. The increase was mainly due to the increase in proceeds from issuance of debentures.

(IV) Items with Change of More than 30% in the Comparable Accounting Statement and the Reasons

Unit: RMB'000

Item	As at the end of 2018/ 2018	As at the end of 2017/ 2017	Changes as compared with the end of the previous year/the previous year	Major reasons
Deposit with banks and other financial institutions	15,090,430	38,788,136	-61.10%	Decrease in deposits with banks in mainland China
Financial assets at fair value through profit or loss	17,874,361	11,554,237	54.70%	Increase in debt instruments held for trading
Derivative financial assets	1,237,616	839,088	47.50%	Changes in valuation of currency derivative assets
Financial assets held under resale agreements	36,368,624	25,808,851	40.92%	Increase in financial assets held under resale agreements
Fixed assets	5,779,671	4,394,538	31.52%	Increase in office and operation property
Placements from banks and other financial institutions	68,336,138	51,801,096	31.92%	Increase in placements from banks in mainland China
Derivative financial liabilities	829,640	1,359,342	-38.97%	Changes in valuation of currency derivative liabilities
Other liabilities	6,527,355	2,849,878	129.04%	Increase in suspense account for clearing
Share capital	10,928,099	7,805,785	40.00%	Implementation of the plan of capital reserve capitalisation for 2017
Other comprehensive income	627,454	-571,337	N/A	Increase in valuation of available-for-sale financial assets
Fee and commission expense	764,956	529,772	44.39%	Increase in bank card charges expenses
Other gains	42,998	29,105	47.73%	Increase in government subsidy
Net gains/(losses) from changes in fair value	4,652,482	-5,569,912	N/A	These two items are highly related. The total amount of these two items increased by RMB1,968 million as compared with the same period of the previous year. The increase was mainly due to the changes in valuation of derivative financial instruments
Net foreign exchange (losses)/gains	-4,718,719	3,535,189	-233.48%	
(Losses)/gains from disposal of assets	-6,867	9,905	-169.33%	Increase in losses from disposal of assets
Impairment losses	15,331,901	8,671,315	76.81%	Increase in allowance to total loans
Non-operating income	199,037	122,727	62.18%	Increase in liquidated damages
Income tax expense	1,184,037	745,669	58.79%	Increase in profit and decrease in proportion of non-taxable income
Minority interests	33,795	8,294	307.46%	Increase in minority interests due to increase in profit from subsidiary
Other comprehensive income, net of tax	1,180,474	-1,056,287	N/A	Increase in valuation of available-for-sale financial assets

(V) Loan Quality Analysis

1. Distribution of loans by the five-category classification

As at the end of the reporting period, based on the five-category classification, the balance of non-performing loans of the Group was RMB9,712 million and the non-performing loan ratio was 1.14%, representing a decrease of 0.01 percentage points as compared with the end of the previous year. The balance of special mention loans was RMB15,833 million, accounting for 1.86% of the total loans and representing a decrease of 0.22 percentage points as compared with the end of the previous year. The Group continued to enhance the management of asset quality, mitigate risks and dispose of non-performing loans. Through various measures including real-time monitoring, regular inspections, risk alerts and warning, automatic withdrawal, risk control, flexible asset management, assessments and incentives, the Group balanced asset quality pressure and ensured stable asset quality.

Unit: RMB'000

Item	31 December 2018		31 December 2017		Change as compared with the end of the previous year	31 December 2016	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
Normal	825,151,433	97.00%	642,570,897	96.77%	182,580,536	535,550,052	96.67%
Special mention	15,832,525	1.86%	13,807,216	2.08%	2,025,309	11,951,195	2.16%
Substandard	3,984,305	0.47%	3,063,912	0.46%	920,393	1,532,112	0.28%
Doubtful	4,879,587	0.57%	3,276,530	0.49%	1,603,057	3,711,337	0.67%
Loss	847,805	0.10%	1,303,062	0.20%	-455,257	1,254,604	0.23%
Total loans and advances to customers	**850,695,655**	**100.00%**	**664,021,617**	**100.00%**	**186,674,038**	**553,999,300**	**100.00%**
Balance of non-performing loans	**9,711,697**	**1.14%**	**7,643,505**	**1.15%**	**2,068,192**	**6,498,053**	**1.17%**
Non-performing loans ratio	**1.14%**	-	**1.15%**	-	**Decreased by 0.01 percentage points**	**1.17%**	-

Note: Difference between the sums of the amounts and the totals is due to rounding of decimal place.

2. Distribution of loans and non-performing loans by business type

As at the end of the reporting period, the balance of corporate loans and advances of the Group amounted to RMB534,270 million, representing an increase of 19.63% as compared with the end of the previous year. The balance of individual loans and advances amounted to RMB276,821 million, representing an increase of 59.05% as compared with the end of the previous year. Discounted bills amounted to RMB39,605 million, representing a decrease of 8.70% as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2018			31 December 2017		
	Balance of loans	Balance of non-performing loans	Non-performing loans ratio	Balance of loans	Balance of non-performing loans	Non-performing loans ratio
Corporate loans and advances	534,269,554	8,018,557	1.50%	446,591,730	6,589,357	1.48%
Individual loans and advances	276,821,216	1,693,140	0.61%	174,051,049	1,024,619	0.59%
Personal consumption loans	157,475,662	822,955	0.52%	69,253,364	300,104	0.43%
Property mortgage loans	72,768,999	154,798	0.21%	64,532,841	135,029	0.21%
Personal business loans	15,623,530	202,958	1.30%	15,422,125	200,028	1.30%
Credit cards	30,953,025	512,429	1.66%	24,842,719	389,458	1.57%
Discounted bills	39,604,885	0	0.00%	43,378,838	29,529	0.07%
Total loans and advances to customers	**850,695,655**	**9,711,697**	**1.14%**	**664,021,617**	**7,643,505**	**1.15%**

3. Distribution of loans and non-performing loans by geographical region

As at the end of the reporting period, loans in Shanghai, Yangtze River Delta (excluding Shanghai) and Pearl River Delta (including Hong Kong) ranked top three in terms of balance of loans of the Group, amounting to RMB423,023 million, RMB158,915 million and RMB143,945 million, respectively, representing 49.73%, 18.68% and 16.92% of the total balance of loans and advances to customers, respectively.

Unit: RMB'000

Item	31 December 2018			31 December 2017		
	Balance of loans	Balance of non-performing loans	Non-performing loans ratio	Balance of loans	Balance of non-performing loans	Non-performing loans ratio
Shanghai	423,022,897	3,520,701	0.83%	283,110,502	715,724	0.25%
Yangtze River Delta (excluding Shanghai)	158,915,211	2,345,592	1.48%	155,183,207	2,351,538	1.52%
Pearl River Delta (including Hong Kong)	143,944,535	572,562	0.40%	118,964,819	969,794	0.82%
Bohai Rim	97,434,522	2,665,212	2.74%	82,370,257	2,530,807	3.07%
Central and Western China	27,378,490	607,630	2.22%	24,392,832	1,075,642	4.41%
Total loans and advances to customers	**850,695,655**	**9,711,697**	**1.14%**	**664,021,617**	**7,643,505**	**1.15%**

4. Distribution of loans and non-performing loans by types of security

As at the end of the reporting period, the structure of loan security of the Group remained stable. The balance of loans secured by monetary assets and loans secured by tangible assets amounted to RMB396.881 billion, representing an increase of RMB45.023 billion as compared with the end of the previous year and accounting for 46.65% of the total balance of loans and advances to customers. The balance of unsecured loans and guaranteed loans amounted to RMB453.815 billion, representing an increase of RMB141.651 billion as compared with the end of the previous year and accounting for 53.35%, of the total balance of loans and advances to customers.

Unit: RMB'000

Item	31 December 2018			31 December 2017		
	Balance	Non-performing loans	Non-performing loans ratio	Balance	Non-performing loans	Non-performing loans ratio
Unsecured loans	294,628,602	1,225,949	0.42%	164,919,131	801,795	0.49%
Guaranteed loans	159,186,326	3,953,733	2.48%	147,244,504	4,243,331	2.88%
Loans secured by monetary assets	121,305,152	406,819	0.34%	138,724,051	459,938	0.33%
Loans secured by tangible assets	275,575,575	4,125,196	1.50%	213,133,931	2,138,441	1.00%
Total loans and advances	**850,695,655**	**9,711,697**	**1.14%**	**664,021,617**	**7,643,505**	**1.15%**

5. Change in the provisions for impairment losses on loans

To ensure the provisions for impairment losses on loans are adequate and are in accordance with the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments, the provisions for impairment losses on loans are made individually and collectively. Loans with significant amounts are assessed for impairment losses individually. Where there is objective evidence of impairment, the difference between the present value of the estimated future cash flows of the loan (excluding future credit losses that have not been incurred) discounted at the original effective interest rate and its carrying amount is recognised as impairment losses on assets through profit or loss. Loans with insignificant amounts are assessed for impairment losses collectively based on transfer model or cumulative model. In the calculation of provisions for impairment losses using the transfer model, factors such as the transfer rate among five categories of quarterly classifications, total loss rate of the five categories, other factors affecting the identification of losses and current macroeconomic changes will be considered. In the calculation of provisions on impairment losses using the cumulative model, factors such as current and overdue balance as at the end of at least 36 months (personal loans) or 12 months (overdraft of credit card) prior to the month of impairment test, monthly cumulative rate of two consecutive overdue periods calculated according to the above information, average monthly cumulative rate and current macroeconomic changes will be considered.

During the reporting period, in line with its prudent approach, the Group fully assessed the influence of external changes of the macro-economy and austerity policies on the quality of loan assets so as to make sufficient provisions for impairment losses on loans and advances. As at the end of reporting period, the balance of provisions for impairment losses on loans and advances amounted to RMB32.335 billion, representing an increase of RMB11.505 billion as compared with the beginning of the period.

Unit: RMB'000

Item	2018	2017
Opening balance	20,830,293	16,602,775
Provisions for the period	16,956,725	7,584,810
Reversal during the period	-1,654,524	-1,501,839
Recovery of written-off loans during the period	539,200	717,305
Discount unwind	-117,926	-105,336
Write-off during the period	-4,236,986	-2,444,785
Others	18,677	-22,637
Ending balance	32,335,459	20,830,293

6. Details of top ten industries with largest loan balance

During the reporting period, loans of the Group were mainly provided to industries such as real estate, leasing and commercial services, manufacturing, wholesale and retail and public utilities, basically the same as last year.

Unit: RMB'000

Industry	31 December 2018			
	Balance	Percentage of total loans	Non-performing loans	Non-performing loans ratio
Real estate	128,229,633	15.07%	50,540	0.04%
Leasing and commercial services	122,709,591	14.42%	21,035	0.02%
Manufacturing	65,573,181	7.71%	2,735,346	4.17%
Wholesale and retail	51,152,970	6.01%	4,464,773	8.73%
Public utilities	48,972,712	5.76%	59,094	0.12%
Construction	25,368,172	2.98%	336,005	1.32%
Finance	23,517,516	2.76%	-	0.00%
Communication, software and IT services	16,646,874	1.96%	189,427	1.14%
Transportation, storage and postal services	15,249,265	1.79%	13,838	0.09%
Culture, sports and entertainment	11,225,369	1.32%	3,493	0.03%

7. Restructured loans and advances to customers

The Group restructured loans in accordance with laws under a stringent control and steady reduction basis. As at the end of the reporting period, the balance of restructured loans of the Group amounted to RMB1,162 million, representing an increase of RMB157 million and a decrease of 0.01 percentage points of total loans, as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2018		31 December 2017	
	Amount	Percentage of total loans	Amount	Percentage of total loans
Restructured loans and advances to customers	1,161,948	0.14%	1,004,523	0.15%

8. Overdue loans and advances to customers

The Group has maintained prudent and strict classification standards for overdue loans. The percentage of loans overdue for more than 90 days and non-performing loans was 0.79, surpassing other banks and reflecting the truthfulness and accuracy of the loan classification.

Unit: RMB'000

Item	31 December 2018		31 December 2017	
	Amount	Percentage of total loans	Amount	Percentage of total loans
Overdue for 1 day to 90 days (inclusive)	6,673,079	0.78%	1,640,407	0.25%
Overdue for 90 days to 1 year (inclusive)	6,252,387	0.73%	2,653,086	0.40%
Overdue for 1 year to 3 years (inclusive)	1,243,928	0.15%	2,453,201	0.37%
Overdue for more than 3 years	179,129	0.02%	231,836	0.03%
Total	**14,348,523**	**1.69%**	**6,978,530**	**1.05%**

9. Loan migration rate

Item	31 December 2018	31 December 2017	31 December 2016
Migration rate for normal loans	2.36%	1.56%	1.78%
Migration rate for special mention loans	57.02%	38.49%	57.65%
Migration rate for substandard loans	98.12%	99.65%	95.59%
Migration rate for doubtful loans	11.10%	22.78%	20.24%

10. Repossessed assets

Unit: RMB'000

Type	31 December 2018		31 December 2017	
	Amount	Amount of provision for impairment loss	Amount	Amount of provision for impairment loss
Equity	105,310	98,334	-	-
Total	**105,310**	**98,334**	-	-

(VI) Capital Adequacy Ratio and Leverage Ratio

1. Capital adequacy ratio

Unit: RMB'000

Item	31 December 2018	31 December 2017	31 December 2016
Core tier-1 capital:	141,408,461	127,113,477	115,937,823
The portion of share capital which may be included	10,928,099	7,805,785	6,004,450
The portion of capital reserve which may be included	25,717,981	27,833,570	30,431,980
Surplus reserve	30,969,554	26,435,300	22,227,344
General reserve	25,804,758	25,780,256	21,245,093
Retained earnings	47,658,150	39,125,759	35,542,604
The portion of minority shareholders' capital which may be included	89,082	85,511	168,600
Others	240,837	47,296	317,752
Other tier-1capital:	19,969,048	19,968,571	10,603
Other tier-1 capital instruments and related premium	19,957,170	19,957,170	-
The portion of minority shareholders' capital which may be included	11,878	11,401	10,603
Tier-2 capital:	25,656,091	23,209,591	21,128,557
Tier-2 capital instruments and related premium which may be included	9,000,000	10,000,000	11,000,000
Excess provision for doubtful debts	16,632,336	13,186,788	10,104,722
The portion of minority shareholders' capital which may be included	23,755	22,803	23,835
Total capital	**187,033,600**	**170,291,639**	**137,076,983**
Deductions:	-354,419	-332,371	-392,782
Deductible items of core tier-1 capital	-354,419	-332,371	-392,782
Net core tier-1 capital	**141,054,042**	**126,781,106**	**115,545,041**
Net tier-1 capital	**161,023,090**	**146,749,677**	**115,555,644**
Net capital	**186,679,181**	**169,959,268**	**136,684,201**
Risk-weighted assets	**1,435,652,196**	**1,185,925,725**	**1,037,999,210**
Core tier-1 capital adequacy ratio	**9.83%**	**10.69%**	**11.13%**
Tier-1 capital adequacy ratio	**11.22%**	**12.37%**	**11.13%**
Capital adequacy ratio	**13.00%**	**14.33%**	**13.17%**

(2) Leverage ratio

Unit: RMB'000

Item	31 December 2018	30 September2018	30 June 2018	31 March2018	31 December 2017
Net tier-1 capital	161,023,090	157,680,182	152,479,224	151,237,653	146,749,677
On-and-off balance sheet assets after adjustment	2,201,559,521	2,117,376,229	2,073,653,032	2,004,625,946	1,979,527,549
Leverage ratio	7.31%	7.45%	7.35%	7.54%	7.41%

(VII) Significant accounting estimates and judgments

The preparation of financial statements requires the management of the Group to make estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The underlying assumptions and uncertainties involved in the estimates are reviewed by the management of the Group on an ongoing basis. The effect of revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods. For details, see Note III 29 to the financial statements.

III. Off-balance sheet items that may materially affect financial situation and operating results

Unit: RMB'000

Items	31 December 2018	31 December 2017
Credit commitments	184,651,964	158,963,399
Among which:		
Available credit limit of credit cards	36,816,594	30,076,992
Irrevocable loan commitments	19,980,739	22,588,605
Letters of guarantee	60,046,674	50,732,587
Bank acceptances	60,756,977	49,439,368
Letters of credit	7,050,980	6,125,847
Operating lease commitments	1,448,434	1,383,166
Capital commitments	398,138	734,991

IV. Business Overview

(I) Wholesale financial business

During the reporting period, in accordance with the operating concept of serving the real economy and adhering to the strategic goal of becoming a "boutique bank", the Bank developed the corporate business features of supply-chain finance and IT finance in close tandem with the strategic layout and regional economic development of China. The Bank increased its capabilities of acquiring general deposits and quality assets, with the growth of its deposits and loans ranking top in the market. The Bank continued to broaden its customer base and introduced inclusive finance with featured services. By further improving the quality and efficiency of its customer services, the Bank sustained the development of its corporate banking business. In respect of financial market and asset management business, the Bank actively responded to the new regulatory requirements and market changes. Efforts were made to strengthen its internal development and further optimise its asset and liabilities and products structure, which facilitated the steady growth of revenue from interbank assets and the moderate increase in wealth management product scale. Profit before taxation of wholesale financial business amounted to RMB14,758 million, representing an increase of 14.92% year-on-year. Operating income amounted to RMB32,838 million, representing an increase of 24.39% year-on-year. Net interest income amounted to RMB21,362 million, representing an increase of 44.85% year-on-year. Net fee and commission income amounted to RMB3,701 million.

1. Customers

During the reporting period, the Bank established a categorised customer management system. Through categorised management and differentiated marketing, the Bank's sophisticated management further expanded. For core customers, the Bank stepped up the direct operation of the head office, with a focus on serving state-owned enterprises, large private enterprises and other foreign-invested enterprises by providing customised and integrated finance solutions. This enhanced the competitiveness and influence of the Bank on the major national and provincial projects. In respect of private enterprise services, the Bank introduced "30 measures in support of private and small and micro enterprises" and created the culture of "credit extension only to quality enterprises regardless of ownership and business scale". Adhering to the principle of "respecting customers and grass roots while seizing business opportunities", the Bank formulated a more applicable risk model, accelerated innovation of the big data application of risk management, and expanded the application of supply-chain and small and micro finance products. These efforts allowed the Bank to provide more comprehensive and efficient financial services for private enterprises.

2.Corporate deposit and loan

During the reporting period, the Bank played an active role in the Shanghai market and participated in its key construction projects, in order to facilitate the strategic development of construction of Shanghai Technology Innovation Centre. The Bank utilised the opportunities brought from the integration of the Yangtze River Delta, the Beijing-Tianjin-Hebei Economic Integration, Guangdong-Hong Kong-Macao Greater Bay Area and other national strategies to build a product system of supply-chain finance. The Bank focused on the development of featured businesses such as transaction banking, cross-border banking and investment banking, which enhanced customer loyalty and expanded general deposit. As at the end of the reporting period, balance of corporate deposit amounted to RMB729.895 billion, representing an increase of 12.02% as compared with the end of the previous year. Balance of corporate deposit denominated in RMB ranked among top three in terms of the market share of PRC commercial banks in Shanghai.

The Bank proactively refined the structure of credit extension specifically for the economic activities and economies of the cities where the Bank operated while maintaining strict risk limit. The Bank mainly focused on supply-chain finance, technology and innovation financing, financing for regional economic development, reform of state-owned enterprises and private-enterprise development, and was dependent on projects with substantial revenue to support the real economy. As at the end of the reporting period, the balance of corporate loans and advances amounted to RMB534.270 billion, representing an increase of 19.63% as compared with the end of the previous year.

3. Inclusive finance

During the reporting period, the Bank was committed to supporting the real economy and fulfilling its social responsibilities. Its strategic focus was placed on small and micro enterprise services in an effort to expand the inclusive finance business and refine its operation management system. The Bank promoted the innovation of financial products by introducing standardised products, such as "Zhai Ji Dai", "Yin Shui Bao", "Tou Dai Bao", which promptly catered for different needs of medium, small and micro enterprises. The Bank was also committed to its cooperation with guarantee companies and provided comprehensive financial services for small and micro enterprises, innovative and entrepreneurship enterprises and other customers of inclusive finance. The Bank launched the service of opening account through WeChat and streamlined the procedures of mobile terminals in order to improve service efficiency and customer experience. During the reporting period, the Bank received the "2018 Outstanding Performance Award of Credit Fund for Small and Micro Enterprises in Pudong New District of Shanghai". In terms of business scale, it also ranked top among the cooperation banks which supported policy financing guarantee fund for medium, small and micro enterprises in Shanghai. As at the end of the reporting period, the balance of inclusive finance loans (according to the CBIRC) amounted to RMB17.001 billion, representing an increase of 34.33% as compared with the end of the previous year.

4. Technology and innovation financing

During the reporting period, the Bank put efforts in the establishment of Shanghai Technology Innovation Centre. Through the technological innovation of its products and service systems, the Bank refined the mechanism of technology and innovation financing services, launched the "technology and innovation financing service plan" for the provision of specialised credit loans of RMB10 billion for technology and innovation enterprises. The Bank established the "BOSC-Lingang technology and innovation financing service demonstration zone" and deepened its cooperation with Zhangjiang Hi-Tech Park and other hi-tech industry zones. An ecosystem of technology and innovation financing services has been built to support outstanding enterprises of emerging strategic industries. As at the end of the reporting period, the balance of loans to technology enterprises of the Bank amounted to RMB65.874 billion, representing an increase of 37.92% as compared with the end of the previous year.

5. Transaction banking

During the reporting period, the Bank expanded supply-chain finance business through strengthening its products, procedures and services. For products, the Bank expanded its business model, covering the procurement, production and sales of core enterprises based on the needs of the industry chain. Efficiency and flexibility of capital supply were also improved with the application of big data in the enterprise credit model. For procedures and services, the online service platform of "BOSC e-chain" was further optimised by applying online operation to the entire business procedures. As such, financing efficiency and operation experience of borrowers were enhanced. Capitalising on its competitive edges in supply-chain finance, the Bank developed its inclusive finance business for the provision of financing services for small and medium enterprises. During the reporting period, the outstanding loans for supply-chain finance amounted to RMB52,487 billion, representing an increase of 117.22% as compared with the previous year.

The Bank attached great importance to the working capital management of enterprises. Based on monetary capital, receivables and payables, bills and other financing information, the Bank catered to the needs of enterprises with the provision of an integrated cash management platform covering account management, payment and settlement, trading financing, capital supervision and wealth management. The Bank also provided customised services for individual enterprises according to their operation features, including operating capital forecast, liquidity analysis and financial planning report. These efforts aligned with its pursuit of developing banking products that satisfy financial management needs, and reflect its care for, different enterprises. As at the end of the reporting period, the Bank had 3,970 cash management customers, representing an increase of 15.74% as compared with the end of the previous year. Net increase of the daily average of concentrated deposits was RMB28.4 billion as compared with the previous year.

6. Cross-border banking

During the reporting period, in response to the Belt and Road Initiative, the Bank enriched its cross-border and foreign currency products through its unique internal and external cooperation platform. Capitalising on its strengths in customer base expansion, channel establishment, product innovation and business synergy, the Bank expanded its cross-border business through its customer base. Firstly, the Bank deepened its corporation with its strategic partners. The strategic cooperation of "Three Shanghai Banks" (i.e. Bank of Shanghai in Shanghai, Shanghai Commercial Bank in Hong Kong, and The Shanghai Commercial and Savings Bank in Taiwan) marked the 20th anniversary. The Bank has also commenced close strategic collaboration with Santander from 2014. Through business cooperation, transformation projects and consultations, the Bank focused on the improvement of productivity and transformation of retail finance. For corporate finance, the implementation of customer cross-marketing and tracking system expanded its customer base. The unique strategic cooperation alliance supported the business development of customers and the Bank in advantageous regions. Secondly, with the Bank's advantages in location, resources and licenses through its Hong Kong subsidiaries, the Bank effectively organised cross-region integration of domestic branches of the Group and provided comprehensive domestic and foreign investment and commercial banking services. Thirdly, capitalising on the Belt and Road cross-border services centre, the Bank launched a diversified cross-border financial service plan to satisfy the needs of enterprises, which participate in the Belt and Road Initiative and seek business opportunities and collaborations, for financing their trading and infrastructure projects. Fourthly, with the effective use of multi-layered cross-border account service system of the Bank, various product portfolios were optimised to provide effective solutions on settlement, investment and finance and capital pooling for customers in different development stages.

During the reporting period, in response to the general market environment and policy orientation, the Bank focused on expanding cross-border financial business. The income from intermediate business including cross-border guarantee and foreign exchange settlement and sales amounted to RMB978 million, representing an increase of 15.33% as compared with the previous year. The Bank provided specific cross-border services to its core customers under capital account. During the reporting period, the amount of cross-border transactions under capital account amounted to USD23,814 million. The Bank expanded its collaboration with internet enterprises and the online service channels in respect of foreign currency settlement and currency exchange services, which formed the feature of "internet + cross border business". In addition, the Bank refined its free trade product portfolio with innovative features. There were a total of 6,199 FT accounts under FTU, representing an increase of 12.38% as compared with the end of the previous year. Leveraging its unique strengths in investment capital pool, the Bank rolled out professional products and services featuring FT cross-border capital pool and comprehensive cross-border capital pool, which have become a unique cross-border capital pool product series in the banking industry.

7. Investment banking

During the reporting period, the Bank strictly implemented its planning strategies with an emphasis on bond, merger and acquisition and assets securitisation business in order to provide integrated financial services and boost its business scale and income. Professional ability of talent team continued to improve.

The scale of debt financing business expanded rapidly. Debt financing underwritten by the Bank amounted to RMB87,785 million, representing an increase of 50.92% as compared with the previous year. The increase was above average of the market. Innovation of products was also accelerated. During the reporting period, the Bank successfully issued innovative products such as the first "panda bond" in China rated AA+ by major rating institutions, the first debt financing instruments for innovative and start-up businesses and the first Bond Connect medium-term notes in Shanghai as well as green debt financing instruments. The Bank also issued small and micro enterprise assets backed notes and Credit Risk Mitigation Warrants (CRMW) to support the development of private and small and micro enterprises. For merger, acquisition and restructuring, the Bank facilitated merger and acquisition business of quality listed companies, expanded integrated financial services such as private investment funds and explored the business model of light capital investment banking. Assets securitisation business continued to grow with business scale amounting to RMB24,508 million, representing an increase of 52.64% as compared with the end of the previous year. The Bank has achieved business innovation such as the poverty alleviation assets backed notes and has preliminarily developed the features of its assets securitisation business. During the reporting period, the investment banking and financing advisory income amounted to RMB1,295 million, representing an increase of 16.88% as compared with the previous year.

8. Custody banking

During the reporting period, in response to the market needs, the Bank promoted its three major products, namely assets custody, administrative and management service and fund supervision. By expanding the business coverage and product portfolio, the Bank's business scale continued to grow steadily. The Bank provided comprehensive financial custody services for customers including securities companies, fund companies, custody companies, commercial banks, insurance companies and private investment institutions. Custody services include securities investment funds, fund accounts, asset management plans for securities firms, trust plans, insurance capital/ asset management plans, banking and wealth management products, private investment funds, RQDII/ QDII products, futures asset management plans and independent insurance supervisory business. Focusing on quality private investment institutions, the Bank offered various administrative and management services such as share registration, valuation and accounting, and developed numerous new fund custody products to provide supervision services for investment/trading funds, proceeds from IPO/private placement/debt issuance, ABS receivables and other project funds. Targeting customers in the trading market and licensed fund sales/payment and settlement agents, the Bank carried out innovative businesses such as Yin Shang Tong and payment supervision for sales of funds.

As at the end of the reporting period, the custody banking business of the Bank amounted to RMB2,203.268 billion, representing an increase of 18.04% as compared with the end of the previous year. Assets custody business amounted to RMB1,918.005 billion, representing an increase of 16.17% as compared with the end of the previous year. During the reporting period, the income of custody banking business amounted to RMB802 million and the custody fee income amounted to RMB745 million.

9. Financial market

During the reporting period, the Bank adhered to its strategic planning and continued to refine the structure of its financial market business. It strengthened its risk management and control, took advantage of market opportunities, improved transaction strategies and deepened its customer engagement. As a result, the Bank maintained the steady growth of its operating income.

For capital transaction business, through in-depth study of macroeconomic and financial environment, the Bank further optimised its asset and liability allocation and management strategies in line with the interest rate and foreign exchange rate trends. Based on the multi-dimensional strategy study in respect of liquidity, credit facilities, maturity and other key factors, the Bank recorded higher income from its transaction portfolio. To remain active in the financial market transactions and consolidate its business qualifications, the Bank further innovated products and trading models and actively participated in "Bond Connect", standard bond forwards, CDS market and quotation and other business. It also developed option portfolio trading and diversified its structural deposit product portfolio in order to further enhance its operation, trade agency services and market influence.

In respect of interbank cooperation, the Bank transformed the service model for interbank customers by focusing on customer base classification, integration of customer, product and service resources as well as expansion of business channels and scope of cooperation, with an aim to enhance the value of interbank customers. During the reporting period, there were 1,519 products of interbank consignment, fund promotion and asset management plans for securities firms, representing an increase of 8.00% as compared with the previous year.

10. Assets management

During the reporting period, the Bank continued the transformation of its wealth management products, optimised its investment portfolio, improved its risk management and enhanced its competitiveness based on the changes in regulations and market trend. The Bank fulfilled diversified wealth management and investment needs of customers and achieved stable growth for wealth management business. At the end of the reporting period, the balance of wealth management products amounted to RMB384.207 billion, representing an increase of 21.49% as compared with the end of the previous year. During the reporting period, the income from wealth management intermediate business amounted to RMB767 million.

For transformation of wealth management products, the Bank promoted public/ private placement of new net-value products and discontinued obsolete products. In order to ensure the smooth roll-out of new products, amount due from obsolete products was transferred to new products. As at the end of the reporting period, three out of four products categories, including cash management products, open-end products and close-end products, have been transformed to net-value products. The balance of net-value products, which were filed with the China Banking Wealth Management Registration & Depository Centre, was RMB119.749 billion. Its proportion in non-guaranteed wealth management products increased by 29.19 percentage points as compared with the end of the previous year. On the other hand, the Bank restructured the customer base of wealth management investors for the development of wealth management business. As at the end of the reporting period, the number of products for individual investors increased by 31.71% as compared with the end of the previous year.

For investment management, the Bank continued to optimise its portfolio management to ensure efficient restructuring of asset allocation. Stronger emphasis was placed on the allocation of major assets. The balance among risk, profit and liquidity management was maintained to facilitate the replacement of obsolete products. On the other hand, as part of its initiatives to improve risk management, financing business was included in the comprehensive risk management system with a focus on the risk management of new businesses just before, during and after investment. The Bank reviewed the financing entities based on penetration principle to effectively control credit risk. The use of risk management system and quantitative analysis was also promoted. With its continuous efforts on post-investment risk monitoring and management, the Bank enhanced the safety of its wealth management and investment.

On 18 January 2019, the Resolution Regarding to the Establishment of Wealth Management Subsidiaries was considered and approved at the ninth meeting of the fifth session of the Board of Directors of the Bank. The establishment of wealth management subsidiaries is an important initiative to separate the on- and off-balance sheet risks in accordance with the regulatory requirements. It is beneficial to the establishment of a sound structure for developing wealth management business, accelerating transformation for specialised operation of wealth management business, enhancing its competitiveness in wealth management market and optimising its strategic planning. The establishment of wealth management subsidiaries also enables a more accurate classification of wealth management products, which will further enrich the wealth management product portfolio and accentuate the specialised features of wealth management. It will also facilitate the implementation of the wealth management strategies of the Bank. With the expansion of investment scope, wealth management subsidiaries will have more diversified business synergies with the Bank in terms of supply-chain finance, technological finance and inclusive finance, resulting in enhanced service portfolio and specialised services. As such, the Bank will be able to offer a fuller spectrum of comprehensive financial services. The establishment of subsidiaries should be subject to approval from the regulatory authorities.

(II) Retail finance

During the reporting period, the Bank grasped the opportunities arising from the changes in the economic development and the transformation and upgrade of consumption, and gave priority to its retail finance business in line with the introduction of its new strategies for the year. The Bank focused on development of strategic featured businesses such as consumer finance, wealth management and pension finance. The Bank was also able to maintain sustainable development while achieving short-term breakthroughs. Driven by consumer finance, indicators of retail credit recorded a breakthrough within a short period of time. Customer acquisition and operation were digitalised. With the continuous enhancement of core strengthens in respect of risk management, digital application, sales organisation, channel deployment and team building, the Bank further consolidated the foundation of its sustainable development. The Bank has also been committed to its strategic targets of "creating values for the Bank, shareholders and investors, achieving competitive business scale, developing competitive edges for featured business and significantly enhancing service quality". Profit before tax of retail finance business amounted to RMB4.237 billion, representing an increase of 42.36% as compared with the previous year. Operating income amounted to RMB10.691 billion, representing an increase of 68.43% as compared with the previous year. Net interest income amounted to RMB8.580 billion, representing an increase of 95.99% as compared with the previous year. Net fee and commission income amounted to RMB2.096 billion, representing an increase of 7.95% as compared with the previous year.

1. Consumer finance

During the reporting period, consumer finance continued to be the source of growth for the Bank in line with the market environment and government policies. The Bank accelerated the implementation of comprehensive risk management measures, consolidated its foundation in response to market changes and kept the size, income and quality of retail credit well-balanced. The Bank improved the management of external cooperation channel with a focus on leading enterprises. Efforts were made to deepen cooperation with leading enterprises in major consumption sectors, such as automobiles and e-commerce. The Bank consolidated the marketing management system for seeking business opportunities and deepened its relationship with core partners to enhance its business scale. Leveraging the sales channels of light assets and scenario sales approach, the Bank focused on proprietary credit product innovation and process optimisation. Diversified PAD mobile sales tools were introduced while face recognition for the signing function was launched. Through making full use of the internet and cutting-edge technologies, the Bank actively introduced external third-party databases to accelerate product application approval and enhance customer experience. In response to the reasonable home purchase demand of the public, the Bank customised its policies for different cities to further enhance its comprehensive services for individual loan customers and steadily develop its mortgage loans business. The Bank continuously improved its core independent risk control capabilities, effectively promoted closed-loop risk management throughout the whole process and established independent anti-fraud capabilities. Through enhancement of differentiated risk pricing and approval as well as improvement of capital flow monitoring and management of usage, the Bank consolidated the foundation for the sustainable development of its retail credit business.

As at the end of the reporting period, the balance of individual loans and advances (including credit cards) amounted to RMB276.821 billion, representing an increase of 59.05% as compared with the end of the previous year. The balance of consumption loans (including credit cards) accounted for 68.07% of the total outstanding individual loans and advances, representing an increase of 14.01 percentage points as compared with the end of the previous year.

2. Wealth management

During the reporting period, to align with the changes in the wealth management market and the trend of the return of public assets to the banking system, the Bank capitalised on its expertise to provide guidance to customers for making rational investments in major assets. The Bank promoted personal liabilities business through customer acquisition and operation. Efficiency of customer acquisition was improved by leveraging the large customer base of its credit card and agency business. Through behavioural data analysis and model iteration, the Bank formulated a precise marketing strategy for major customer base. With the adoption of the customer base management procedures of "acquisition, penetration and upgrade", customer loyalty was further improved. The Bank promoted product innovation and product lines transformation to facilitate its product life cycle management. In tandem with the net value transformation of personal wealth management business, the Bank replaced obsolete wealth management products with new products. The Bank carried out the transformation of its agency business and reallocated its major assets to control risks and select quality products. Product categories were further expanded to cater for customer needs. The Bank included private placement products (trusts, special accounts) and instalments of insurance premiums into customer asset portfolios. The Bank actively implemented sales transformation and established a systemic, standardised and efficient closed-loop management system based on the principle of "prioritised planning, effective communication and efficient implementation". The Bank also enhanced the value of professional services through market research and investment analysis.

The Bank placed an emphasis on the wealth management customers with monthly comprehensive assets of RMB1 million or above on daily basis. Based on its service classification, the Bank capitalised on its database, strengthened team building, refined sales management and optimised support system to improve its business system. Digital technology was applied to acquisition and classification of target customers to boost customer convenience and trust. The Bank strengthened the professional training of customer service managers and replaced the single product sales model with diversified product sales model which enables customers to manage investment risks. The Bank developed featured financial products, streamlined family business processes and maintained substantial insurance and family trusts to help high net worth customers to achieve asset protection and wealth inheritance. With its commitment to public welfare financial services, the Bank cooperated with the United Nations Development Programme to launch the first Handbook of Charity Law of the People's Republic of China, which introduces a series of charity investment solutions and provides guidance for customers on charity works.

As at the end of the reporting period, the Bank had 1,429.76 million retail customers, representing an increase of 10.68% as compared with the end of the previous year. Asset under management ("AUM") of retail customers amounted to RMB519.617 billion, representing an increase of 20.90% as compared with the end of the previous year. Balance of individual deposits in RMB and foreign currencies amounted to RMB230.307 billion, representing an increase of 12.20% as compared with the end of the previous year. Balance of individual RMB saving deposits of the Bank in Shanghai accounted for 7.29% of the total individual saving deposits of local PRC commercial banks, representing an increase of 0.27 percentage points as compared with the end of the previous year. Balance of individual wealth management products amounted to RMB242.782 billion, representing an increase of 31.51% as compared with the end of the previous year. During the reporting period, agency sales of private placement product amounted to RMB21.352 billion, representing a year-on-year increase of 74.77%. The number of individual customers with average monthly AUM of RMB1 million or above on daily basis was 87,212, representing an increase of 30.60% as compared with the end of the previous year. The AUM of the abovementioned customers amounted to RMB219.828 billion, representing an increase of 27.84% as compared with the end of the previous year.

During the reporting period, the Bank won the "Best Private Wealth Philanthropic Services Award in China" by The Asian Banker, and was named the "Best Private Bank for 2018" by Eastmoney.com and the "Annual Outstanding Wealth Management Bank" by National Business Daily. The Bank also won the "Best Private Bank in China – Best Innovation Award" by Wealth.

3. Pension finance

During the reporting period, the Bank continued to develop featured business of pension finance based on the theme of "Good Life" and provided customers with comprehensive pension finance solutions, which resulted in steady increase in the market share of business of the Bank in Shanghai. Business strategy for pension customers was further refined with the introduction of products, such as pension exclusive deposits, wealth management and precious metals, in order to enhance the comprehensive asset portfolios for customers. Based on its selection of consumption scenarios that meet the needs of pension customers through market research and big data analysis, the Bank further enriched the value-added service platform for the elderly, covering their recreational, leisure and entertainment life. The Bank also selected merchants as "Yinfa Partner", which consisted of over 600 stores, to provide various services. The Bank continued to enhance customer experiences and helped pension customers to improve their quality of life through ongoing upgrade of its full-range special promotions. As such, customer loyalty was enhanced. Its efforts in diversifying the services under pension finance and promoting sales through various channels raised the brand recognition of the Bank. The Bank adhered to the service principle of respecting and caring for elderly. During the reporting period, a total of 5 branches were awarded the title of "Model Branch for Services to the Elderly in the Shanghai Banking Industry" by the Shanghai Banking Association.

As at the end of the reporting period, the number of customers of pension business was 156.39 million with over 20 million pension transfers recorded for the year. The total assets from customers of pension business were RMB227.554 billion, representing an increase of 24.17% as compared with the end of the previous year. The percentage in AUM of individual customers was 43.79%, representing an increase of 1.15 percentage points as compared with the end of the previous year. Pension customers were the main source of saving deposits of the Bank, accounting for 51.69% of saving deposits of the Bank, representing an increase of 1.89 percentage points as compared with the end of the previous year.

4. Bank card business

During the reporting period, adhering to its customer-oriented principal, the Bank enriched its bank card products so as to satisfy diversified customer needs in bank card usage. The Bank issued a new version of the Shanghai social security card which can provide social security functions and financial functions at the same time to support the public with medical settlement, payment and benefit collection. The Bank also launched a series of credit cards to attract young customers. Through multi-channel cooperation, the Bank promoted its debit cards to credit card and direct banking customers through cross-selling. The Bank also continued to improve its bank card service quality based on urban consumption and life cycles. As at the end of the reporting period, the total number of bank cards issued by the Bank amounted to 1,851.66 million, representing an increase of 19.46% as compared with the end of the previous year. The Bank issued an aggregate of 1,109.38 million debit cards, representing an increase of 12.28% as compared with the end of the previous year. During the reporting period, bank card spending amounted to RMB236.864 billion, representing an increase of 17.15% as compared with the end of the previous year. Debit card spending amounted to RMB130.561 billion, representing an increase of 9.18% as compared with the end of the previous year.

In respect of credit cards, the Bank achieved more effective customer acquisition by focusing on "younger and more active" customer group and cooperating with Vipshop, Tencent Games, Alipay, Tuhu and other platforms. Leveraging enhanced resources integration and cooperation with allied institutions, the Bank made a breakthrough in its online scenario-based customer acquisition. The number of customers acquired through the internet was doubled as compared with the previous year, which boosted the rapid growth of customer scale. With its efforts to develop card products for cartoon fans, the Bank launched Kumamon themed card. Capitalising on its internal sources, the Bank integrated customer applications based on its retail platform. Smart and targeted sales strategies were embedded in the marketing plans through application of PAD tools, which further streamlined card application procedures for customers. The Bank also attached great importance to the value contribution and operation of credit cards. Focusing on brand activities and "light catering series" promotion, the Bank was committed to creating an urban life circle covering three major aspects, namely food, travel and business district. Through co-marketing with major food delivery service providers and popular brands, the market recognition of the credit card brand of the Bank was improved significantly. The Bank continued to improve its whole-process service management, deepen the integration of mobile and internet terminals and build an interactive management model covering the whole life cycle of customers. The Bank also promoted the establishment of credit card mobile terminal, integrated and improved the functions, such as information display, settlement payment, equity exchange and instalment payment, in an effort to enhance customer experience.

As at the end of the reporting period, the Bank had issued an aggregate of 4.3965 million active credit cards, representing an increase of 41.06% as compared with the end of the previous year, , and there were 3.3493 million active credit-card users,, representing an increase of 34.80% as compared with the end of the previous year. The overdraft balance of credit card amounted to RMB30.953 billion, representing an increase of 24.60% as compared with the end of the previous year. During the reporting period, credit card transactions amounted to RMB108.720 billion, representing an increase of 28.19% as compared with the previous year.

During the reporting period, the Bank won various awards, including the "Outstanding Partner of UnionPay Award for 2018", the "Excellence Award for UnionPay Card Cooperative Marketing", the "VISA Excellence Award for Sales Transformation and Customer Acquisition", and the "Outstanding Partner of JCB Award". The Kumamon themed card issued by the Bank was granted with the "Most Popular Product Award for 2018"by JCB.

(III) Information technology

During the reporting period, the Bank carried out the information technology strategy of "developing and operating a safe, efficient, intelligent, user-friendly system". More advanced Fintech applications were adopted in its operation. Apart from strengthening staff training, the Bank also increased the application of technology in its operations by approximately 30% on an annual basis, providing stronger support to its business development. The Bank has ranked top among its peers for information technology by standards set by the CBIRC for three consecutive years.

Fintech enabled the acceleration of digitalisation. A specialised fund was set up to facilitate the financial technology innovation and application under the two-way operation strategy of "top-down and bottom-up approach". During the reporting period, optical character recognition (OCR), which is a technology based on automatic learning, was adopted to interpret images of accounting documents. With a success rate of over 90%, this technology reduced manual correction by 53%. For the opening of corporate accounts, Robotic Process Automation (RPA) has been adopted to automatically fill out forms, which reduces the amount of time for opening accounts from around 20 minutes to two minutes and enhances efficiency by more than ten times when compared to manual processing. Data management and application were emphasised as the core components of operation and the source of innovation. A big data risk management model has been applied to the automatic credit rating of consumption loans. The maximum volume of online approval of consumption loans per day increased by five times as compared with the previous year while the efficiency of approving offline retail credit businesses was raised by 75% on average. Automatic approval of credit card issuances accounted for approximately 50% of the total credit card issuances while the maximum number of automatic approvals per day exceeded 20,000.

The establishment of information systems assisted in enhancing operational efficiency. During the reporting period, the Bank set up the core information system. The new system can enhance the efficiency of business, industrialisation of products, and differentiation of pricing and systematic control of risks. The Bank cultivated a team of Fintech talents who can adapt to the current market changes by taking audacious and innovative initiatives, laying a solid foundation for future strategic development of the Bank. A general business line of distributed enterprise services commenced operation to enable resilient, intensive management of application and system structure. As a result, processing capacity improved significantly. The Bank continued to promote the application of ITM (intelligent teller machines). Counter services, including more than 90% of wealth management and sales, along with70% of card issuing business, were transferred to ITM, effectively freeing up resources of branch outlets. Intelligent counter platforms were upgraded with the adoption of the shopping cart transaction model to enhance business process efficiency. Together with the application of big data, the Bank was able to provide personalised sales services with significantly improved sales efficiency and profitability of branch outlets.

The Bank upgraded its technical infrastructure and enhanced its intelligence of IT operation. It actively implemented a cloud-first strategy by increasing the proportion of IaaS (Infrastructure as a Service) cloud resources by 100%, resulting in quick delivery of computing resources and improvement in management capacity. The Bank stepped up its operation and maintenance of big data application which processed approximately 1 billion application and system logs and enabled real-time monitoring of transactions. The integrated operation profile of branch outlets with the use of big data reflected their business operation on a real-time basis. The Bank was the first in the industry to use intelligent surveillance robots for patrolling and inspecting server rooms. This combination of operation, maintenance and patrol system of IT facilities through the integration of "dynamic surveillance systems + intelligent robots + professional engineers" enabled real-time monitoring and control of data centre operations.

As at the end of reporting period, there were 469 IT technicians, representing an increase of 20.89% when compared with the end of the previous year. Through various comprehensive occupation training programmes such as online and offline courses, private tutoring and on-the-job training, the expertise and comprehensive abilities of young employees were rapidly enhanced. Committed to advanced technological research, the Bank carried out more than 50 insightful studies within four years and continuously improved its proprietary technological advancement and innovation capacity. The Bank was the first among its peers in Shanghai to establish a non-local development and testing centre in order to develop a new collaboration between the Shanghai headquarters and the Suzhou branch. This initiative also enhanced its proprietary technological development. By restructuring its development department, an efficient delivery team was established to integrate business and technology to respond to competition as well as the evolving nature of the internet.

(IV) Internet finance business

During the reporting period, the internet finance business continued to develop rapidly as the Bank stepped up the integration of technology with its finance business. An open digitalised financing platform, OpenAPI, was established through digitalised innovation. The Banks's core system was made accessible for boosting continuous product innovation, industry scenario-based services and customer engagement. This system also allowed the Bank to develop professional service features and core competiveness of internet finance business. As at the end of the reporting period, the number of online retail customers amounted to 20,499,200, representing an increase of 59.33% as compared with the end of the previous year, continuously ranking top among peers. The number of active customers for the year amounted to 4,439,100, representing an increase of 28.51% as compared with the end of the previous year. The balance of deposits placed through internet amounted to RMB12,196 million, representing an increase of RMB11,220 million as compared with the end of the previous year. The balance of consumption loans conducted through internet amounted to RMB109,519 million, representing an increase of 267.55% as compared with the end of the previous year. During the reporting period, the total number of transactions conducted through internet amounted to 204.7468 million, representing a year-on-year increase of 118.83%. The total transactions conducted through internet amounted to RMB1,209.931 billion, representing a year-on-year increase of RMB1,046.116 billion. The sales volume of wealth management products conducted through internet amounted to RMB26,079 million, representing a year-on-year increase of 50.30%.

Continuous innovation was carried out for internet finance products. The Bank provided more innovative services in respects of internet payment and settlement, online wealth management, online loans. It successively launched five types of products and services, namely Union Pay credit, fund management for merchants of e-commerce platform, online deposits for house purchase, online wealth management supermarket and "Kuaixiandai", which rejuvenated its business development. Of the above products and services, Union Pay credit featured three types of scenario-based services and cooperated with nearly a hundred of quality third-party payment organisations and funds in payment and settlement services. Online wealth management supermarket, which offers a wider range of products under a standardised compatible platform, introduced an innovative and smart fund portfolio product for the currency market, "Super Quick Loan", effectively satisfying users' needs for capital liquidity. With the adoption of Fintech in anti-deception, big data, bio-recognition and risk management modelling, "Kuaixiandai", an online retail consumption loan business, has been established for self-regulated risk control. Focusing on the users' problems on e-commerce platform transaction and house purchase scenarios, the Bank introduced new e-commerce platform fund management services and online deposits for house purchase services.

The integration of financial services and scenarios was further deepened. The Bank focused on strengthening the application of three types of scenarios. In respect of payment, the mobile ePay service via co-branded card was introduced for consumer finance scenarios and 17 platforms such as Quick Pass were launched, which effectively supported the Mobile Payment Convenience Demonstration Project of the People's Bank of China. In respect of scenario-based wealth management, online wealth management supermarket services were introduced to wealth management-based scenario platforms and 15 platforms such as Orange Finance of China Telecom were launched. In respect of daily life scenario, the Bank has established a platform covering financial services in travel, education, community and estate and successively introduced China's first QR-code-enabled ride-hailing APP, Smart Songjiang, as well as e-dining card and online cloud payment.

Remarkable success has been made in the operation of digitalised customer services. Supported by big data analysis, the Bank established an online customer smart operation platform to improve the efficiency of online active operation. Categorised and differentiated services for online customers were enhanced. The Bank provided customers with more convenient online smart services with customised notification, smart customer services and other functions, to improve customer loyalty and contribution. The Bank introduced offline services of local branches to 1.48 million online customers, resulting in 130,300 new customers of credit cards and Class I debit cards. As such, customer services of the Bank were further enhanced.

During the reporting period, the awareness and peer recognition of BOSC Express, an online direct banking brand of the Bank, continued to improve. BOSC Express received various awards, including Shanghai Financial Innovation Achievement Award for 2017, Class II/III Account Business Cooperation Innovation Award for 2017 by China UnionPay and the Most Innovative Bank for 2018 by Eastmoney.com.

(V) Establishment of channels

The Bank has positioned itself as a corporate offering smart financial and professional services. Synergies among its online channels, branches and call centre were increased to optimise service experience and create value for its omni-channel. As at the end of the reporting period, the online and self-service transaction rate was 94.41%, representing an increase of 3.57 percentage points as compared with the end of the previous year.

1. Online channels

For mobile banking channels, personal mobile banking services were fully digitalised with a simplified and smart system. In response to customers' feedbacks and aiming to improve customer experiences, the Bank upgraded three unique mobile banking versions, including "Smart Wealth", "Credit Card Enjoyment" and "Good Life". New functions such as smart wealth management recommendation, online application of social security card, online investment specialist and online BoS e-card were introduced with the support of digitalised sales application. The Bank has promoted the application of new technology and upgraded its new products including fingerprint login, face-recognition login and transfer, AR activity and invisible shield. Major services such as transfer and remittance, wealth management, Xinyidai and online account opening were optimised for customers. New functions under corporate mobile banking were launched, including reservations in branch outlets, electronic bills, "Cards for Settlement and Loan" and statement of assets and liabilities, to efficiently serve small and medium enterprises. During the reporting period, the Bank won the Best Mobile Banking Award of Regional Commercial Bank for 2018 by CFCA and the 2018 Best Mobile Banking Award of the Banking Industry for Internet Finance Innovation by China e-Finance Union. As at the end of the reporting period, the number of mobile banking customers was 4,504,500, representing an increase of 40.94% as compared with the end of the previous year. The number of WeChat banking customers was 2,961,400, representing an increase of 36.75% as compared with the end of the previous year.

For internet banking channels, new products were added to personal internet banking, including structural deposit and renewal of Xinyidai. Popular functions, such as smart transfer and one-click purchase of wealth management products, were optimised. Security measures, including supervision of significant risk transfer, were carried out. Cross channel transactions including login and wealth management with QR code were launched. The Bank also introduced new products, such as reverse factoring, Suiyidai, differentiated wealth management and structural deposit, to its corporate internet banking. Efforts were made to improve major functions of smart deposit, transfer business and electronic bills. As at the end of the reporting period, the number of internet banking customers was 4,616,100, representing an increase of 8.61% as compared with the end of the previous year.

2. Physical channels

The Bank has reformed its branch outlets and raised its image through site selection and business distribution with an aim to establish branch channels with smart, professional, caring and high quality services. The Bank also optimised the network of branch. Intelligence level of branch outlets was further improved. As at the end of the reporting period, new intelligent teller machine has been placed at 253 branch outlets to provide comprehensive financial services, including large amount cash deposit and withdrawal, card activation, electronic banking contract signing, account enquiry, transfer and remittance, wealth management and sales, password service and payment for utility services. Efficiency of branch outlets was improved.

As at the end of the reporting period, the Bank had a total of 317 branches and 469 self-service stations. The branches of the Bank are set out as follows:

Name	Address	No. of branches	No. of employees
Head Office	No.168, Middle Yincheng Road, China (Shanghai) Pilot Free Trade Zone	1	1,941
Credit Card Centre	Tower 3, Data Processing Centre of Bank of Shanghai, No.555, Lai'an Road, Pudong New District, Shanghai	1	195
Financial Services Centre for Small Enterprises	36/F, No.168, Middle Yincheng Road, China (Shanghai) Pilot Free Trade Zone	1	20
Metropolitan South Branch	101-103,105-108,126,132, 2/F (partially), 23/F, 25/F, 26/F & 27/F, No. 28, Yuanwen Road, Minhang District, Shanghai	46	977
Puxi Branch	Room 01-02 on 1/F, Room 01-02 on 2/F, Room 01-02 on 3/F, Room 01-02 on 4/F, 5/F and 6/F, Building No.2, No.595, North Caoxi Road, Xuhui District, Shanghai	54	1,175
Metropolitan North Branch	9/F & 10/F, No.2 Lane 839, Dalian Road and No.813 B, Dalian Road, Hongkou District, Shanghai	77	1,505
Pudong Branch	No.699, Zhangyang Road, China (Shanghai) Pilot Free Trade Zone	26	623
Shanghai Pilot Free Trade Zone Branch	Lobby (partially) & South Block 6/F, Zhonglv Building South Block, No. 53, Changqing Road North, China (Shanghai) Pilot Free Trade Zone	12	217
Puxi Branch	No.261, Sichuan Middle Road, Huangpu District, Shanghai	2	29
Fumin Branch	No.360, Fengyang Road, Huangpu District, Shanghai	3	90
Baiyu Branch	No.798, Zhaojiabang Road, Xuhui District, Shanghai	4	74
Ningbo Branch	No.74, 80, 90, 92, 93, 95-110 & 112, Yangfan Plaza, Ningbo Hi-Tech Zone, Zhejiang	10	343
Nanjing Branch	No.22, Beijing East Road, Xuanwu District, Nanjing, Jiangsu	12	520
Hangzhou Branch	No.200, Xinye Road, Jianggan District, Hangzhou, Zhejiang	12	411
Tianjin Branch	1-4/F, No.36 & 38, Leyuan Road, Hexi District, Tianjin	12	336
Chengdu Branch	Block 2, No.1, Hangkong Road, Wuhou District, Chengdu, Sichuan	9	290
Shenzhen Branch	101, 1101-1701, UpperHills (South) II, Northeast of Caitian Road and Sungang West Road, Futian District, Shenzhen	17	637
Beijing Branch	1/F, 8/F, 9/F & 10/F, No. 12, Jianguomenwai Avenue, Chaoyang District, Beijing	9	387
Suzhou Branch	Bldg 23, Time Square, Suzhou Industrial Park, Suzhou, Jiangsu	9	346
Total		**317**	**10,116**

Notes: Branches of the Bank do not include subsidiaries.

3. Call centre

The call centre has been transformed with the accelerated adoption of smart application and data driven support. Efforts were made to develop its three major businesses, namely remote service, remote support and remote operation. It was honoured as the "Advanced Model Unit" by the China Banking Association for successive years and won the "Outstanding Innovation Unit Award" and "Outstanding Talent Cultivation Unit" by the China Banking Association. During the reporting period, the total number of calls served by the call centre and the customer service hotline amounted to 18.53 million, representing an increase of 19.95% as compared with the previous year. As at the end of the reporting period, AUM of remote operation customers increased by 47.03% as compared with the end of the previous year. Customer acquisition, sales of products and customer service management of the call centre remained stable.

(VI) Major subsidiaries

1. Bank of Shanghai (Hong Kong) Limited and BOSC International Company Limited

Bank of Shanghai (Hong Kong) Limited, a wholly-owned subsidiary of the Bank with a registered capital equivalent to HKD4.0 billion, commenced operation officially in June 2013. By leveraging on the system and resource advantages of Hong Kong as an international finance centre, Bank of Shanghai (Hong Kong) Limited makes the most of the synergies of the Group to provide high-quality cross-border comprehensive financial services for domestic enterprises which seek business opportunities overseas and local enterprises in Hong Kong. As at the end of the reporting period, the total assets, deposits and loans of Bank of Shanghai (Hong Kong) Limited amounted to HKD28,699 million, HKD9,503 million and HKD14,930 million, respectively. During the reporting period, net profit amounted to HKD297 million.

BOSC International Company Limited, a wholly-owned subsidiary established by Bank of Shanghai (Hong Kong) Limited in Hong Kong with a registered capital of HKD780 million, commenced operation officially in January 2015. BOSC International Company Limited has been approved to engage in core licensed business activities of investment banks, namely Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management). As an overseas investment banking platform of the Group, BOSC International Company Limited provides strong support to the cross border financing business of the Group. As at the end of the reporting period, the total assets of BOSC International Company Limited amounted to HKD4,953 million. During the reporting period, net profit amounted to HKD87.63 million. (Note: The financial data of Bank of Shanghai (Hong Kong) and BOSC International are prepared on a consolidated basis and unaudited.)

2. BOSC Asset Management Limited

BOSC Asset Management Limited was established in 2013 with a registered capital of RMB300 million. The Bank was its largest shareholder, holding 90% of its shares with an initial investment of RMB270 million. BOSC Asset has striven to become an asset management company with exceptional expertise, compliant operation, stable finance and special development features. Based on its core value of prudent and reasonable development, BOSC Asset has adhered to a commercial model with balanced development of public offering and private investment to capitalise on its operation feature as a banking fund management company. During the reporting period, BOSC Asset Management Limited strictly implemented its public offering business strategies and put great effort in developing public offering business. With its sound operation and lawful development, BOSC Asset Management Limited recorded satisfactory results in terms of profit. As at the end of the reporting period, the total assets, net assets and assets under management of BOSC Asset Management Limited amounted to RMB1,068 million, RMB883 million and RMB137.187 billion, respectively. It also recorded net profit of RMB100 million during the reporting period.

3. Rural banks

The aggregate registered capital of the four rural banks established by the Bank amounted to RMB680 million, of which the Bank's contribution was RMB335 million. During the reporting period, adhering to the principle of prudent and healthy operation, our rural banks put efforts in innovating services for rural area and small enterprises based on the market position of serving "Three Agricultures", small and micro enterprisers and communities. Risk operation capabilities were further improved. As at the end of the reporting period, the total assets, net assets, deposits and loans of the four rural banks amounted to RMB4,165 million, RMB792 million, RMB3,168 million and RMB2,311 million, respectively. During the reporting period, the net profit amounted to RMB46,252,300. The net profit of Shanghai Minhang BoS Rural Bank Co., Ltd., Zhejiang Quzhou Qujiang BoS Rural Bank Co., Ltd., Jiangsu Jiangning BoS Rural Bank Co., Ltd. and Chongzhou BoS Rural Bank Co., Ltd. amounted to RMB26,523,200, RMB5,873,700, RMB6,425,600 and RMB7,429,800, respectively.

4. Shanghai ShangCheng Consumer Finance Corporation Limited

Shanghai ShangCheng Consumer Finance Corporation Limited was established in August 2017 with a registered capital of RMB1,000 million. The Bank holds 38% of its shares with an investment of RMB380 million. During the reporting period, Shanghai ShangCheng Consumer Finance Corporation Limited has put great efforts in developing inclusive finance business and adhered to the principle of innovative, sound, effective and quality operation. In order to develop its features, Shanghai ShangCheng Consumer Finance Corporation Limited further expanded its customer base of internet consumption. Its financial services for business trips were enhanced under the double-brand strategy which enabled the integration of scenario-based products of Ctrip with the proprietary products of ShangCheng. Shanghai ShangCheng Consumer Finance Corporation Limited has striven to strengthen its comprehensive risk control for whole process. Emphasis was placed on the targeted marketing of big data and the establishment of intelligent decision-making mechanism. It also attached great importance to the innovation of Fintech and the enhancement of artificial intelligence application and real-time calculation. Smart technologies were extensively adopted while the strategy of technological and system innovation was implemented. With resilient organisation structure and stronger iteration efforts, it achieved compliant and prudent development and satisfactory operation efficiency. As at the end of the reporting period, the total assets and net assets of Shanghai ShangCheng Consumer Finance Corporation Limited amounted to RMB6,874 million and RMB1,006 million, respectively. The balance of loans amounted to RMB6,507 million. During the reporting period, the net profit of Shanghai ShangCheng Consumer Finance Corporation Limited amounted to RMB20,431,900 million and its assets quality remained satisfactory.

V. Performance and profitability of wealth management business, asset securitisation, custody, trust and financial planning business during the reporting period

For details, please refer to "Business Overview".

VI. Development of new businesses during the reporting period

For details, please refer to "Business Overview".

VII. Risks and risk management during the reporting period

(I) Comprehensive risk management system

The Board of Directors of the Bank bears ultimate responsibility for risk management and is responsible for determining overall strategies as well as making important decisions for risk management. The Board of Directors performs risk management through its Risk Management and Consumer Rights Protection Committee, Related-Party Transactions Committee and Audit Committee. The Board of Supervisors supervises the Board of Directors and the senior management and examines the financial activities of the Bank. The Supervision Committee under the Board of Supervisors is primarily responsible for monitoring the risk management implement of the Board of Directors and the senior management, and for evaluating the effectiveness of the Bank's comprehensive risk management. The senior management of the

Bank, the highest level of executive power in risk management, is responsible for the supervision of risk management and internal control, including formulation and implementation of strategies and policies determined by the Board of Directors. The senior management is also responsible for reporting to the Board of Directors about overall risk management. Relevant special committees under the senior management, including the Risk Management Committee and the Asset and Liability Management Committee, are responsible for organising, coordinating, reviewing, determining and supervising various risk management tasks.

The Bank has established its risk management system of "Three Lines of Defence" through its organisational structure with accountability mechanism. The "First Line of Defence" is consisted of the business departments of the Head Office and the branches to execute front line risk management. The internal risk control departments serve as the "Second Line of Defence" to perform further risk management. The "Third Line of Defence" is consisted of audit and supervision departments to perform supervisory function. With clear division of responsibilities among the three lines of defence, the "First Line of Defence" is responsible for self-management of risks by promoting awareness and ability of risk prevention. The "Second Line of Defence" cooperates with the "First Line of Defence" to implement refined and differentiated risk management while the "Third Line of Defence" conducts vertical audit and integrated management, so as to further enhance the Bank's ability in supervision and internal control. The system can effectively control risks at an early stage and strengthen the independence and effectiveness of the "Second Line of Defence" and "Third Line of Defence".

The Bank has established a comprehensive risk management system, in which risk management department is responsible for planning and coordination, basically covering the management of all risks, including credit, market, operational, liquidity, legal, reputation, strategic and information technology, money laundering and country risks. In addition, risks of subsidiaries within the Group are managed under the integrated risk management framework. Management procedures and systems for all risks have been developed, including risk identification, assessment, measurement, supervision, report, mitigation and control. Risks of credit business are managed under a "Nine Stages" procedure.

During the reporting period, the Bank strictly complied with regulatory requirements and paid close attention to market development. Based on its meticulous risk control system and internal management, the Bank further improved its risk management tools, procedures, supervision and control mechanism. Adhering to the principle of compliance and prudent operation, the Bank put efforts in preventing and controlling risks in key aspects and reinforcing credit management and quantitative management. During the year, risks were under control and the transformation was carried out gradually.

Firstly, the Bank reinforced its compliance and operational risk management. Self-inspection and self-evaluation on eight major aspects were completed properly. To strengthen its supervision and accountability measures, the Bank established a regulatory liaison mechanism which facilitated its compliance with regulatory requirements and improvement in management. An appraisal system for assessing the performance of risk management of its branches was set up to improve the performance of branches, standardise operation and enhance risk management level. In order to ensure the effective operation of five mechanisms for preventing and controlling operational risks and cases, the Bank carried measures to rectify irregularities under market fluctuations and conducted specific and random inspections. Employee's conduct management was also strengthened to defend the bottom line of internal control.

Secondly, the Bank strengthened its risk management and control in key areas. With an emphasis on substantial risks, it organised large-scale risk inspection in key areas, improved relevance of its management initiatives and promoted the standards for whole-process operations. Risk management system for large deal was optimised as parties involved were managed under a list with frequent updates and differentiated classification. The Bank also took risk prevention measures. With effective coordination of proactive withdrawal and risk alerts, the Bank achieved significant results in recovery and clean-up of non-performing assets. The pricing and examination system of special business centre was also promoted. The Bank adjusted the credit extension policy of major aspects. A risk management system was also set up for structural financing and investment in corporate credit bonds. Procedures were streamlined and key processes were well under control. The Bank enhanced the management of approval terms, large deal management, credit approval, loan approval, credit facilities and legal review.

Thirdly, significant progress was made in system establishment. The Bank commenced the operation of the first phase of STP system under IMA. The Bank adopted the GRC (Government, Risk management and Compliance control) system to facilitate the use of three major tools of operational risk. Mobile application of the new credit risk management system was launched. With the introduction of IFRS 9 impairment loss measurement system, valuation of projects was efficiently carried out. The Bank also rolled out a seal management system to enable the automatic management of specified key seals. Based on the adjustment of business structure and policy changes, the RWA system was optimised to support the assessment of capital usage in terms of business resources.

Fourthly, the Bank strengthened its quantitative risk management. The non-retail internal rating model and application were further optimised. The Bank also set up a retail internal rating system and improved its collateral management system. The "mirror" project was launched to the public with the use of big data analysis and artificial intelligence technology so as to quantify risk information of corporate customers. It also enabled the Bank to prepare risk information assessment report of corporate customers to support its decision-making in credit extension.

Fifthly, risk management of the consolidated statements of the Group was enhanced. Guidance was given to its subsidiaries for carrying out comprehensive risk management that covers risk policies, risk preference and operational risk. The Bank also supervised the on-site collection and disposal of non-performing assets.

Sixthly, the Bank further optimised the management system of legal risk, reputation risk, information technology risk, money laundering risk and management procedures of internal control.

(II) Credit risk management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Bank. The Bank's credit risk arises mainly from credit business and treasury business such as credit securities investments.

In strict compliance with the relevant regulatory requirements of the CBIRC on credit risk management, the Bank implements the pre-determined strategic target and unified risk appetite, and has developed procedures and mechanism regarding the management and control of risks covering identification, assessment, measurement, monitoring, control/mitigation and reporting of credit risk. The Bank is committed to enhancing its overall credit risk management through various measures, including executing credit policies with unified risk appetite, establishing approval authority for credit business and management system of credit extension, standardising procedures of credit approval and operation, upgrading risk management tools and management information system, developing management systems for credit monitoring, alert and withdrawal, tightening standards of securities and pledges and other risk mitigating measures.

During the reporting period, the Bank has proactively responded to the complex external situation through strengthening control of bottom line, compliance and risk operation based on its strategies in order to support its business transformation. First, according to the structural changes of market and business, the Bank has optimised its risk policies, defined clear risk appetite and bottom line and strengthened risk pricing management to balance its risk and revenue. Second, the Bank has further issued guidelines on credit granting with clear targets of credit structure adjustment. With the application of measures such as controlling total amount of loans, positive and negative lists and white name list management, the Bank has imposed strict control on risky areas, including loans provided to industries with overcapacity and to customers outside the province in order to prevent high exposure of credit risks. Third, the Bank has carried out the principle of substance over form, and unified its management standards of approval criteria, limit control, approval authority and the "three checks" for both credit and non-credit and both on- and off-sheet businesses. Fourth, the Bank optimised its multi-layered control model for credit exposure of large deal and its highly effective risk intervention mechanism. The Bank monitored and investigated key aspects and developed strategies for controlling and managing risks. Fifth, the Bank standardised its post-loan management and strengthened the supervision and control of material credit risks. Sixth, the Bank enriched the functions of special business centre and strengthened its recovery ability. Through establishing special units and reasonably deploying staff and assigning duties, the Bank effectively controlled risks with well-coordinated structure and mitigated material credit risks and created value. Seventh, the Bank improved its management of risks relating to collaterals by further refining their classification, tightening the acceptance criteria and managing duration of collaterals, so as to mitigate their risks. Eighth, the Bank standardised credit risk management through adjusting accountability system for credit business, optimised its accountability system for compliance and strictly implemented its accountability policies. Ninth, to comply with new accounting standards, IFRS 9, the Bank set up a system for measuring impairment and developed an asset impairment measurement model. By utilising such impairment measurement system, the Bank adopted a quantitative approach through its optimised management mechanism to accurately calculate the asset impairment amount under the new accounting standards. As such, the Bank was also able to accurately evaluate the expected credit loss of assets. Tenth, the Bank has optimised risk measurement tools and internal non-retail rating model. Through applying retail rating model and pool assignment model in phases, the Bank enhanced the overall precision and classification of its rating model. The Bank further increased the application of internal rating results in investment and divestment of business, risk pricing, capital measurement, automatic approval, post-disbursement monitoring and collection management. Lastly, the Bank established a risk quantification system for new retail business which integrates internal and external big data. By utilising the system, the Bank strengthened its prevention of risk arising from fraud of retail customers and supported the development and optimisation of data-driven rating model.

(III) Market risk management

Market risk refers to the risk of loss for the on- and off- balance sheet businesses of the Bank arising from adverse changes in market prices, including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk of the Bank primarily includes interest rate and exchange rate risks arising from the asset and liability businesses and products traded in market.

The market risk management of the Bank refers to the whole process of identification, measurement, monitoring and control of market risk. The Bank continues to enhance its market risk management framework in accordance with regulatory requirements from CBIRC, and monitors market risk on trading portfolios and bank accounts. The Bank identifies, measures and manages the market risk by using various risk monitoring tools including the VaR analysis, duration analysis, gap analysis, position analysis, sensitivity analysis, scenarios analysis and stress tests. Based on the market condition, the Bank determines its market risk limits in respect of positions, sensitivity and stop-loss indicators and monitors the application of these risk limits. By undergoing review procedures on new products and complex businesses, the Bank ensures that market risk of new businesses can be identified and assessed as early as possible.

1. Interest rate risk management

Interest rate risk refers to the risk of loss in overall revenue and market value of financial instruments and positions due to the unfavourable changes in key factors such as interest rate and maturity mismatch.

(1) Trading portfolios

The Bank's interest rate risk management for trading portfolios covers relevant business lines, product types and trading strategies. Under the limit system of overall stop-loss and VaR, it sets limits on positions, interest sensitivity and stop-losses of the products having interest rate risks. Risks are monitored on a daily basis to ensure business running within the limits.

(2) Bank accounts

The Bank manages its interest rate risk of banking accounts based on repricing gap, net interest income sensitivity and change in economic value of equity (EVE), identified and measured through scenario simulation and stress testing. According to the overall limits on repricing gap, net interest income sensitivity and change in economic value of equity (EVE), the Bank sets separate limits for each business line to ensure the implementation of the overall limits. During the reporting period, indicators of interest rate risk limits of banking accounts were maintained in the management target.

2. Exchange rate risk management

The Bank's exchange rate risks mainly consist of risks arising from foreign currency portfolios within proprietary investments in bonds and foreign currencies loan, deposits lending and borrowing and other foreign currency businesses, as well as risks from the currency mismatch of loans and deposits. The Bank's businesses are primarily in RMB, and the percentage of foreign currency exposure in the total assets is not significant. The Bank manages the exchange rate risks mainly by closely monitoring the currency exposures based on the risk limit.

(1) Trading portfolios

The Bank's exchange rate risk management for trading portfolios covers all proprietary investments and businesses conducted on behalf of customers. It sets exposure limits, sensitivity limits and stop-loss limits and monitors such limits on a daily basis. During the reporting period, all indicators regarding the exchange rate for trading portfolios were in the range of risk limit.

(2) Banking accounts

The Bank has set up accumulative currency exposure limits for the exchange rate risk management of banking accounts. It adopts analysis methods such as exposure analysis and stress test and maintains regular inspection to strictly control the overall exchange risk within endurable range. During the reporting period, the exchange rate risk of banking accounts was controlled in the management target.

During the reporting period, the first phase of STP system went alive. STP system is a platform for managing financial market trading which covers the trading and analysing of transactions at frontline office, monitoring of risks at middle office and operation management at back office. As a new automatic and straight-through processing system covering all segments of financial market business, STP system can process all standardised products in the financial market throughout their whole life-cycle. As the STP system integrates the functions which are scattered across various upstream and downstream systems and manual processing functions, processes of all segments have been streamlined in the system. As such, processing efficiency of the financial market business has been enhanced, the market risk management and control capabilities of the Bank have been strengthened.

(IV) Operational risk management

Operational risk refers to the risks resulting from inadequate or defected internal control procedures, from human or information system related factors and from external events. Possible losses resulted from operational risks faced by the Bank mainly include seven categories: internal fraud, external fraud, incidents involving employment system and workplace safety, incidents about customers, products and business activities, damage to physical assets, business interruption and malfunction of information technology system and issues associated with execution, settlement and process management.

The Bank strives to improve its operational risk management system. It has established an operational risk management structure comprising the "three lines of defence" and has promoted the application of management tools such as operational risk and control self-assessment (RCSA), key risk indicators of operational risk (KRI), and operational risk loss data collection (LDC), to enhance operational risk management abilities in terms of identification, assessment, measurement, monitoring, control/mitigation and reporting. The Bank has established GRC system covering the whole company and launched coordinated management through the risk management information system. Investigation on risks of key aspects has been conducted to further improve the internal control measures and to avoid occurrence of operational risk events. The Bank also pays high attention on professional acknowledge, case prevention awareness, professional ethics and compliance awareness of its employees. The Bank has further strengthened the implement of rotation and resignation of staff in key positions and heavily punishes violation of rules, in order to prevent internal and external frauds.

During the reporting period, the Bank launched the GRC system which coordinates and manages four aspects, including operational risk, internal compliance, inspection and rectification and off-site monitoring. To standardise its inspection and rectification management system, the Bank capitalised on the GRC system to comprehensively control and manage its inspection and reporting of incompliance, supervision on rectification, accountability and follow-up and records of incompliance. As such, the Bank was able to integrate the inspection, rectification and recording of incompliance. Through implementing three main operational risk management tools in the GRC system, the Bank carried out self-evaluation of operational risk and control of operational risk, monitored KRI and reported any loss incurred. The Bank analysed the evaluation results, loss data incurred and risk matrix for all business units. A seal management and control system was launched to systematically manage all specified key seals of the Bank and authorise the use of seal through online approval. In addition, the Bank also implemented five systems, including contracting system, inspection system, supervision system, reporting system and accountability system. In respect of contracting system, adhering to principle of "KYS" (knowing your staff), the Bank arranged visit to family of employees in key positions and effectively communicated with its entry-level employees. In respect of inspection system, the Bank carried out risk inspection on key aspects, including major risk inspection, self-inspection on eight aspects and "100-day" inspection. The Bank has also conducted random inspections on over 300 outlets. In addition, the Bank put great efforts in supervising and reporting operational risk and implementing accountability system. In order to extend the application of smart devices at its outlets, the Bank placed a total of 638 smart devices in its outlets. The Bank implemented an operational risk warning system so as to manage and control any suspicious opening of business account in a timely manner during the course of its business. The Bank carried out special audit on business continuity of the Bank and revised the administrative measures of business continuity and contingency plan for operational disruption. The Bank has updated 102 business continuity and contingency plans. During the reporting period, the Bank formulated 44 backup plans regarding business continuity. It also completed various special backup plans, including 4G network disaster recovery, core business system upgrade and core business system disaster recovery.

(V) Liquidity risk management

Liquidity risk refers to the risk of failure of a commercial bank to satisfy customers' needs such as payment of due debts and provision of new loans as well as other reasonable financing needs or failure to satisfy these needs at reasonable costs.

Based on the principles of safety first, centralized and unified, scientific emergency, and prevention beforehand, the Bank implements identification, measurement, monitoring and control of liquidity risk in businesses.to ensure the liquidity demands and improve the using efficiency of funding. The Bank has fully utilised instruments such as FTP to flexibly adjust the structure and refine the allocation of assets and liabilities with regard to their maturities. The Bank has also increased the core asset-liability ratio, obtained capabilities of sufficient funding from market and promoted the stable growth of deposits in order to maintain multi-layer liquidity support, and thus to fulfil the liquidity demand of the Bank. In addition, liquidity risk evaluations and control of new businesses and products have been strengthened. Liquidity risk stress tests have been conducted regularly and the liquidity risk alert mechanism and contingency plans have also been improved. A cash position management system is established to improve the capability of the liquidity risk management system.

During the reporting period, the Bank determined its liquidity risk preference and limit based on market and operation conditions. The Bank distributed and implemented liquidity risk limits through various management initiatives, such as allocating liquidity risk limits and carrying out KPI evaluation. In an effort to improve its the implementation of liquidity risk indicators, the Bank carried out forecast of liquidity gap indicators on a monthly basis, and adjusted the business plan. Moreover, the bank monitored on a daily basis its movement in funds and liquidity risk, including market funding supply and demand, capital inflow and outflow of each business line, cash flow gap, availability of bonds financing and liquidity support, and reported the above to the senior management and relative departments.

As at the end of the reporting period, the liquidity coverage ratio of the Group was as follows:

Unit: RMB'000

Good-quality liquidity assets	Net cash outflow in next 30 days	Liquidity coverage ratio
216,228,231.90	167,815,004.30	128.85%

(VI) Legal risk management

Legal risk refers to possibility of risk exposure of a commercial bank resulting from operations not compliant with legal provisions or external legal events, including but not limited to the following risks: the contract signed by a commercial bank may be revoked or declared void according to the law due to violation of the law; a commercial bank may be sued or brought into arbitration according to the law due to the breach of contract, tort or other reasons, and may be liable for compensation; a commercial bank may bear administrative or criminal liability according to the law due to violation of the law pertaining to its business activities; a commercial bank may be subject to legal sanction and may suffer from material financial loss or reputation damage if it fails to comply with laws and regulations.

The Bank adopts centralised management with clear division of responsibilities and stratified control to ensure effective management and control of legal risk.

During the reporting period, the Bank attached high importance to legal risk management and improved its legal risk management structure, including contract management, legal advisor management, litigation management and legal risk management of new products. The Bank further optimised its legal risk prevention and control system with an emphasis on prevention and control of, and remedies for, legal risks. The Bank informed its employees of any new regulatory policies in a timely manner. The Bank enhanced the efficiency of legal services, provided real-time services and conducted penetrating review, so as to mitigate all kinds of legal risks in relation to banking business effectively.

(VII) Reputation risk management

Reputation risk refers to the risk of negative comments on a commercial bank from stakeholders caused by the operation, management or other acts of the commercial bank or other external events.

The Bank fulfils various requirements of the regulatory authorities on reputation risk management concerning commercial banks. By optimising its reputation risk management mechanism, the Bank has enhanced its ability to prevent and cope with reputation risks comprehensively and maintained a positive social image.

During the reporting period, the Bank initiated inspection and investigation on reputation risks in order to identify and mitigate potential reputation risks of various kinds in a timely manner. Through closely monitoring public opinion and optimising its communication and interaction mechanism, the Bank was able to handle incidents in relation to reputation properly. Reputation management training was held to bolster the significance of risk prevention, the responsibilities of employees and the management of reputation risks. In the era of digital economy, the Bank also promoted its image through new media in order to build a positive social image and bring more value to the Bank.

(VIII) Strategic risk management

Strategic risk mainly arises from uncertainty relating to the general losses of a commercial bank during the course of operation and development.

During the reporting period, the Bank strengthened its strategic management in order to effectively identify and control strategic risk. The Bank formulated the Three-Year Development Plan (2018-2020) and development plan for different units and branches. A closed-loop management system for formulating strategies and business plans, allocating resources and managing risks was established. It also set up a professional operation system. Through further optimising dynamic follow-up of its strategies and regularly evaluating its mechanisms and processes, the Bank ensured that its strategies were fully and effectively implemented.

(IX) Information technology risk management

Information technology risk refers to the operational, legal and reputation risks caused by natural factors, human factors, technological loopholes and management defects during the application of information technology in the operation of banks.

The Bank implements information technology risk management pursuant to its strategic goals and regulatory requirements. The Bank optimised its information technology risk management system and reinforced the management of major technology development projects. The Bank also strengthened its management of information security and established administrative measures on evaluation and management of technology risks. Through conducting inspection on technology risks in key areas, the Bank strengthened the inspection and management of network security, the development of internet application and the operation and maintenance of technology system. With the upgrade of major information systems, the Bank bolstered its system efficiency to guarantee business continuity. The Bank set high criteria for selecting information technology outsourcing suppliers and managed such suppliers through quantitative evaluation. Through improving internal resource allocation for research and development, the Bank enhanced its system development and management capabilities.

During the reporting period, the overall operation of information system of the Bank was stable. Key information systems maintained normal operation during the year with no unexpected outage occurred. Regulatory rating for the Bank's information technology was 2B. With the establishment of core system of the Bank, the Bank has achieved the target of "establishing one centre and honing nine competitive edges". The Bank further refined the technology infrastructure for the three centres in two locations. Key application systems were simultaneously applied in two technology centres in the same city to monitor all transactions with major systems. The Bank regularly tested its systems to strengthen the automatic operation and maintenance capabilities. The enhanced operation and maintenance capabilities provided strong support to the operation of the Bank and ensured the safe, effective and sustainable operation of the Bank. With an aim to fully integrate operation with technology, the Bank carried out research and development of technologies based on its operation strategies. Placing its focus on three main projects, the Bank also supported the development of its major business to consolidate its data foundation. The Bank planned to establish a new security technology structure comprising information security management framework, technology framework and operation framework to enhance its information security management and strengthen its prevention and control capability. In order to mitigate all kinds of risks, the Bank conducted penetration test and safety scanning in its key application systems. Different levels of protection were further adopted in its information system while stronger management and control measures were carried out for its production and operation technology. As a result, the Bank was able to better prevent information security risks.

(X) Anti-money laundering management

Money laundering risk refers to money laundering and terrorist financing risks that a commercial bank may be exploited by illegal and criminal activities during the course of business operation and management and the bank may be exposed to reputation risks and legal risks, which may result in loss of customers and business and financial damages.

The Bank has included money laundering risk management in its comprehensive risk management system. In accordance with the "risk-based" approach and principle of "comprehensiveness, independence, compatibility and effectiveness", the Bank has established a prudent money laundering risk management framework with clear responsibility division and a well-organised operation mechanism with effective coordination. The Bank also formulated effective, clear and feasible money laundering risk management strategies, policies and procedures. Efforts were made to optimise relevant systems and working mechanisms as well as the information system for anti-money laundering. Besides, the Bank also thoroughly prevented money laundering through improving its internal inspection, auditing, performance evaluation and reward and punishment mechanism.

During the reporting period, the Bank complied with the regulatory requirements in respect of anti-money laundering, anti-terrorist financing and anti-tax evasion. It also strictly followed the rules and policies in respect of customer identification, reporting on large-sum transactions and suspicious transactions, beneficial owner identification and management of suspicious transactions after reporting. The Bank put great efforts in anti-money laundering management, including enhancing money laundering risk management system, taking effective internal control measures on anti-money laundering, upgrading and reforming information system of anti-money laundering and organising training and promotion on anti-money laundering. A professional team responsible for anti-money laundering was established and its employees were reminded to abide by laws and prevent money laundering. The Bank mitigated money laundering risks and terrorist financing risks effectively.

(XI) Country risk management

Country risk is the risk incurred to a bank arising from the inability or refusal of a borrower or debtor in a particular country or region to repay bank debt, losses suffered by the commercial bank or its commercial presence in a particular country or region, or other losses due to economic, political or social changes or events in such particular country or region. Country risk may arise due to deteriorated economy, political and social instability, nationalisation or requisition of assets, refusal of repayment of external debts by the government, foreign exchange control and currency devaluation in a particular country or region.

The Bank has brought country risk management into its comprehensive risk management system. The Bank evaluated the level of country risk based on factors such as external rating, economic condition and activity level of foreign trade. Country risk limits were set up and reserve were made in accordance with the requirements of regulatory authorities.

As at the end of the reporting period, the Bank's exposure to country risk was relatively small and the level of country risk was low. The Bank has made sufficient reserve for country risks in accordance with the requirements of regulatory authorities.

VIII. Related-Party Transactions

The Bank complies with the regulations and requirements of the CBIRC, the CSRC and the SSE and continues to improve its management system of related-party transactions and standardises its management procedures of related-party transaction. During the reporting period, the related-party transactions of the Bank were entered into based on normal commercial terms at transaction prices no more favourable than those offered to non-related-parties with similar credit rating, and the prices of related-party transactions were based on fairness principle. No transfers of interest and actions that may compromise the interests of shareholders were identified. The related-party transactions of the Bank were conducted in the ordinary course of business and did not have material impacts on the financial position and operating results of the Bank.

During the reporting period, the Board of Directors of the Bank reviewed the following related-party transactions which accounted for more than 1% of the net capital as at the end of last quarter and represented more than 1% but less than 5% of the latest audited net assets of the Bank and made disclosures in a timely manner:

Name of related party	Line of Credit	Description	Announcement No.
Shanghai ShangCheng Consumer Finance Corporation Limited	RMB5,000,000,000	Inter-bank borrowing	2018-007
Industrial Securities Co., Ltd.	RMB9,100,000,000	Inter-bank borrowing, inter-bank investment, debt securities investment and financial derivatives	2018-007
Bank of Shanghai (Hong Kong) Limited	RMB10,600,000,000	Inter-bank borrowing, foreign exchange trading, financial derivatives, guarantee letter, standby letter of credit, trade financing	2018-007
BOSC International Company Limited	RMB1,300,000,000	Inter-bank borrowing and debt securities investment	2018-007
Banco Santander, S.A.	RMB4,560,000,000	Inter-bank borrowing, bills, guarantee letter, standby letter of credit, trade financing, foreign exchange trading and financial derivatives	2018-007
Shanghai International Port (Group) Co., Ltd.	Not more than RMB2,000,000,000	Underwriting and holding of ultra-short-term financing bonds	2018-007
Shanghai Huali Microelectronics Corporation	Not more than the equivalent of RMB60,000,000	Issue of letter of credit	2018-007
Sinotherapeutics Inc.	Equivalent to RMB20,000,000	Issue of letter of credit	2018-007
Shanghai Pudong Development Bank Co., Ltd.	RMB7,000,000,000	Inter-bank borrowing, bills, foreign exchange trading, financial derivatives, trading financing, guarantee letter and standby letter of credit	2018-014
Joinus Technology Co.,Ltd.	RMB5,000,000	Liquidity loans	2018-029
	RMB20,000	Unit credit card	
JIC Trust Co., Ltd.	RMB150,000,000	Sale on a consignment basis, customer referral and agency services for collection and payment, financial advisory and investment consultancy services and asset custody	2018-036
Shanghai Huali Integrated Circuit Corporation	Not more than the equivalent of RMB2,000,000,000	According to the meeting of bank consortium, the Bank agreed to adjust the pricing of the USD loans under the syndicate loans considered and approved by the third extraordinary meeting of the fifth session of the Board of Directors of the Bank	2018-051
Shanghai International Port (Group) Co., Ltd.	Not more than RMB4,000,000,000	Underwriting and holding of debt financing instruments	2018-051

The transactions relating to credit granting entered into between the Bank and related natural persons primarily included loan business and credit card business. As at the end of the reporting period, the outstanding facilities granted by the Bank to related natural persons as defined under the regulations of the CBIRC amounted to RMB184 million and the outstanding facilities granted by the Bank to related natural persons as defined under the regulations of the CSRC and the SSE amounted to RMB38.25 million.

Major Events

- Proposal of profit distribution for ordinary shares or capitalisation of capital reserve
- Undertakings of the Bank's de facto controller, shareholders, related parties, acquiring parties, the Bank and other relevant parties during the reporting period or subsisting to the reporting period
- Appropriation of funds and settlement during the reporting period
- Changes and correction of accounting policy, estimates and significant accounting mistakes and reasons and effects
- Appointment or dismissal of accounting firm
- Major litigation and arbitration
- Investigation, administrative penalty and order of rectification against the Bank and its Directors, Supervisors, senior management and largest shareholder
- Integrity of the Bank and its largest shareholder during the reporting period
- Details and effect of the share incentive plan, employee share option plan or other employee incentives
- Major related party transactions
- Details and performance of major contracts
- Active performance of social responsibility
- Other major events

Major Events

I. Proposal of profit distribution for ordinary shares or capitalisation of capital reserve

(I) Formulation, implementation or adjustment of cash dividend policy

In accordance with the Articles of Association, the Bank may distribute dividends in the form of cash or share and may distribute interim dividends. The Bank's profit distribution shall aim to provide reasonable investment return for investors under a sustainable and stable policy.

The Board of Directors of the Bank shall consider opinions of all relevant parties when formulating distribution plans. Independent Non-executive Directors shall give clear opinions on profit distribution plans. They may directly submit a profit distribution proposal based on the opinions of minority shareholders to the Board of Directors for consideration. A profit distribution plan shall be submitted to the shareholders' general meeting as a resolution for approval.

Before a specific cash dividend distribution plan is considered at the shareholders' general meeting, the Bank shall communicate and exchange opinions with shareholders, especially minority shareholders, through various channels to fully take into account their opinions and requests, and timely respond to their concerns.

The Bank may distribute dividends for any given profit-making year. Save for special circumstances, where the Bank records profit for a given year with accumulated retained earnings, and the normal working capital need of the Bank is satisfied, the Bank shall give priority to distribution of cash dividend. The profit to be distributed in form of cash per annum shall be no less than 10% of the profit after tax for such accounting year. The aforesaid special circumstances refer to the following situations:

1. when the Bank's capital adequacy ratio falls below the regulatory standard, or is expected to fall below the regulatory standard after distribution of cash dividend for the given year;

2. when the Bank's reserves fail to meet the requirement of relevant financial authorities;

3. where dividend distribution is otherwise restricted by laws and regulations; or

4. other circumstances that might affect the long-term interest of the shareholders in the Bank's belief.

If the Bank has recorded profits in the previous accounting year but the Board of Directors has not proposed any cash dividend distribution after the end of the previous accounting year, the reasons thereof and the application of undistributed funds retained by the Bank shall be explained in details in its periodic reports and the Independent Non-executive Directors shall give an independent non-executive opinion in such regard.

In the event that adjustments are required to be made to the Bank's profit distribution policy due to the needs of operation and long term development of the Bank, the adjusted profit distribution policy must comply with the applicable requirement of the regulatory authorities of the places where the shares of the Bank are listed. Any resolution regarding adjustments to the profit distribution policy shall be reviewed by the Board of Directors after taking into account of the opinions of the Independent Non-executive Directors and the Board of Supervisors, and then proposed to the shareholders' general meeting of the Bank for approval. Any resolution regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the voting shareholders attending the shareholders' general meeting of the Bank.

(II) Profit distribution proposal for 2018

According to the statutory financial statements for 2018 of the Bank audited by KPMG Huazhen, the net profit of the Bank amounted to RMB17,680,442,000. After the deduction of dividends of preference shares of RMB1,040,000,000 for 2017, profit for the year which was available for the distribution to holders of ordinary shares was RMB16,640,442,000. The profit distribution proposal for 2018 is as follows:

1. 10% of the profit after tax, amounting to RMB1,768,044,000 to be appropriated to the statutory surplus reserve;

2. RMB2,700,000,000 to be appropriated to general reserve in accordance with the requirement of the Regulations of the Provision of Financial Institutions (Cai Jin No.20 [2012]) issued by the Ministry of Finance. After the appropriation, the general reserve amounted to RMB28,330,000,000;

3. 20% of the profit after tax, amounting to RMB3,536,088,000 to be appropriated to the discretionary surplus reserve;

4. on the basis of the total share capital of 10,928,099,000 shares as at the end of 2018, a cash dividend of RMB4.50 (tax inclusive) for every 10 shares, RMB4,917,644,550 in aggregate, to be distributed to all shareholders, representing an increase of 26.00% when compared with the total cash dividend for the previous year. The cash dividend accounted for 28.94% of the net profit attributable to the holders of ordinary shares of the Bank in the consolidated statements, representing an increase of 3.48 percentage points compared with the previous year. Three bonus shares for every 10 shares by way of capitalisation of capital reserve, RMB3,278,429,700 in aggregate, to be distributed to all shareholders. The registered capital of the Bank will increase from RMB10,928,099,000 to RMB14,206,528,700 after the capitalisation of capital reserve;

5. balance of retained earnings of RMB3,718,665,450 to be brought forward to next year.

The Bank is speeding up its reform and development. The retained earnings will be mainly used to facilitate the strategic reform and development as well as the adjustment of the business structure of the Bank so as to enhance its risk resistance and to meet the capital adequacy requirement. The primary objectives of the proposed cash distribution plan of the Bank are as follows: 1. fulfilling the requirement or guidance regarding cash dividend distribution of regulatory authorities; 2. ensuring continuous supplement of internal capital, and facilitating the sustainable and sound development of banking business through proper appropriation of retained earnings to supplement core tier-1 capital; 3. enabling investors to share the operating results of the Bank and receive reasonable investment return, and providing shareholders with sustainable, stable and reasonable investment return while maintaining a solid and sustainable dividend distribution policy, given that the profitability and capital adequacy ratio satisfy the Bank's needs for ongoing operation and long-term development.

All Independent Non-executive Directors of the Bank considered that the proposed profit distribution plan for 2018 was in line with the prudent and sustainable dividend policy. It can meet the capital requirement for on-going operation and long term development of the Bank and the needs of investors to share the operating results of the Bank and to receive reasonable investment returns. They have given consent to the proposed profit distribution plan for 2018 and have agreed to submit it to the shareholders' general meeting of the Bank for approval.

The formulation and implementation of the cash dividend policy of the Bank are in compliance with the Articles of Association and resolutions of shareholders' general meeting. The basis and proportion of dividend distribution are clearly defined. The decision making process and system are well determined. Minority shareholders can express their views and demands by attending shareholders' general meeting to vote and raise questions and proposals about the operation of the Bank so as to safeguard their legal rights.

(III) Plans or proposals of dividend distribution for ordinary shares and capitalisation of capital reserve for the last three years of the Bank

Unit: RMB'000

Year of distribution	Number of bonus shares per 10 shares (share)	Dividend per 10 shares (RMB, tax inclusive)	Number of scrip shares per 10 shares (share)	Total amount of cash dividend (tax inclusive)	Net profit attributable to holders of ordinary shares of the Bank in the consolidated financial statements for the year during which dividend was distributed	Percentage of the net profit attributable to holders of ordinary shares of the Bank in the consolidated financial statements
2018	-	4.5	3	4,917,644.55	16,994,040	28.94%
2017	-	5	4	3,902,892.5	15,328,499	25.46%
2016	-	5	3	3,002,225	14,308,265	20.98%

II. Undertakings of the Bank's de facto controller, shareholders, related parties, acquiring parties, the Bank and other relevant parties during the reporting period or subsisting to the reporting period

Undertakings during the reporting period or subsisting to the reporting period were the undertakings relating to the initial public offering of the Bank. Details are as follows:

Type	Undertaker	Description of undertakings	Date and duration	Whether there is time limit of performance
Restriction on trading of shares	Shanghai Alliance Investment Ltd.	Within 36 months after the date of listing of A shares of the Bank on the stock exchange, Shanghai Alliance Investment Ltd. shall not transfer or entrust others to manage the existing shares of the Bank held by it directly or indirectly before the offering, or procure the Bank to repurchase such shares. If Shanghai Alliance Investment Ltd. intends to reduce its shareholding in the Bank within two years after the expiry of the lock-up period, the number of shares disposed of per year shall be no more than 10% of its shareholding.	From 16 November 2016 to 15 November 2019	Yes

Type	Undertaker	Description of undertakings	Date and duration	Whether there is time limit of performance
Restriction on trading of shares	Banco Santander, S.A.	Within three years after the date of initial public offering and listing of A shares of the Bank on the stock exchange, Banco Santander, S.A. shall not procure any transfer of the existing shares of the Bank held by it before the initial public offering or entrustment of third party for the exercise of any voting rights attached to the shares held by it, and it shall not sell back such shares to the Bank. If Banco Santander, S.A. reduces its shareholding in the Bank within two years after the expiry of the lock-up period, the selling price shall be no less than the offering price of the initial public offering or the net assets per share stated in the latest audited consolidated financial statements of Bank of Shanghai, whichever is lower. No transfer of shares subscribed under the fifth issuance of new shares of the Bank shall be effected within five years after the completion of change of business registration of the Bank.	From 16 November 2016 to 15 November 2019; from 10 June 2015 to 9 June 2020 (for the shares subscribed under the fifth issuance of new shares)	Yes
Restriction on trading of shares	Shanghai International Port (Group) Co., Ltd.	Within 36 months after the date of listing of A shares of the Bank on the stock exchange, Shanghai International Port (Group) Co., Ltd shall not transfer or entrust others to manage the existing shares of the Bank held by it directly or indirectly before the offering, or procure the Bank to repurchase such shares. If Shanghai International Port (Group) Co., Ltd intends to reduce its shareholding in the Bank within two years after the expiry of lock-up period, the number of shares disposed of per year shall be no more than 5% of its shareholding. No transfer of shares subscribed under the fifth issuance of new shares of the Bank shall be effected within five years after the completion of change of business registration of the Bank.	From 16 November 2016 to 15 November 2019; from 10 June 2015 to 9 June 2020 (for shares subscribed under the fifth issuance of new shares)	Yes
Restriction on trading of shares	China Jianyin Investment Limited	Within 36 months after the date of listing of A shares of the Bank on the stock exchange, China Jianyin Investment Limited shall not transfer or entrust others to manage the existing shares of the Bank held by it directly or indirectly before the offering, or procure the Bank to repurchase such shares. If China Jianyin Investment Limited fails to comply with its undertaking relating to the reduction of shareholding, any gain from the disposal of its shares shall be vested to the Bank. If China Jianyin Investment Limited fails to transfer the gains from the irregular disposal of shares to the Bank, the Bank may withhold the cash dividends payable to China Jianyin Investment Limited in an amount equal to the gains from such irregular disposal of shares.	From 16 November 2016 to 15 November 2019	Yes
Restriction on trading of shares	China Shipbuilding International Trading Co., Ltd., TCL Corporation, Shanghai Commercial Bank Limited, Shanghai Huangpu National Assets Company, Shanghai Huixin Investment Co., Ltd. and Citic Guoan Co., Ltd	Within 36 months after the date of listing of A shares of the Bank on the stock exchange, none of them shall transfer or entrust others to manage the existing shares of the Bank held by them directly or indirectly before the offering, or procure the Bank to repurchase such shares.	From 16 November 2016 to 15 November 2019	Yes
Restriction on trading of shares	Shanghai Xuhui Venture Capital Co., Ltd., and Shanghai Keerun Industry Ltd.	No shares transferred from any third party shall be transferred or entrusted to others to manage, or repurchased by the Bank within 36 months from the date on which the transfer is registered in the register of members of the Bank.	36 months since the date of share transfer	Yes
Restriction on trading of shares	Directors, Supervisors and senior management of the Bank	During their respective terms of office, number of shares that may be transferred per year shall be no more than 25% of the total shares of the Bank held by him/her. No shares shall be transferred within six months from his/her departure from office.	Within his tenure determined at his appointment and the subsequent six months or the date of the six-month period from his/her departure from office	Yes

Type	Undertaker	Description of undertakings	Date and duration	Whether there is time limit of performance
Restriction on trading of shares	Directors and senior management of the Bank	For any disposal of A shares held by him/her within two years after the expiry of the lock-up period, the selling price shall be no less than the offering price.	Within two years from the expiry date of lock-up period	Yes
Restriction on trading of shares	Individuals holding over 50,000 employee shares of the Bank	The lock-up period for share transfer shall be no less than three years since the date of listing of the Bank's shares on the stock exchange. Upon the expiry of such lock-up period, the number of shares that may be transferred per year and within five years shall be no more than 15% and 50% of the total shareholding of such individual, respectively.	From 16 November 2016 to 15 November 2024	Yes
Stabilisation of share price	Bank of Shanghai Co., Ltd., shareholders with more than 5% equity interests, Directors and senior management of the Bank	Within three years after the listing of the Bank's A shares, if the closing price of the Bank's A shares remains lower than the latest audited net assets per share of the Bank (subject to adjustment for any change in the Bank's net assets or total number of shares due to distribution of dividends, issuance of bonus shares, capitalisation of capital reserve, stock split, additional issuance, placement or reduction of shares) for 20 consecutive trading days due to reasons other than force majeure, the Bank, and its shareholders with more than 5% equity interests, Directors and senior management and other related parties shall initiate relevant procedures and take related actions to stabilise the share price of the Bank to the extent as permitted by the applicable laws and regulations, subject to the listing requirement in respect of the distribution of shares of the Bank.	From 16 November 2016 to 15 November 2019	Yes
Non-competition undertaking letter	Shanghai Alliance Investment Ltd.	"The company does not engage in any banking businesses. Except for investment in the Bank of Shanghai, the company does not invest in any other banks in China. The company and its controlled enterprises will not directly or indirectly involve in any business or activity competing with the principal businesses of the Bank of Shanghai by any means (including but not limited to proprietorship, joint venture or holding of shares and other interests in another company or enterprise). In the event that the business opportunity obtained by the company or its controlled enterprises competes or may compete with the principal businesses of the Bank of Shanghai, it shall promptly notify the Bank of Shanghai and endeavour to refer such business opportunities to the Bank of Shanghai to ensure that the interests of the Bank of Shanghai and its shareholders as a whole would not be prejudiced. The company undertakes that the undertaking letter shall have the same legal effect on its controlled enterprises and guarantees that the undertaking letter is abided by all of its controlled enterprises. If the company fails to perform the above undertakings, it shall indemnify the Bank of Shanghai for losses arising therefrom in accordance with the final decision or judgement of the competent authorities."	Long-term	Yes

Type	Undertaker	Description of undertakings	Date and duration	Whether there is time limit of performance
Non-competition undertaking letter	Shanghai International Port (Group) Co., Ltd.	"(I) As long as the company is a holder of the shares of Bank of Shanghai and is regarded as a substantial shareholder or an associate of the substantial shareholder of Bank of Shanghai in accordance with the relevant laws, regulations and regulatory documents (including the Listing Rules), the company undertakes that it shall not directly engage in any commercial banking business. (II) Notwithstanding the undertaking stated in (I), the company and its controlled enterprises may invest in any enterprise operating commercial banking business in any manner. (III) The company shall treat all commercial banks invested by it in a fair manner, and shall not grant or offer any governmental approval, authorisation, permission or business opportunity for operation of commercial banking business obtained or may be obtained by it to any commercial banks. It shall not take advantage of its status as the substantial shareholder of the Bank of Shanghai or information obtained by virtual of such status to make any decisions or judgements in favour of other commercial banks invested by it which is unfavourable to the Bank of Shanghai, and shall use its best endeavour to prevent the occurrence of such circumstance. When exercising its rights as a shareholder of the Bank of Shanghai, the company shall exercise the shareholders' rights in the best interests of the Bank of Shanghai as if the Bank of Shanghai is the only commercial bank it invests in, and shall make business judgement for the best interests of the Bank of Shanghai without being affected by its investment in other commercial banks. The company undertakes that the undertaking letter shall have the same legal effect on its controlled enterprises and guarantees that the undertaking letter is abided by all of its controlled enterprises. If the company fails to perform the above undertakings, it shall indemnify the Bank of Shanghai for losses arising therefrom in accordance with the final decision or judgement of the competent authorities."	Long-term	Yes
Non-competition undertaking letter	China Jianyin Investment Limited	"(I) As long as the company is a holder of the shares of Bank of Shanghai and is regarded as a substantial shareholder or an associate of the substantial shareholder of Bank of Shanghai in accordance with the relevant laws, regulations and regulatory documents (including the Listing Rules), the company undertakes that it shall not directly engage in any commercial banking business. (II) Notwithstanding the undertaking stated in (I), the company and its controlled enterprises may invest in any enterprise operating commercial banking business in any manner. (III) The company shall treat all commercial banks invested by it in a fair manner, and shall not grant or offer any governmental approval, authorisation, permission or business opportunity for the operation of commercial banking business obtained or may be obtained by it to any commercial banks. It shall not take advantage of its status as the substantial shareholder of the Bank of Shanghai or information obtained by virtual of such status to make any decisions or judgements in favour of other commercial banks invested by it which is unfavourable to the Bank of Shanghai, and shall use its best endeavour to prevent the occurrence of such circumstance. When exercising its rights as a shareholder of the Bank of Shanghai, the company shall exercise the shareholders' rights in the best interests of the Bank of Shanghai as if the Bank of Shanghai is the only commercial bank it invests in, and shall make business judgement for the best interests of the Bank of Shanghai without being affected by its investment in other commercial banks. The company undertakes that the undertaking letter shall have the same legal effect on its controlled enterprises and guarantees that the undertaking letter is abided by all of its controlled enterprises."	Long-term	Yes
Whether the undertakings are strictly and timely performed			Yes	
Reasons for the failure to timely honour the undertakings			N/A	
Follow-up plans for the failure to timely honour the undertakings			N/A	

III. Appropriation of funds and settlement during the reporting period

During the reporting period, there was no appropriation of funds by any related parties of the Bank.

IV. Changes and correction of accounting policy, estimates and significant accounting mistakes and reasons and effects

Please refer to note 3.30 to financial statements for details.

V. Appointment or dismissal of accounting firm

The 2017 annual general meeting of the Bank considered and resolved to renew the engagement of KPMG Huazhen (Special General Partnership) as external audit firm of the Bank for 2018 for the term of one year at a total cost of RMB6.8 million, including RMB5.94 million for the audit of financial statements for 2018, review of interim financial statements, agreed upon procedures of financial statements for the first and third quarters and RMB0.86 million for audit of internal control. The fee covers the tax, travelling, administrative, accommodation and reimbursement to be incurred in relation to the engagement.

KPMG Huazhen (Special General Partnership) has been providing audit services to the Bank for seven consecutive years.

VI. Major litigation and arbitration

During the reporting period, the Bank was not involved in any major litigation and arbitration.

As at the end of the reporting period, the Bank had a total of two litigations and arbitration pending for final ruling of which the bank being the defendant with a total amount of RMB36 million with each case involving an amount of RMB10 million or above and six litigations and arbitration pending for final ruling of which the bank being the third party with a total amount of RMB3,234 million with each case involving an amount of RMB10 million or above. We expect that it would not have any material adverse effect on the Bank's financial and operating results.

VII. Investigation, administrative penalty and order of rectification against the Bank and its Directors, Supervisors, senior management and largest shareholder

During the reporting period, none of the Bank and its Directors, Supervisors, senior management and the largest shareholder had become a subject of investigation by any competent authority, or had been subject to any compulsory measures imposed by the judicial body or commission for discipline inspection, handed over to the judicial body or subject to criminal charge, or became a subject of investigation or had been subject to administrative penalty or banning from entering the market or determined as an ineligible party by the CSRC, or had been subject to material administrative penalty imposed by other administrative authority and public censure by the stock exchange.

VIII. Integrity of the Bank and its largest shareholder during the reporting period

During the reporting period, neither the Bank nor its largest shareholder had failed to perform any valid court judgement or any outstanding debts of relatively large amount which was overdue.

IX. Details and effect of the share incentive plan, employee share option plan or other employee incentives

During the reporting period, the Bank did not have any share incentive plan, employee share option plan or other employee incentives.

X. Major related party transactions

During the reporting period, the Bank did not have any major related party transaction of a value of more than 5% of its latest audited net assets.

XI. Details and performance of major contracts

(I) Custody, underwriting and leasing

During the reporting period, the Bank did not have any material custody, underwriting or leasing transaction that shall be disclosed.

(II) Guarantee

During the reporting period, except for the financial guarantee business approved by the People's Bank of China and the CBIRC, the Bank did not have any other major guarantee that shall be disclosed.

(III) Management of cash and assets by third party

During the reporting period, the Bank had not entrusted any third party to manage cash and assets on behalf of the Bank.

(IV) Other material contracts

During the reporting period, the Bank properly complied with the terms of various business contracts and there was no significant dispute arising from any material contracts.

XII. Active performance of social responsibility

(I) Overview of targeted poverty alleviation

Targeted poverty alleviation plan: The Bank proactively carried out the policies of poverty alleviation and rural revitalization promulgated by the Central Committee of the Communist Party of China and the State Council. Targeted poverty alleviation was regarded as a major mission in fulfilling social responsibilities. According to our own positioning and characteristics, the Bank put more efforts in targeted poverty alleviation by financial assistance. Resources and manpower were centralised to address the actual needs of poverty areas. The poverty alleviation was reformed and optimised, and industrial poverty alleviation, educational poverty alleviation, social poverty alleviation, targeted poverty alleviation, financial poverty alleviation and other targeted projects were carried out. The Bank aimed to nurture the impoverished with literacy and ambition and built self-support mechanism in the impoverished areas to get rid of poverty thoroughly.

Summary of targeted poverty alleviation of the year: In respect of industrial poverty alleviation, during the reporting period, the Bank donated RMB5 million for targeted poverty alleviation work in rural area in Fengxian district, Shanghai to support the self-supported economic development project, enhancing self-developed capabilities in underdeveloped villages. Chengdu Branch of the Bank conducted targeted poverty alleviation work in rural areas in Tianquan Commumity, Huaiyuan Town, Chongzhou, Sichuan Province and organised branch staff, associated units and other organisations to organise activities for rural people, facilitating the development of rural areas. The Bank conducted targeted poverty alleviation work in rural areas in Songpan County, Aba Zangs Autonomous Prefecture, Sichuan and discussed and formulated poverty alleviation plans with the local government. In respect of educational poverty alleviation, during the reporting period, Suzhou Branch of the Bank donated RMB30,000 to Dongpo Primary School located in Yintai District, Tongchuan, Shanxi Province to support the reconstruction of school infrastructures, enhancing educational poverty alleviation. Chengdu Branch of the Bank provided financial assistances to poverty-stricken students in Huili County, Liangshan Yi Autonomous Prefecture, Sichuan Province. In respect of social poverty alleviation, during the reporting period, the business department of the Bank donated RMB600,000 to Shanghai Foundation for Mutual & Aiding Needy Assistance to assist poverty-stricken families in Shanghai to improve their living conditions. The Bank also visited poverty-stricken residents in Wangjiaba Village and Nansheng Village, Tuolin Town, Fengxian District and donated RMB40,000 to them. The Bank has organised and participated charity donation activities to promote poverty alleviation. In respect of targeted poverty alleviation, during the reporting period, the Bank donated RMB300,000 for specific poverty alleviation projects in Yanshan County, Wenshan, Yunan Province. Yancheng Branch of the Bank donated RMB60,000 for targeted poverty alleviation program in cooperation with local government of Siming Town, Sheyang County, Jiangsu and Yangzhai Town, Funing County, Jiangsu, respectively. In respect of financial poverty alleviation, the Bank actively responded to financial needs in impoverished areas, expanded its credit support and introduced innovative products, in order to help people out of poverty through financial support. As at the end of the reporting period, the balance of loans for targeted poverty alleviation amounted to RMB951 million.

The details of targeted poverty alleviation works are as follows:

Unit: RMB'000

Item	Amount and details
I. Overall	
among which: 1. Funds	957,132.20
2. Materials	
3. Number of people helped	
II. Donation by types	
1. Industrial poverty alleviation	5,000.00
2. Educational poverty alleviation	39.00
among which: 2.1 Amounts of subsidies to students	9.00
2.2 Amounts for improving educational resources in poverty-stricken areas	30.00
3. Social poverty alleviation	1,233.20
among which: 3.1 Amounts for targeted poverty alleviation	620.00
3.2 charity fund	613.20
4. Others	950,860.00
III. Awards (description and class)	
"Targeted Poverty Alleviation Award" granted by the fourth session of Summit Meeting of Corporate Social Responsibility of China (Shanghai) Listed Companies.	

Note:"Amounts" in the table represent loans for targeted financial poverty alleviation (amounting to RMB950.82 million, among which, loans for registered poverty-stricken people amounted to RMB502.15 million and loans for industrial poverty alleviation amounted to RMB448.67 million) and consolation fund for poverty-stricken people (amounting to RMB40,000).

Future plan for targeted poverty alleviation: The Bank will further extend the targeted poverty alleviation work, strengthen the innovative mechanism for targeted poverty alleviation and provide stronger credit support for targeted poverty alleviation. The agricultural industrialisation and technological training for poverty villages will be enhanced to improve the employability of poverty families.

(II) Performance of Social responsibility

The Bank has performed its social responsibility proactively and issued annual social responsibility reports for twelve consecutive years in order to disclose the details to the public. For details of the Bank's social responsibility work in 2018, please see the "Report of Bank of Shanghai's Social Responsibility Work in 2018" published on the website of SSE (http://www.sse.com.cn).

XIII. Other major events

(I) Private placing of preference shares

On 5 December 2017, the Bank was approved by the CSRC for the private placing of preference shares. The issue of preference shares was completed on 19 December 2017. A total of 200 million shares were issued to raise RMB20,000 million in aggregate. The net proceeds of the issue after deduction of expenses and offset of input value added tax were RMB19,957 million. The net proceeds of the issue were verified on 20 December 2017 and were credited as other equity instruments. The preference shares were registered for custody on 22 December 2017 and was listed on the composite board of Shanghai Stock Exchange on 12 January 2018 (stock code: 360029; abbreviation: 上银优 1).

Changes in Ordinary Shares and Shareholders

- Changes in ordinary shares
- Issuance and listing of securities
- Shareholders
- Substantial shareholders

Changes in Ordinary Shares and Shareholders

I. Changes in ordinary shares

(I) Table of changes in ordinary shares

Unit: Share

	Before the change		Change during the reporting period (+, -)			After the change	
	Number	Percentage	Shares converted from surplus reserve	Others	Sub-total	Number	Percentage
(I) Restricted shares	**4,098,890,042**	**52.51%**	**+1,639,556,017**	**-5,924,492**	**+1,633,631,525**	**5,732,521,567**	**52.46%**
1. State-owned shares	41,182,672	0.53%	+16,473,069	-11,007	+16,462,062	57,644,734	0.53%
2. Shares held by state-owned legal persons	2,540,440,917	32.55%	+1,016,176,367	-543,816	+1,015,632,551	3,556,073,468	32.54%
3. Shares held by other domestic investors	800,654,453	10.26%	+320,261,781	-5,369,669	+314,892,112	1,115,546,565	10.21%
Including: Shares held by domestic non-state-owned legal persons	407,016,336	5.21%	+162,806,534	-6,658,675	+156,147,859	563,164,195	5.16%
Shares held by domestic natural persons	393,638,117	5.04%	+157,455,247	+1,289,006	+158,744,253	552,382,370	5.05%
4. Shares held by foreign investors	716,612,000	9.18%	+286,644,800	-	+286,644,800	1,003,256,800	9.18%
Including: Shares held by foreign legal persons	716,612,000	9.18%	+286,644,800	-	+286,644,800	1,003,256,800	9.18%
Shares held by foreign natural persons	-	-	-	-	-	-	-
II. Non-restricted shares	**3,706,894,958**	**47.49%**	**+1,482,757,983**	**+5,924,492**	**+1,488,682,475**	**5,195,577,433**	**47.54%**
1. RMB dominated ordinary shares	3,706,894,958	47.49%	+1,482,757,983	+5,924,492	+1,488,682,475	5,195,577,433	47.54%
2. Domestically- listed foreign shares	-	-	-	-	-	-	-
3. Overseas listed foreign shares	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
III. Total	**7,805,785,000**	**100.00%**	**+3,122,314,000**	-	**+3,122,314,000**	**10,928,099,000**	**100.00%**

Notes: 1. During the reporting period, the Bank issued new shares by way of capital reserve capitalisation on the basis of 0.4 new share for every share, with a total of 3,122,314,000 shares being issued. Upon completion of the capital reserve capitalisation, the total number of ordinary shares of the Bank increased from 7,805,785,000 shares to 10,928,099,000 shares.

2. Changes in other shares mainly include release of restricted shares and transfer of restricted shares held by domestic natural persons from the securities account of holders not yet confirmed by the Bank after the shares were registered, which accounted for 5,924,492 shares and 1,289,006 shares respectively, based on the number of shares after the capital reserve capitalisation was completed.

3. Discrepancy is due to rounding off.

(II) Impacts of the changes in ordinary shares on financial indicators (including earnings per share and net assets per share) of the latest year and the latest period

During the reporting period, the Bank completed capital reserve capitalisation, and the total number of ordinary shares of the Bank increased from 7,805,785,000 shares to 10,928,099,000 shares.

As at the end of the reporting period, basic earnings per share amounted to RMB1.56 and net assets per share attributable to ordinary shareholders of the Bank was RMB12.93. As calculated according to the total number of shares before the capitalisation, during the reporting period, basic earnings per share was RMB2.18 and net assets per share attributable to ordinary shareholders of the Bank was RMB18.10.

II. Issuance and listing of securities

(I) Changes in the total number of ordinary shares of the Bank and shareholder structure and the Bank's assets and liabilities structure

Please see "Changes in ordinary shares" for details.

(II) Internal employee shares

As at the end of the reporting period, the number of internal employee shares which were tradable shares subject to selling restriction was 552,382,370.

Date of issuance of internal employee shares	Offer price of internal employee shares (RMB)	Issuance size of internal employee shares (share)
-	-	552,382,370
Description of existing internal employee shares	the number of internal employee shares which are tradable shares subject to selling restriction was 552,382,370. The internal employee shares are held mainly through the following ways: 1. subscription for shares before the merger and reorganisation of the Bank; 2. share issuance in the first capital increase of the Bank in 1999; and 3. transfer of shares due to inheritance and other reasons.	

III. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Bank had 136,151 ordinary shareholders in total. As at the end of the month preceding the date of this annual report, the aggregate number of ordinary shareholders of the Bank was 139,428.

(II) Shareholding of the top ten shareholders, top ten holders of tradable shares not subject to selling restrictions and top ten holders of tradable shares subject to selling restrictions as at the end of the reporting period

Unit: Share

Shareholding of the top ten shareholders						
Name of shareholder	Change during the reporting period	Number of shares held at the end of the period	Percentage	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Nature of shareholder
Shanghai Alliance Investment Ltd.	424,143,130	1,462,372,945	13.38%	1,453,521,741	-	State-owned legal person
Shanghai International Port (Group) Co., Ltd.	295,930,276	801,786,276	7.34%	708,198,400	-	State-owned legal person
Banco Santander, S.A.	204,858,300	710,714,300	6.50%	708,198,400	-	Foreign legal person
TCL Corporation	155,770,030	545,195,104	4.99%	366,695,195	-	Domestic non-state-owned legal person
China Jianyin Investment Limited	151,059,948	528,709,818	4.84%	528,709,818	-	State-owned legal person
China Shipbuilding International Trading Co., Ltd.	127,420,835	445,972,922	4.08%	445,972,922	-	State-owned legal person
Ping An Life Insurance Company of China, Ltd. - Universal Insurance - Universal Personal Insurance	30,850,707	380,977,474	3.49%	-	-	Others
Shanghai Commercial Bank Limited	117,098,800	327,854,800	3.00%	295,058,400	-	Foreign legal person
Hong Kong Securities Clearing Company Limited	218,302,305	226,413,972	2.07%	-	Unknown	Foreign legal person
Shanghai Jing'an Finance Bureau	63,924,587	223,736,053	2.05%	-	-	State

Unit: Share

Shareholding of top ten holders of tradable shares not subject to selling restrictions		
Name of shareholder	**Number of tradable shares not subject to selling restrictions**	**Types of shares**
Ping An Life Insurance Company of China, Ltd. - Universal Insurance - Universal Personal Insurance	380,977,474	RMB dominated ordinary shares
Hong Kong Securities Clearing Company Limited	226,413,972	RMB dominated ordinary shares
Shanghai Jing'an Finance Bureau	223,736,053	RMB dominated ordinary shares
TCL Corporation	178,499,909	RMB dominated ordinary shares
China Securities Finance Corporation Limited	147,066,388	RMB dominated ordinary shares
Shanghai Pudong Development (Group) Co., Ltd.	145,225,907	RMB dominated ordinary shares
Shanghai Luwan Financial Investment Company	116,185,936	RMB dominated ordinary shares
Commercial Aircraft Corporation of China, Ltd.	107,033,501	RMB dominated ordinary shares
Shanghai Hongkou State-owned Assets Operation Co., Ltd.	96,439,536	RMB dominated ordinary shares
Shanghai International Port (Group) Co., Ltd.	93,587,876	RMB dominated ordinary shares
Connected relationship or action in concert of the above shareholders	There was no connected relationship or action in concert among the top ten shareholders.	

Notes: 1. Banco Santander, S.A. held 710,714,300 shares of the Bank, accounting for 6.50% of the total share capital of the Bank, of which 2,515,900 shares are held in the name of Hong Kong Securities Clearing Company Limited, accounting for 0.02% of the total share capital of the Bank;

2. Shanghai Commercial Bank Limited held 327,854,800 shares of the Bank, accounting for 3.00% of the total share capital of the Bank, of which 32,796,400 shares are held in the name of Hong Kong Securities Clearing Company Limited, accounting for 0.30% of the total share capital of the Bank;

3. Hong Kong Securities Clearing Company Limited is an institution designated as a nominal holder and is designated by others to hold stocks on their behalf, including stocks held by Hong Kong and overseas investors through Northbound Trading. Shares of the Bank held by Hong Kong Securities Clearing Company Limited included 2,515,900 shares and 32,796,400 shares of the Bank held by Banco Santander, S.A. and Shanghai Commercial Bank Limited respectively.

Shareholding of the top ten holders of shares subject to selling restrictions and related restrictions

Unit: Share

No.	Name of shareholder subject to selling restrictions	Number of shares subject to selling restrictions		Conditions for listing of shares subject to selling restrictions		Restrictions
				Date when the shares will be listed	Number of additional shares to be listed	
1	Shanghai Alliance Investment Ltd.		1,453,521,741	16 November 2019	-	No transfer of share is allowed within 36 months from the listing date of the shares
2	Shanghai International Port (Group) Co., Ltd.	708,198,400	542,725,595	16 November 2019	-	No transfer of share is allowed within 36 months from the listing date of the shares
			165,472,805	10 June 2020	-	No transfer of share is allowed within five years from the date of completion of the change in business registration
3	Banco Santander, S.A.	708,198,400	616,470,400	16 November 2019	-	No transfer of share is allowed within 36 months from the listing date of the shares
			91,728,000	10 June 2020	-	No transfer of share is allowed within five years from the date of completion of the change in business registration
4	China Jianyin Investment Limited		528,709,818	16 November 2019	-	No transfer of share is allowed within 36 months from the listing date of the shares
5	China Shipbuilding International Trading Co., Ltd.		445,972,922	16 November 2019	-	
6	TCL Corporation		366,695,195	16 November 2019	-	
7	Shanghai Commercial Bank Limited		295,058,400	16 November 2019	-	
8	Shanghai Huangpu National Assets Company		211,800,112	16 November 2019	-	
9	Shanghai Huixin Investment Co., Ltd.		207,870,475	16 November 2019	-	
10	Citic Guoan Co., Ltd.		196,469,000	16 November 2019	-	
Connected relationship or action in concert of the above shareholders		There was no connected relationship or action in concert among the above shareholders.				

IV. Substantial shareholders

The Bank had no controlling shareholder or de facto controller. The largest shareholder of the Bank was Shanghai Alliance Investment Ltd.

(I) Shareholders with 5% or more of the issued shares of the Bank

Shanghai Alliance Investment Ltd. As of the end of the reporting period, Shanghai Alliance Investment Ltd. held 1,462,372,945 ordinary shares of the Bank, accounting for 13.38% of the total share capital of the Bank and was the largest shareholder of the Bank. After nomination by Shanghai Alliance Investment Ltd., Mr. Ye Jun and Mr. Ying Xiaoming became directors of the Bank. Shanghai Alliance Investment Ltd. was established in September 1994 with registered capital of RMB3.515 billion. Its legal representative was Qin Jian, and unified social credit code was 9131000013223401XX. Principal business of Shanghai Alliance Investment Ltd. include investments in key infrastructure construction projects, corporate technological improvement, advanced technologies, financial services, agriculture, real estate and other industrial development projects, consultancy and agency services, purchase and sales agency services, information research and personal training. The controlling shareholder and de facto controller of Shanghai Alliance Investment Ltd. was State-owned Assets Supervision and Administration Commission of Shanghai, and its ultimate beneficiary was Shanghai Alliance Investment Ltd. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of Shanghai Alliance Investment Ltd. include Shanghai Alliance Asset Management Co., Ltd., Shanghai Alliance Property Development Ltd. and Shanghai Alliance Communication Ltd. As of the end of the reporting period, Shanghai Alliance Investment Ltd., together with its related parties and persons acting in concert, held 13.63% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

Shanghai International Port (Group) Co., Ltd. As of the end of the reporting period, Shanghai International Port (Group) Co., Ltd. held 801,786,276 ordinary shares of the Bank, accounting for 7.34% of the total share capital of the Bank. After nomination by Shanghai International Port (Group) Co., Ltd., Mr. Chen Xuyuan became a director of the Bank. Shanghai International Port (Group) Co., Ltd. was established in October 1998 with registered capital of RMB23.174 billion. Its legal representative was Chen Xuyuan, and unified social credit code was 913100001322075806. Principal business of Shanghai International Port (Group) Co., Ltd. include loading and unloading (including barge loading), storage, transit and sea and land transportation of domestic and overseas cargo (including containers); dismantling and assembling, cleaning, repair, manufacturing and leasing of containers; international shipping, warehousing, storage, processing, distribution and logistics information management; provision of facilities and services for international travellers for waiting for vessels, boarding and alighting; ship diversion, towing, shipping agents, freight forwarders; provision of port services, including fuel and daily commodities; leasing of port facilities; port information and technology consultancy services; construction, management and operation of terminals; wholesale and import and export of port lifting equipment, handling machinery and electrical equipment and components. The controlling shareholder, de facto controller and ultimate beneficiary of Shanghai International Port (Group) Co., Ltd. was State-owned Assets Supervision and Administration Commission of Shanghai. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of Shanghai International Port (Group) Co., Ltd. include Shanghai Port Fuxing Shipping Co., Ltd., Shanghai Gangwan Industrial Company and Shanghai Port Technology and Labor Service Co., Ltd.. As of the end of the reporting period, Shanghai International Port (Group) Co., Ltd., together with its related parties and persons acting in concert, held 7.37% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

Banco Santander, S.A. As of the end of the reporting period, Banco Santander, S.A. held 710,714,300 ordinary shares of the Bank, accounting for 6.50% of the total share capital of the Bank. After nomination by Banco Santander, S.A., Mr. Yuk Hung Antony Hung became a director of the Bank. Banco Santander, S.A. was established in March 1857 with registered capital of EUR8.1 billion. Its legal representative was Ana Botin. Principal business of Banco Santander, S.A. include consumer credit, mortgages, lease financing, factoring, mutual funds, pension funds, insurance, commercial credit, investment banking services, structural financing and merger and acquisition consultancy. Banco Santander, S.A. had no controlling shareholder or de facto controller, and its ultimate beneficiary was Banco Santander, S.A. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of Banco Santander, S.A. include Fortune Auto Finance Co., Ltd. and Bank of Beijing Consumer Finance Company. As of the end of the reporting period, Banco Santander, S.A., together with its related parties and persons acting in concert, held 6.50% of the shares of the Bank in aggregate, of which 2,515,900 shares were held in the name of Hong Kong Securities Clearing Company Limited, accounting for 0.02% of the total share capital of the Bank. No shares of the Bank were pledged.

(II) Other substantial shareholders

1. TCL Corporation. As of the end of the reporting period, TCL Corporation held 545,195,104 ordinary shares of the Bank, accounting for 4.99% of the total share capital of the Bank. After nomination by TCL Corporation, Mr. Huang Xubin became a director of the Bank (resigned in January 2019). TCL Corporation was established in March 1982 with registered capital of RMB13.55 billion. Its legal representative was Li Dongsheng, and unified social credit code was 91441300195971850Y. Principal business of TCL Corporation include research, development, production and sales of electronic products and communication equipment, new optoelectronics and liquid crystal display devices, hardware and electrical equipment, VCD and DVD players, building materials, general machinery, computer technology services, freight and storage (excluding hazardous chemicals), film and television equipment maintenance, waste materials recycling, import and export of goods and technologies, venture capital business and venture capital consulting, entrusted management of venture capital of other venture capital institutions, provision of entrepreneurial management services for start-up enterprises, participation in the initiation of venture capital institutions and investment management consultancy institutions, real estate leasing, provision of information system services, conference services, electronic product technology development services, services related to development and sales of software products, patent transfer and customs declaration, consultancy services and payment settlement. TCL Corporation had no controlling shareholder or de facto controller, and its ultimate beneficiary was TCL Corporation. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of TCL Corporation include TCL Electronics Holdings Limited, Shenzhen China Star Optoelectronics Technology Co., Ltd. and Highly Information Industry Co., Ltd.. As of the end of the reporting period, TCL Corporation, together with its related parties and persons acting in concert, held 4.99% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

2. China Jianyin Investment Limited. As of the end of the reporting period, China Jianyin Investment Limited held 528,709,818 ordinary shares of the Bank, accounting for 4.84% of the total share capital of the Bank. After nomination by China Jianyin Investment Limited, Mr. Zhuang Zhe became a director of the Bank. China Jianyin Investment Limited was established in June 1986 with registered capital of RMB20.692 billion. Its legal representative was Zhong Jianan, and unified social credit code was 911100007109328650. Principal business of China Jianyin Investment Limited include investment and investment management, asset management and disposal, corporate management, real estate leasing and consulting. The controlling shareholder of China Jianyin Investment Limited was Central Huijin Investment Limited, and its de facto controller and ultimate beneficiary was Ministry of Finance. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of China Jianyin Investment Limited include JIC Investment Co., Ltd., JIC Trust Co., Ltd. and JIC Leasing Co., Ltd. As of the end of the reporting period, China Jianyin Investment Limited, together with its related parties and persons acting in concert, held 4.84% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

3. China Shipbuilding International Trading Co., Ltd. As of the end of the reporting period, Shipbuilding International Trading Co., Ltd held 445,972,922 ordinary shares of the Bank, accounting for 4.08% of the total share capital of the Bank. After nomination by Shipbuilding International Trading Co., Ltd., Mr. Li Chaokun became a director of the Bank. Shipbuilding International Trading Co., Ltd. was established in May 2001 with registered capital of RMB4.39 billion. Its legal representative was Li Hongtao, and unified social credit code was 91310115703424416U. Principal business of Shipbuilding International Trading Co., Ltd. include self-operation and agency for import and export business of various commodities and technologies, feeding processing and OEM business, counter trade and re-export and domestic trade. The controlling shareholder of Shipbuilding International Trading Co., Ltd. was CSSC Investment and Development Co., Ltd., and its de facto controller and ultimate beneficiary was State-owned Assets Supervision and Administration Commission of the State Council. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of Shipbuilding International Trading Co., Ltd. include Shanghai Jiangnan Industrial Company Limited, CSSC Investment and Development (Shanghai) Co., Ltd. and Tianjin Zhongchuan Jianxin Haigong Investment Limited. As of the end of the reporting period, Shipbuilding International Trading Co., Ltd., together with its related parties and persons acting in concert, held 4.09% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

4. Shanghai Commercial Bank Limited. As of the end of the reporting period, Shanghai Commercial Bank Limited held 327,854,800 ordinary shares of the Bank, accounting for 3.00% of the total share capital of the Bank. After nomination by Shanghai Commercial Bank Limited, Mr. David Sek-chi Kwok became a director of the Bank. Shanghai Commercial Bank Limited was established in November 1950 with registered capital of HKD2.0 billion. Its legal representative was David Sek-chi Kwok. Principal business of Shanghai Commercial Bank Limited include provision of banking and banking related financial services in Hong Kong, the United States, the United Kingdom and China. The controlling shareholder of Shanghai Commercial Bank Limited were Krinein Company, Shanghai United International Investment Ltd., Empresa Invesiones Generales, S.A. and Wells Fargo Bank, N.A., and its de facto controller and ultimate beneficiary was Shanghai Commercial & Savings Bank, Ltd. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of Shanghai Commercial Bank Limited include Shanghai Commercial Bank (Nominees) Ltd., Shanghai Commercial Bank Trustee Limited and Shacom Futures Limited. As of the end of the reporting period, Shanghai Commercial Bank Limited, together with its related parties and persons acting in concert, held 3.00% of the shares of the Bank in aggregate, of which 32,796,400 shares were held in the name of Hong Kong Securities Clearing Company Limited, accounting for 0.30% of the total share capital of the Bank. No shares of the Bank were pledged.

5. Shanghai Huangpu National Assets Company. As of the end of the reporting period, Shanghai Huangpu National Assets Company held 211,800,112 ordinary shares of the Bank, accounting for 1.94% of the total share capital of the Bank. After joint nomination by Shanghai Huangpu National Assets Company and Shanghai Luwan Financial Investment Company, Ms. Gan Xiangnan became a director of the Bank. Shanghai Huangpu National Assets Company was established in December 1993 with registered capital of RMB1.505 billion. Its legal representative was Zhu Xiaodong, and unified social credit code was 913101016302010773. Principal business of Shanghai Huangpu National Assets Company include asset investment, investment holding, asset adjustment and shareholding leasing, authorisation and entrustment of state-owned assets, technical consultancy and technical services related to financial investment information. Shanghai Huangpu National Assets Company had no controlling shareholder. Its de facto controller was State-owned Assets Supervision and Administration Commission of Shanghai Huangpu and its ultimate beneficiary was Shanghai Huangpu National Assets Company. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of Shanghai Huangpu National Assets Company include Shanghai Huangpu No. 4 Housing Expropriation Service Co., Ltd., Shanghai Huangpu Real Estate Pre-development Co., Ltd. and Shanghai Luwan Financial Investment Company. As of the end of the reporting period, Shanghai Huangpu National Assets Company, together with its related parties and persons acting in concert, held 3.00% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

6. Shanghai Luwan Financial Investment Company. As of the end of the reporting period, Shanghai Luwan Financial Investment Company held 116,185,936 ordinary shares of the Bank, accounting for 1.06% of the total share capital of the Bank. After joint nomination by Shanghai Luwan Financial Investment Company and Shanghai Huangpu National Assets Company, Ms. Gan Xiangnan became a director of the Bank. Shanghai Luwan Financial Investment Company was established in July 1992 with registered capital of RMB150 million. Its legal representative was Kong Guanghui, and unified social credit code was 91310101132524105U. Principal business of Shanghai Luwan Financial Investment Company include provision of financial investment consultancy services, metal materials, building materials, photographic equipment and daily necessities. The controlling shareholder of Shanghai Luwan Financial Investment Company was Shanghai Luwan State-owned Assets Management Co., Ltd., its de facto controller was State-owned Assets Supervision and Administration Commission of Shanghai Huangpu, and its ultimate beneficiary was Shanghai Luwan Financial Investment Company. According to relevant provisions stipulated in Interim Measures for the Equity Management of Commercial Banks, related parties of Shanghai Luwan Financial Investment Company include Shanghai Luwan State-owned Assets Management Co., Ltd.and Shanghai Huangpu State-Owned Assets Company. As of the end of the reporting period, Shanghai Luwan Financial Investment Company, together with its related parties and persons acting in concert, held 3.00% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

Preference Shares

- Issuance and Listing of Preference Shares for the Three Years ended as at the end of the Reporting Period
- Holders of Preference Shares
- Profits Distribution for Preference Shares
- Redemption or conversion of preference shares
- Restoration of voting right of preference shares
- Accounting policies for preference shares and reasons
- Other particulars of preference shares

Preference Shares

I. Issuance and Listing of Preference Shares for the Three Years ended as at the end of the Reporting Period

Stock code	Abbreviation	Date of issuance	Offer price (RMB)	Coupon rate	Offering Size	Listing date	Number of shares permitted to be listed for trading	Date of delisting
360029	上银优 1	19 December 2017	100	5.20%	200 million shares	12 January 2018	200 million shares	-
Use of proceeds and changes in use of proceeds						There was no change during the reporting period.		

II. Holders of Preference Shares

(I) Number of holders of preference shares

Total number of holders of preference shares as at the end of the reporting period	22
Total number of holders of preference shares as at the end of the month immediately prior to the date of this annual report	22

(II) Shareholdings of top ten holders (including ties) of preference shares as at the end of the reporting period

Unit: Share

Shareholdings of top ten holders of preference shares						
Name of shareholders (full name)	Changes in number of shares during the reporting period	Number of shares held as at the end of the period	Shareholding percentage	Class of shares held	Number of shares pledged or frozen	Nature of shareholders
Bank of Jiangsu Co., Ltd. - Wealth Concentration Cai Yi Rong	-	30,500,000	15.25%	RMB preference shares	-	Others
China Post & Capital Fund - Huaxia Bank - Huaxia Bank Co., Limited	-	20,000,000	10.00%	RMB preference shares	-	Others
Truvalue Asset Management - China Merchants Bank - China Merchants Bank Co., Ltd.	-	20,000,000	10.00%	RMB preference shares	-	Others
AXA SPDB Investment Managers - Industrial Bank - China Merchants Securities Asset Management Co., Ltd.	-	20,000,000	10.00%	RMB preference shares	-	Others
BOCOM Schroders Asset Management - Bank of Communications - Bank of Communications Co., Ltd.	-	15,000,000	7.50%	RMB preference shares	-	Others
Changjiang Pension Insurance - Bank of China - China Pacific Life Insurance Co., Ltd.	-	15,000,000	7.50%	RMB preference shares	-	Others
Postal Savings Bank of China Co., Ltd.	-	10,000,000	5.00%	RMB preference shares	-	Others
Ping An Life Insurance Company of China, Ltd. - Universal Insurance - Universal Personal Insurance	-	10,000,000	5.00%	RMB preference shares	-	Others
Ping An Life Insurance Company of China, Ltd. - Dividends - Dividends Personal Insurance	-	10,000,000	5.00%	RMB preference shares	-	Others
CCB Trust Co., Ltd. - Hengxinantai Bond Investment Asset Management Plan	-	10,000,000	5.00%	RMB preference shares	-	Others
Jiangsu International Trust Co.,Ltd. - Jiangsu Trust- Minsheng Wealth Single Fund Trust	-	10,000,000	5.00%	RMB preference shares	-	Others
If the preference shares held by a shareholder have different prioritised sequence in other situations other than the distribution of dividends and remaining assets, the number of shares held by such shareholder shall be disclosed	N/A					
Connected relationship or action in concert among the top ten holders of preference shares and between the abovementioned shareholder(s) and the top ten holders of ordinary shares	According to publically available information, the Bank came to the preliminary conclusion that there was connected relationship between Ping An Life Insurance Company of China, Ltd. - Universal Insurance - Universal Personal Insurance and Ping An Life Insurance Company of China, Ltd. - Dividends - Dividends Personal Insurance. Save for the above, the Bank was no aware of any connected relationship or action in concert among the above holders of preference shares and between the abovementioned shareholders and the top ten holders of ordinary shares.					

III. Profits Distribution for Preference Shares

(I) Basis for determination of the coupon rate

The above preference shares shall apply a coupon rate subject to phase-specific adjustment which represents that the dividends are distributed at the fixed coupon rate in each dividend adjustment period and the dividend shall be reset every five years thereafter.

The coupon rate is calculated based on the benchmark interest rate and a fixed premium. The benchmark interest rate for the first coupon-bearing period is the arithmetic mean (rounded to 0.01%) of the yields upon maturity of outstanding five-year government bonds contained in the yield curve published by China Bond Information Network (www.chinabond.com.cn) or other websites as approved by China Central Depository & Clearing Co., Ltd. (CCDC) for fixed-interest-rate government bonds at the CCDC inter-bank market 20 trading days (exclusive) prior to the payment date of the subscribed shares. The fixed premium is determined based on the coupon rate at the time of issue less the benchmark interest rate at the time of issue, and shall no longer be adjusted thereafter.

The coupon rate in the first dividend adjustment period of the above preference shares determined based on market consultation was 5.20%, and the benchmark interest rate and fixed premium were set at 3.86% and 1.34%, respectively.

(II) Conditions for dividend distribution

The Bank may distribute dividends to the above-mentioned holders of preference shares under the condition that the Bank meets the regulatory requirements on capital adequacy for commercial banks and has distributable after-tax profits after making up losses and making appropriations to the statutory reserve and the general reserve in accordance with the laws. Dividends distributed to the above-mentioned holders of preference shares shall be paid prior to dividend payment to holders of ordinary shares. Such dividend payments shall not be linked to the ratings of the Bank; neither shall it be adjusted when there is change in the ratings of the Bank.

The Bank has the right to revoke all or any part of the above dividend distributions for preference shares, and this shall not constitute a breach of contract. The Bank may, at its sole discretion, use the revoked dividends to repay other debts overdue. Revocation of dividend distribution for preference shares does not constitute any other restrictions on the Bank except for the restriction on dividend distribution for ordinary shares.

The declaration and payment of dividends for all preference shares shall be resolved by the Board of Directors under the authorization of the shareholders' general meeting. The revocation of dividends for preference shares in part or in whole shall be subject to the approval of the shareholders' general meeting. Where the Bank intends to revoke the payment of dividends for preference shares, notice shall be given to holders of preference shares at least ten working days prior to the date of dividend distribution. If the Bank revokes the dividend distribution for preference shares in whole or in part, the Bank shall not distribute profits to holders of ordinary shares from the date passing the resolution of the shareholders' general meeting until the resumption of full dividend distribution to the holders of preference shares.

(III) Dividend payment method

Cash dividends for the above-mentioned preference shares shall be paid on an annual basis, and the coupon-bearing principal shall be the total par value of the remainder of the issued preference shares while the interest accrual starting date shall be 19 December 2017, being the closing date of share subscription.

(IV) Non-cumulative dividends

Dividends for the above preference shares shall not be cumulative. If the Bank resolves to revoke dividends for preference shares in part or in whole, the deficit in a dividend payout in the current year will not be carried over to the next coupon-bearing year.

(V) Non-participation in distribution of surplus profits

Other than rights to dividends as agreed upon in accordance with the issuance plan, the above-mentioned holders of preference shares shall not participate in the distribution of surplus profits together with the holders of ordinary shares.

(VI) Distribution of dividends on preference shares during the reporting period

On 11 December 2018, the Bank published the Announcement on the Distribution of Dividends for Preference Shares of Bank of Shanghai Co., Ltd. The proposal for distribution of dividends on preference shares was reviewed and approved at the 8th meeting of the 5th session of the Board of Directors held on 26 October 2018. The dividend distribution registration date and the ex-dividend date was 18 December 2018. The dividend was accrued from 19 December 2017 and distributed on 19 December 2018. As calculated according to the coupon rate of 上银优 1 of 5.20%, a cash dividend of RMB5.20 (tax inclusive) per share, amounting to RMB1.04 billion in total (tax inclusive) was distributed. Details are as follows:

Unit: RMB100 million

Year	Dividend distribution date	Distribution (tax inclusive)	Annual distribution of net profit attributable to shareholders of the Bank	Proportion to net profit attributable to shareholders of the Bank
2018	19 December 2018	10.40	180.34	5.77%
2017	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A

IV. Redemption or conversion of preference shares

No preference share of the Bank was redeemed or converted during the reporting period.

V. Restoration of voting right of preference shares

During the reporting period, the Bank did not restore the voting right of preference shares.

VI. Accounting policies for preference shares and reasons

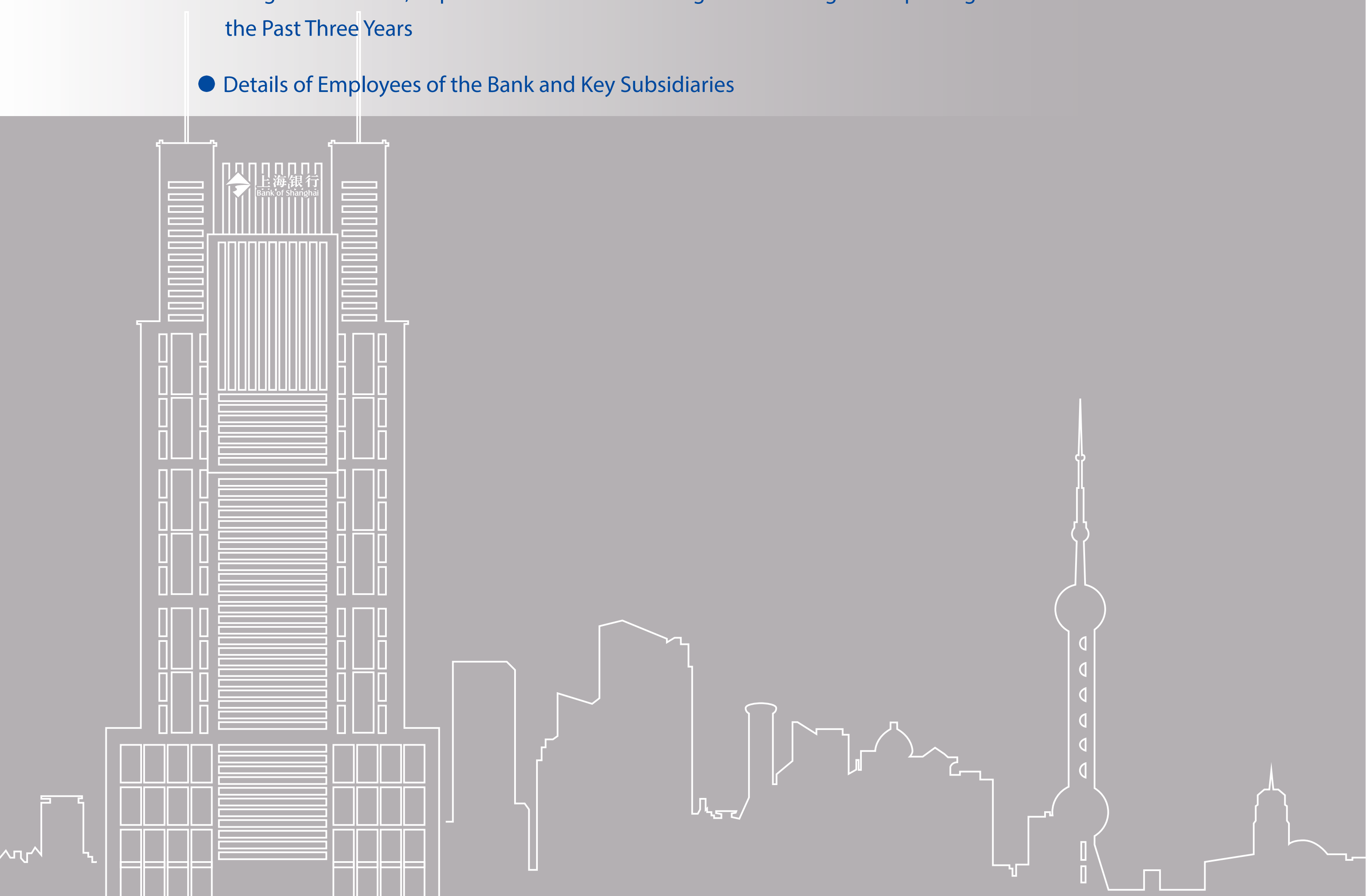
The Bank made accounting judgements over its preference shares then issued and outstanding in accordance with the requirements of Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments (2014 Revision) and other relevant accounting standards. As the preference shares of the Bank in issue carry no obligation to deliver cash and cash equivalents, and they have no contractual obligations to deliver a variable number of its own equity instruments for settlement, they were therefore measured as other equity instruments. For details, please refer to Note III. 7(6) to the financial report.

VII. Other particulars of preference shares

Transfer of capital reserve to share capital of the Bank was completed on 17 July 2018. According to the adjustment to the mandatory conversion price of domestic preference shares, the mandatory conversion price of " 上银优 1" issued by the Bank was adjusted from RMB18.13 per share to RMB12.95 per share on 17 July 2018. For details of adjustment to the mandatory conversion price of preference shares, please refer to the announcement published by the Bank on the website of Shanghai Stock Exchange.

Directors, Supervisors, Senior Management and Employees

- Existing Directors, Supervisors and senior management
- Resigned Directors, Supervisors and senior management
- Work experience (including full-time or part-time positions) of the Directors, Supervisors and senior management
- Positions held by Directors at the Shareholder's entity
- Positions held at other entities
- Remuneration of Directors, Supervisors and senior management
- Changes in Directors, Supervisors and senior management
- Punishments Imposed by Securities Regulatory Authorities on the Incumbent and Resigned Directors, Supervisors and senior management during the Reporting Period in the Past Three Years
- Details of Employees of the Bank and Key Subsidiaries



Directors, Supervisors, Senior Management and Employees

I. Existing Directors, Supervisors and senior management

Name	Position	Gender	Year of birth	Commencement and expiration date of term of office	hares held at the beginning of the period (share)	Shares held at the end of the period (share)	Changes in number of shares during the reporting period (share)	Total remuneration (before tax) received from the Bank during the reporting period (RMB'0,000)	Whether receive remuneration from related parties of the Bank
Jin Yu	Chairman of the Board of Directors	Male	1965	June 2015-the expiry of the term of office of the current session	-	-	-	95.11	No
Hu Youlian	Vice Chairman of the Board of Directors and President	Male	1962	March 2016-the expiry of the term of office of the current session	94,900	132,860	37,960	95.11	No
Shi Hongmin	Executive Director	Male	1968	October 2018-the expiry of the term of office of the current session	-	-	-	87.30	No
	Vice President			July 2016-the expiry of the term of office of the current session	-	-	-		
	Chief Financial Officer			August 2012-the expiry of the term of office of the current session	-	-	-		
Ye Jun	Non-executive Director	Male	1972	July 2009-the expiry of the term of office of the current session	-	-	-	-	Yes
Ying Xiaoming	Non-executive Director	Male	1968	September 2015-the expiry of the term of office of the current session	-	-	-	-	Yes
Chen Xuyuan	Non-executive Director	Male	1956	June 2014-the expiry of the term of office of the current session	-	-	-	-	Yes
Yuk Hung Antony Hung	Non-executive Director	Male	1959	October 2018-the expiry of the term of office of the current session	-	-	-	-	Yes
Zhuang Zhe	Non-executive Director	Male	1972	August 2017-the expiry of the term of office of the current session	-	-	-	-	Yes
Li Chaokun	Non-executive Director	Male	1965	September 2015-the expiry of the term of office of the current session	-	-	-	-	Yes
David Sek-chi Kwok	Non-executive Director	Male	1953	July 2009-the expiry of the term of office of the current session	-	-	-	-	Yes
Gan Xiangnan	Non-executive Director	Female	1970	December 2017-the expiry of the term of office of the current session	-	-	-	-	Yes
Wan Jianhua	Independent Non-executive Director	Male	1956	September 2015-the expiry of the term of office of the current session	-	-	-	24.00	Yes

Name	Position	Gender	Year of birth	Commencement and expiration date of term of office	hares held at the beginning of the period (share)	Shares held at the end of the period (share)	Changes in number of shares during the reporting period (share)	Total remuneration (before tax) received from the Bank during the reporting period (RMB'0,000)	Whether receive remuneration from related parties of the Bank
Guan Tao	Independent Non-executive Director	Male	1970	August 2017-the expiry of the term of office of the current session	-	-	-	24.00	Yes
Sun Zheng	Independent Non-executive Director	Male	1957	August 2017-the expiry of the term of office of the current session	-	-	-	24.00	Yes
Xu Jianxin	Independent Non-executive Director	Male	1955	September 2015-the expiry of the term of office of the current session	-	-	-	24.00	Yes
Gong Fangxiong	Independent Non-executive Director	Male	1964	August 2017-the expiry of the term of office of the current session	-	-	-	24.00	Yes
Shen Guoquan	Independent Non-executive Director	Male	1965	August 2017-the expiry of the term of office of the current session	-	-	-	24.00	Yes
Liu Jinan	Vice Chairman of the Board of Supervisors	Male	1964	June 2017-the expiry of the term of office of the current session	106,193	148,672	42,479	86.70	No
Yuan Zhigang	External Supervisor	Male	1958	June 2017-the expiry of the term of office of the current session	-	-	-	24.00	Yes
Ge Ming	External Supervisor	Male	1951	June 2017-the expiry of the term of office of the current session	-	-	-	24.00	Yes
Feng Xuefei	Employee Supervisor	Female	1973	April 2017- the expiry of the term of office of the current session	31,222	43,711	12,489	151.42	No
Huang Tao	Vice President	Male	1971	July 2016-the expiry of the term of office of the current session	-	-	-	87.30	No
Hu Debin	Vice President	Male	1968	July 2016-the expiry of the term of office of the current session	-	-	-	87.30	No
Wang Ming	Vice President	Male	1975	August 2018- the expiry of the term of office of the current session	53,049	74,269	21,220	29.33	No
Cui Qingjun	Vice President	Male	1972	August 2018- the expiry of the term of office of the current session	-	-	-	29.33	No
Li Xiaohong	Board Secretary	Female	1969	December 2010-the expiry of the term of office of the current session	-	-	-	141.46	No

Notes: 1. The term of office of Directors and senior management commenced from the date of approval of their qualification by CBIRC Shanghai Bureau while the term of office of Supervisors commenced from the date of election by staff representative meeting or Shareholders' general meeting;

2. Mr. Jin Yu and Mr. Hu Youlian have served as the Executive Directors of the Bank since October 2011 and March 2016, respectively;

3. On 9 October 2018, CBIRC Shanghai Bureau approved the qualifications of Mr. Yuk Hung Antony Hung and Mr. Shi Hongmin as Directors of the Bank, while on 28 August 2018, CBIRC Shanghai Bureau approved the qualifications of Mr. Wang Ming and Mr. Cui Qingjun as Vice Presidents of the Bank.

4. The remuneration of the Executive Directors, Vice Chairman of the Board of Supervisors and senior management of the Bank for 2018 is subject to confirmation of the competent authority, while the remaining information will be disclosed upon confirmation;

5. Mr. Wang Ming and Mr. Cui Qingjun have served as the Vice Presidents of the Bank since August 2018 and received remuneration of Vice Presidents of the Bank since September 2018. The remuneration above represents their total remuneration (before tax) received from the Bank during September to December 2018;

6. During the reporting period, the changes in shareholdings of Directors, Supervisors and senior management were attributable to the approval of the Resolution regarding the Profit Distribution Proposal for 2017 of Bank of Shanghai Co., Ltd. at the 2017 annual general meeting, pursuant to which capital reserve was converted on the basis of 0.4 shares for every share of all the shareholders.

II.Resigned Directors, Supervisors and senior management

Name	Position before resignation	Gender	Year of birth	Commencement and expiration date of term of office	Shares held at the beginning of the period (shares)	Shares held at the end of the period (shares)	Changes in number of shares during the reporting period (shares)	Total remuneration (before tax) received from the Bank during the reporting period (RMB'0,000)	Whether receive remuneration from related parties of the Bank
Li Jianguo	Vice President	Male	1963	February 2009-March 2018	-	-	-	22.45	No
Jiang Hong	Executive Director	Male	1962	August 2017-April 2018	161,332	225,865	64,533	43.26	No
	Vice President			December 2006-May 2018					
Juan Manuel San Román López	Non-executive Director	Male	1956	September 2014-April 2018	-	-	-	-	Yes
Huang Xubin	Non-executive Director	Male	1965	September 2015-January 2019	-	-	-	-	Yes

Notes: 1.The term of office of Directors and senior management commenced from the date of approval of their qualification by CBIRC Shanghai Bureau;

2.Mr. Li Jianguo resigned as the Vice President of the Bank in March 2018 and his remuneration above represents his total remuneration (before tax) received from the Bank during the reporting period;

3.Mr. Jiang Hong resigned as the Vice President of the Bank in May 2018 and his remuneration above represents his total remuneration (before tax) received from the Bank during the reporting period;

4.During the reporting period, the changes in shareholdings of resigned Directors and senior management were attributable to the approval of the Resolution regarding the Profit Distribution Proposal for 2017 of Bank of Shanghai Co., Ltd. at the 2017 annual general meeting, pursuant to which capital reserve was converted on the basis of 0.4 shares for every share to all the shareholders.

III.Work experience (including full-time or part-time positions) of the Directors, Supervisors and senior management

(I)Directors

Jin Yu ⋮ **Chairman of the Board of Directors**

Mr. Jin Yu, born in February 1965, currently serves as the secretary of party committee and the Chairman of the Board of Directors of Bank of Shanghai, a director of Shenlian International Investment Company and a director of Shanghai Commercial Bank Limited. His previous work experience includes a number of roles at China Construction Bank, including deputy chief manager and chief manager of the international business department of the Shanghai branch, chief manager of the banking department of the Shanghai branch, vice president of the Shanghai branch, general manager of the Singapore branch, general manager of the international business department of China Construction Bank, secretary of party committee, Vice Chairman of the Board of Directors and President of Bank of Shanghai, the Chairman of the board of directors of BOSC Asset Management Co., Limited and the Chairman of Bank of Shanghai (Hong Kong) Limited. Mr. Jin obtained a doctorate degree in economics from Fudan University and is a senior economist.

Hu Youlian ⋮ **Vice Chairman of the Board of Directors and President**

Mr. Hu Youlian, born in April 1962, currently serves as the deputy secretary of party committee, Vice Chairman of the Board of Directors and President of Bank of Shanghai. His previous work experience includes a number of roles at China Construction Bank, including deputy director of the Finance and Accounting Division of the Jiangsu branch, director of the Finance Division of the Finance and Accounting Department, director of the Comprehensive Division and Planning Division of the Planning and Finance Department as well as secretary of party committee and president of the Zhongshan branch, secretary of party committee and president of Bank of Shanghai Pudong branch, a member of party committee, assistant to President and Vice President of Bank of Shanghai and the Chairman of the board of directors of BOSC Asset Management Co., Limited. Mr. Hu obtained a master's degree in business administration from Shanghai National Account Institute and Arizona State University.

Shi Hongmin | Executive Director, Vice President and Chief Financial Officer

Mr. Shi Hongmin, born in October 1968, currently serves as a member of party committee, Executive Director, Vice President and chief financial officer of Bank of Shanghai, director of China UnionPay Co., Ltd. and chairman of the board of directors of Shanghai ShangCheng Consumer Finance Corporation Limited. His previous work experience includes a number of roles at China Construction Bank, including deputy director of the Finance Division of the Finance and Planning Department, deputy director of the General Division, deputy director of the Finance Section of the Office of Joint Stock Reform Leader Group, senior manager of the Policy and System Division of the Finance and Planning Department, Vice President of No. 1 sub-branch of Shanghai branch, senior manager of the Accounting and Settlement Division of the Credit Card Centre, and assistant to chief manager and deputy chief manager of the Credit Card Centre. He also served as a director of BOSC Asset Management Co., Limited. He obtained a master of engineering in technical economics from Tsinghua University and is a senior economist.

Ye Jun | Non-executive Director

Mr. Ye Jun, born in November 1972, currently serves as the Non-executive Director of Bank of Shanghai, general manager of Shanghai Alliance Investment Ltd., director of Shanghai Huahong (Group) Co., Ltd., Sino-US United MetLife Insurance Company Limited and EverDisplay Optronics (Shanghai) Limited, chairman of the board of directors of Sinotherapeutics Inc. and Shanghai Zhaoxin Semiconductor Co., Ltd. and director of Shanghai Huali Integrated Circuit Manufacturing Co., Ltd. He served as deputy manager and manager of the investment banking department, manager of the business development department, assistant to general manager and manager of the financial services and investment department and deputy general manager of Shanghai Alliance Investment Ltd. Mr. Ye obtained a master's degree in business administration from Shanghai Jiao Tong University.

Ying Xiaoming | Non-executive Director

Mr. Ying Xiaoming, born in June 1968, currently serves as the Non-executive Director of Bank of Shanghai, deputy chief economist of Shanghai Alliance Investment Ltd., supervisor of Shanghai Huali Microelectronics Corporation, director of Shanghai APACTRON Particle Equipment Co., Ltd., supervisor of Shanghai Huahong (Group) Co., Ltd., Shanghai Zhongke Shenjiang Electric Vehicle Co., Ltd., Tianjin STL Energy Technology Co., Ltd. and Shenzhen Kangva Technology Co,. Ltd, director of Shanghai Zhaoxin Semiconductor Co., Ltd., supervisor of Sino-US United MetLife Insurance Company Limited, director of Joinus Technology Co., Ltd., vice chairman of the board of directors of Shanghai INESA Intelligent Electronics Co., Ltd., and director of Shanghai Information Investment Inc., Sinotherapeutics Inc., EverDisplay Optronics (Shanghai) Limited and Shanghai Helan Motor Technology Co., Ltd.. He served as deputy manager of the management advisory department, manager of asset management department, executive manager of business development department and manager of audit department of Shanghai Alliance Investment Ltd. He obtained a bachelor's degree in industrial management engineering from Shanghai Jiao Tong University and is a certified public valuer in China

Chen Xuyuan | Non-executive Director

Mr. Chen Xuyuan, born in July 1956, currently serves as the Non-executive Director of Bank of Shanghai, secretary of party committee and chairman of the board of directors of Shanghai International Port (Group) Co., Ltd., chairman of the board of directors of Shanghai Port International Cruise Terminal Development Co., Ltd. and Shanghai Port & Shipping Equity Investment Co., Ltd. and executive director of Shanghai Tongsheng Investment (Group) Co., Ltd. He served as deputy head of Shanghai Port Authority and chairman of the board of directors of Shanghai Port Container Co., Ltd., deputy secretary of party committee and vice president of Shanghai International Port (Group) Co., Ltd. and concurrently as chairman of the board of directors of Shanghai Port Container Co., Ltd., deputy secretary of party committee, president and director of Shanghai International Port (Group) Co., Ltd. and concurrently as chairman of the board of directors of Shanghai Port Container Co., Ltd. He also served as deputy secretary and secretary of party committee, president and director of Shanghai International Port (Group) Co., Ltd, secretary and secretary of party committee, president and director of Shanghai International Port (Group) Co., Ltd. He obtained an MBA degree from Shanghai Maritime Institute (currently known as Shanghai Maritime University) and is a senior economist.

Yuk Hung Antony Hung ⋮ Non-executive Director

Mr. Yuk Hung Antony Hung, born in September 1959, currently serves as the Non-executive Director of Bank of Shanghai, executive vice president and chief executive officer of Asia Pacific of the Santander Group and president of Hong Kong branch of Banco Santander, S.A. His previous work experience includes vice president of sales department of fixed income products of Salomon Brothers Hong Kong Limited, managing director of Merrill Lynch (Asia Pacific) Limited, president of capital markets and currency futures business of Asia Pacific and global wealth and investment management business of pacific rim and member of global wealth management committee of Merrill Lynch, member of executive committee of Asia Pacific of Merrill Lynch, president of Asia Pacific (excluding Japan) and chairman of Asia Pacific investment committee of Capula Investment Management Asia Limited, managing director of Banco Santander, S.A. and president of Asia Pacific of Santander Global Corporate Banking and Capital Markets. Mr. Kong is a fellow of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants (ACCA). He obtained a master's degree in business administration in finance and information systems from The Chinese University of Hong Kong.

Zhuang Zhe ⋮ Non-executive Director

Mr. Zhuang Zhe, born in January 1972, currently serves as the Non-executive Director of Bank of Shanghai and assistant to the president of China Jianyin Investment Limited. He served as deputy director and director of the Henan branch of China Construction Bank, president and secretary of party committee of Zhengzhou Railway branch of China Construction Bank, deputy general manager of the custody division of finance, credit and trust of China Jianyin Investment Limited, deputy general manager (person-in-charge) of the corporate management department of China Jianyin Investment Limited, general manager of the long-term equity investment department of China Jianyin Investment Limited, chairman of the board of directors and secretary of the party committee of Zhongtou Kexin Technology Co., Ltd. and chairman and secretary of the party committee of JIC Holding Co., Ltd. He obtained a master's degree of economics in finance from Renmin University of China and is a senior economist.

Li Chaokun ⋮ Non-executive Director

Mr. Li Chaokun, born in November 1965, currently serves as the Non-executive Director of Bank of Shanghai, head of the financial department of China State Shipbuilding Corporation Limited, director and general manager of Zhong Chuan Finance Co., Ltd., chairman of the board of directors of CSSC Investment and Development Co., Ltd., CSSC Investment and Development (Shanghai) Co., Ltd. and China Cruise Industry Investment Company Limited, director of Jiulong Steel Logistics Co., Ltd. His previous work experience includes general manager of CSSC Nanjing Luzhou Environmental Protection Equipment Engineering Co., Ltd., deputy chief accountant of Nanjing Luzhou Machinery Factory, deputy general manager of CSSC Nanjing Luzhou Machine Co., Ltd., chief accountant of Zhenjiang CME Co., Ltd., deputy general manager of Zhong Chuan Finance Co., Ltd., and supervisor of Zheng Mao Group Co., Ltd. and CSSC Nanjing Luzhou Machine Co., Ltd. He obtained an MBA degree from Nanjing University and is a senior economist.

David Sek-chi Kwok ⋮ Non-executive Director

Mr. David Sek-chi Kwok, born in May 1953, is an American. He currently serves as the Non-executive Director of Bank of Shanghai, executive director and chief executive officer of Shanghai Commercial Bank, director of other intra-group companies (including Hong Kong Life Insurance Limited, Bank Consortium Holdings Limited and AR Consultant Services (HK) Ltd.), director, honorary secretary and chairman of Administration & Finance Committee of The Hong Kong Institute of Bankers, director of The Hong Kong Bankers' Club and HKS Education Fund Limited, member of Executive Committee of Duty Lawyer Service and Global Bankers Program-Advisory Board. He was a manager of the New York branch, San Francisco branch, Los Angeles branch and London branch of Shanghai Commercial Bank and the deputy general manager, supervisor of the branch administration office and general manager of Shanghai Commercial Bank and a Supervisor of Bank of Shanghai. Mr. Kwok is a fellow of Chartered Institute of Bankers and The Hong Kong Institute of Bankers. He obtained a college degree in financial study from New Method College.

Gan Xiangnan | Non-executive Director

Ms. Gan Xiangnan, born in June 1970, currently serves as the Non-executive Director of Bank of Shanghai, director and deputy general manager of Shanghai Huangpu Investment Holdings (Group) Co., Ltd. and Shanghai Huangpu Guiding Fund and Equity Investment Co., Ltd., director of Shanghai New Huangpu Real Estate Co., Ltd. and Shanghai New Huangpu (Group) Co., Ltd. and chairman of the board of directors of Shanghai Huitongyuan Investment Management Co., Ltd.. Her previous work experience includes manager of the asset management department of Shanghai New Huangpu (Group) Co., Ltd., deputy general manager of Shanghai Bund Source Development Co., Ltd., general manager of Shanghai New Huangpu Asset Management Co., Ltd. and manager of the investment development department of Shanghai Bund Investment Development (Group) Co., Ltd. She obtained a doctorate degree of economics from Fudan University and is a senior economist.

Wan Jianhua | Independent Non-executive Director

Mr. Wan Jianhua, born in January 1956, currently serves as the Independent Non-executive Director of Bank of Shanghai, chairman of Association of Shanghai Internet Financial Industry, independent non-executive director of China Resource Bank of Zhuhai Co., Ltd., chairman of the board of directors of All In Pay Network Services Co., Ltd. and independent non-executive director of Great Wall Fund Management Co., Ltd., Shanghai Xinnanyang Only Education and Technology Co., Ltd. and Gome Finance Technology Co., Ltd. and chairman of the board of directors of Hangzhou Huazhi Rongke Investment Management Co., Ltd.. His previous work experience includes director of the macro analysis division under the treasury management department of the People's Bank of China, standing vice president of the headquarters of China Merchants Bank, chairman of the board of directors of China Merchants Securities, chairman of the first session of the board of directors and president of China UnionPay Co., Ltd., president of Shanghai International Group Co., Ltd. and chairman of the board of directors of Guotai Junan Securities Co., Ltd. and E-Capital Transfer Co., Ltd. Mr. Wan obtained a master's degree of economics in monetary banking from Financial Research Institute of the People's Bank of China.

Guan Tao | Independent Non-executive Director

Mr. Guan Tao, born in November 1970, currently serves as the Independent Non-executive Director of Bank of Shanghai, senior fellow of China Finance 40 Forum, director of China International Finance Society, executive director of China Society of World Economics, independent non-executive director of V.Stone Fund, Minmetals Capital Company Limited and BOC International (China) Co., Ltd. and chair professor of Dong Fureng Economic and Social Development School of Wuhan University. He previously served in various positions of the State Administration of Foreign Exchange, including officer of the policy and regulation department, officer, deputy director, director and deputy director-general of the integrated department and deputy director-general and director-general of the international revenue department and member of the Chinese Economists 50 Forum. Mr. Guan obtained a doctorate degree of economics in world economics from Beijing Normal University.

Sun Zheng | Independent Non-executive Director

Mr. Sun Zheng, born in December 1957, currently serves as the Independent Non-executive Director of Bank of Shanghai, chairman of the academic committee of Shanghai University of Finance and Economics, vice chairman of Accounting Society of China, member of the accounting standard and strategy committee of the Ministry of Finance, member of the China Accounting Standards Committee of the Ministry of Finance, member of the academic review committee (business administration) of the academic degree committee of the State Council, member of postgraduate education guidance committee for national business administration postgraduate degree and independent director of Shanghai Rural Commercial Bank Co., Ltd., Shanghai Qiangsheng Holding Co., Ltd. and Industrial Securities Co., Ltd. His previous work experience includes deputy director and director of the accounting department of Shanghai University of Finance and Economics, assistant to the president of Shanghai University of Finance and Economics, vice president of Shanghai University of Finance and Economics and independent director of Shenergy Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. Mr. Sun is a professor, Chinese Certified Public Accountant and a grantee of special allowance from the State Council. He obtained a doctorate degree of economics in accounting from Shanghai University of Finance and Economics.

Xu Jianxin | Independent Non-executive Director

Mr. Xu Jianxin, born in November 1955, currently serves as the Independent Non-executive Director of Bank of Shanghai, senior vice president of Shanghai Puyi Investment Management Co., Ltd. and independent non-executive director of Shanghai Shunho New Materials Science & Technology Co., Ltd. and Shanghai Jin Jiang International Hotels (Group) Company Limited. His previous work experience includes lecturer and associate professor of Shanghai University of Finance and Economics, certified public accountant of Da Hua Certified Public Accountants, deputy general manager of Shanghai Brilliance Investors Service Company Limited, deputy chief accountant, director, chief financial controller and chief economist of Orient International (Holding) Co., Ltd., vice chairman of the board of directors of Orient International Enterprise Ltd. and director of Shanghai Pudong Development Bank Co., Ltd. and independent non-executive director of Shanghai Sinyang Semiconductor Materials Co., Ltd. and Baida Group Co., Ltd. Mr. Xu is a senior accountant and Chinese Certified Public Accountant. He obtained a doctorate degree of economics in accounting from Shanghai University of Finance and Economics.

Gong Fangxiong | Independent Non-executive Director

Mr. Gong Fangxiong, born in February 1964, currently serves as the Independent Non-executive Director of Bank of Shanghai and the chairman of the board of directors of First Seafront Financial Limited. His previous work experience includes economist of the Federal Reserve Bank of New York, chief strategist and co-head of global currency and rates research at Bank of America, head of China research team, chief market strategist, chief economist for Greater China of JPMorgan and co-head of JPMorgan EM Asia market research and strategy, managing director of the Asia Pacific Region of JPMorgan, chairman of JPM China Diversified Industry Clients, vice chairman of JPMorgan China Investment Banking and the managing director of the Asia Pacific Region of JPMorgan and chairman of JPMorgan China Investment Banking. He is a Hong Kong citizen. He obtained a doctorate degree in finance and economics from the Wharton School of the University of Pennsylvania.

Shen Guoquan | Independent Non-executive Director

Mr. Shen Guoquan, born in March 1965, currently serves as the Independent Non-executive Director of Bank of Shanghai, senior partner of Allbright Law Offices, member of the 4th Listing Committee of the Shanghai Stock Exchange, arbitrator of Shanghai Arbitration Commission, member of the finance and securities affairs committee of All China Lawyers Association and independent director of Jiangxi Lianchuang Optoelectronic Technology Co., Ltd. and Zibo Qixiang Tengda Chemical Co., Ltd. His previous work experience includes assistant prosecutor of the policy research office of Shanghai People's Procuratorate, partner of Shanghai Wanguo Law Firm, fulltime member of the 7th and 8th Share Issuance Examination Committee of the China Securities Regulatory Commission and independent director of Harbin Pharmaceutical Group Co., Ltd., Zhejiang Crystal-Optech Co., Ltd., Shanghai East Money Information Co., Ltd., Shanghai Xinhua Media Co., Ltd., Beijing Hualu Baina Film & TV Co., Ltd. and Suzhou TA&A Ultra Clean Technology Co., Ltd. Mr. Shen obtained a master's degree of law in economic law from East China School of Political Science and Law (currently known as East China University of Political Science and Law).

(II)Supervisors

Liu Jinan ⋮ **Vice Chairman of the Board of Supervisors and Employee Supervisor**

Mr. Liu Jinan, born in June 1964, is the deputy secretary of party committee, secretary of the Discipline Inspection Commission and Vice Chairman of the Board of Supervisors of Bank of Shanghai. His previous work experience includes assistant director and deputy director of the Executive Office, deputy general manager and deputy general manager (in charge) of the Personnel Department (currently known as the Human Resources Department) and general manager of the Human Resources Department of Bank of Shanghai. Mr. Liu is a senior economist. He obtained a master's degree of law in international economic law from East China School of Political Science and Law (currently known as East China University of Political Science and Law).

Yuan Zhigang ⋮ **External Supervisor**

Mr. Yuan Zhigang, born in January 1958, currently serves as an external Supervisor of Bank of Shanghai, professor of the School of Economics of Fudan University, director of the Employment and Social Security Research Centre of Fudan University, the chief expert of Yuan Zhigang Studio of the Decision-Making Advisory Research Base of Shanghai Municipal People's Government, member of Shanghai Decision-Making Advisory Panel, independent non-executive director of JIC Trust Co., Ltd. and independent director of Shanghai Pudong Development Bank Co., Ltd. He has also acted as the head of the School of Economics of Fudan University, director of School of Economics of Fudan University and independent non-executive director of Ningbo Fuda Company Limited and Bank of Communications Schroder Fund Management Co., Ltd. Mr. Yuan is a distinguished professor, doctoral supervisor in the Ministry of Education's Chang Jiang Scholars Program, and a grantee of special allowance from the State Council. He obtained a doctorate degree in economics from École des Hautes Études en Sciences Sociales (School of Advanced Studies in the Social Sciences, EHESS).

Ge Ming ⋮ **External Supervisor**

Mr. Ge Ming, born in September 1951, currently serves as an external Supervisor of Bank of Shanghai, chairman of the board of directors of Beijing Huaming Fulong Finance & Accounting Consulting Co., Ltd., independent director of Focus Media Information Technology Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd., executive director of The Chinese Institute of Certified Public Accountants, member of the CPA Examination Committee of the Ministry of Finance, deputy director of the industry development committee of the Beijing Institute of Certified Public Accountants and member of the third session of the expert advisory committee for the merger, acquisition and reorganization of listed companies of the China Securities Regulatory Commission. His previous work experience includes managing partner and chief accountant of Ernst & Young Hua Ming LLP, chairman of the board of directors of Ernst & Young Hua Ming and independent director of Shunfeng International Clean Energy Limited and Shanghai Zhenhua Heavy Industries Co., Ltd. Mr. Ge is a senior accountant and Chinese Certified Public Accountant. He obtained a master's degree in international accounting from the Chinese Academy of Fiscal Sciences of the Ministry of Finance (currently known as Chinese Academy of Fiscal Sciences).

Feng Xuefei ⋮ **Employee Supervisor**

Ms. Feng Xuefei, born in January 1973, currently serves as an employee Supervisor, chairman of the labour union, member of the disciplinary committee of the head office, head of the promotion department of the party committee and director of the office of the party committee of Bank of Shanghai. Her previous work experience includes chief officer of the research and development department of Bank of Shanghai, secretary to the communist youth league committee of Bank of Shanghai, general manager of the public relations department of the general office of Bank of Shanghai and deputy general manager , deputy general manager (person-in-charge) and general manager of the credit card centre, head of the organization department of the party committee and general manager of the Human Resources Department of Bank of Shanghai. Ms. Feng obtained a master's degree of economics in investment and economics from Dongbei University of Finance and Economics.

(III)Senior management

Hu Youlian ⋮ Vice Chairman of the Board of Directors and President

Mr. Hu Youlian currently serves as the deputy secretary of party committee, Vice Chairman of the Board of Directors and President of Bank of Shanghai. Please refer to the profile of Directors.

Shi Hongmin ⋮ Executive Director, Vice President and Chief Financial Officer

Mr. Shi Hongmin currently serves as a member of party committee, Executive Director, Vice President and chief financial officer of Bank of Shanghai. Please refer to the profile of Directors.

Huang Tao ⋮ Vice President

Mr. Huang Tao, born in August 1971, currently serves as a member of party committee and Vice President of Bank of Shanghai, and chairman of the board of directors of Bank of Shanghai (Hong Kong) Limited , and BOSC International Company Limited and director of Shenlian International Investment Company. His previous work experience includes assistant to chief manager of the risk management department of China Construction Bank, senior vice president, Board secretary, alternate administrative president, executive director and executive vice president of China Construction Bank (Asia) Corporation Limited, director of China Construction Bank (Macau) Corporation Limited and QBE Hong Kong & Shanghai Insurance Limited, deputy chief manager of the risk management department of China Construction Bank, chief risk officer and secretary of party committee of Beijing branch of Bank of Shanghai and alternate director of Shanghai Commercial Bank. He obtained a master's degree in business administration from the University of Oxford.

Hu Debin ⋮ Vice President

Mr. Hu Debin, born in October 1968, currently serves as a member of party committee and Vice President of Bank of Shanghai. His previous work experience also includes a number of roles at Industrial and Commercial Bank of China, including division manager, assistant to general engineer, assistant to general manager, deputy general manager and a member of the party committee of Software Development Centre, and deputy general manager and deputy secretary of the party committee of the Data Centre (Shanghai). He also served as the chief information officer of Bank of Shanghai. Mr. Hu is a senior engineer. He obtained a doctorate degree of engineering in software engineering from Jilin University.

Wang Ming | **Vice President**

Mr. Wang Ming, born in April 1975, currently serves as Vice President and secretary of party committee of Puxi branch of Bank of Shanghai, chairman of the board of directors of BOSC Asset Management Co., Limited. His previous work experience also includes a number of roles at Bank of Shanghai, including deputy chief manager of corporate finance department, deputy chief manager of corporate finance department and as chief manager of VIP department, member of party committee, secretary of discipline committee and vice president of Beijing branch, deputy chief manager of interbank finance department and chief manager of corporate business department and secretary of party committee and president of Puxi branch. He obtained a bachelor's degree of economics in world economics from Fudan University.

Cui Qingjun | **Vice President**

Mr. Cui Qingjun, born in February 1972, currently serves as Vice President of Bank of Shanghai. His previous work experience also includes a number of roles at China Construction Bank, including deputy head and secretary of the party committee of the promotion and mass work department, head of the party committee of the organisation department and chief manager of human resources department of Suzhou branch, secretary of the party committee and president of Wuzhong sub-branch of Suzhou branch and head of Nanning operation centre of credit card centre. He also served as secretary of the party committee and president of Suzhou branch of Bank of Shanghai. He obtained a doctorate degree of management in corporate management from Soochow University and is a senior economist.

Li Xiaohong | **Board Secretary**

Ms. Li Xiaohong, born in December 1969, currently serves as the Board secretary of Bank of Shanghai and director of Bank of Shanghai (Hong Kong) Limited and BOSC International Company Limited. Her previous work experience includes a number of roles at CSRC, including deputy division-chief-level secretary and division-chief-level secretary of the Secretarial Division of the General Office and director of the Working Division of the Issuance Approval Commission, and assistant to director (secondment) of Shanghai Financial Services Office. Ms. Li obtained a doctorate degree of law in jurisprudence from Jilin University.

IV.Positions held by Directors at the Shareholder's entity

Name	Name of the shareholder's entities	Positions held	Commencement of employment
Ye Jun	Shanghai Alliance Investment Ltd.	General manager	May 2018
Ying Xiaoming	Shanghai Alliance Investment Ltd.	Deputy chief economist	December 2014
Chen Xuyuan	Shanghai International Port (Group) Co., Ltd.	Secretary of party committee and chairman of the board of directors	April 2011
Yuk Hung Antony Hung	Santander Group	Executive vice president and chief executive officer of Asia Pacific	September 2017
Zhuang Zhe	China Jianyin Investment Limited	Assistant to the president	November 2016
Li Chaokun	China State Shipbuilding Corporation Limited	Head of the financial department	February 2018
David Sek-chi Kwok	Shanghai Commercial Bank Limited	Executive director and chief executive officer	October 2007
Gan Xiangnan	Shanghai Huangpu Investment Holdings (Group) Co., Ltd.	Director and deputy general manager	March 2017

V.Positions held at other entities

Name	Name of other entities	Positions held
Jin Yu	Shenlian International Investment Company	Director
	Shanghai Commercial Bank Limited	Director
Shi Hongmin	China UnionPay Co., Ltd.	Director
	Shanghai ShangCheng Consumer Finance Corporation Limited	Chairman of the board of directors
Ye Jun	Shanghai Information Investment Inc.	Chairman of the board of supervisors
	Shanghai New Margin Venture Capital Co., Ltd.	Chairman of the board of directors
	Shanghai Zizhu Hi-tech Industrial Park Development Co., Ltd.	Vice chairman of the board of directors
	Shanghai Huahong (Group) Co., Ltd.	Director
	Shanghai Huali Microelectronics Corporation	Director
	Shanghai Alliance Financial Services Limited	Chairman of the board of directors
	Sino-US United MetLife Insurance Company Limited	Director
	EverDisplay Optronics (Shanghai) Limited	Director
	Sinotherapeutics Inc.	Chairman of the board of directors
	Shanghai Zhaoxin Semiconductor Co., Ltd.	Chairman of the board of directors
	Joinus Technology Co., Ltd.	Chairman of the board of directors
	Shanghai Liantong Network Communications Technology Co., Ltd.	Chairman of the board of directors
	QST Corporation	Chairman of the board of directors
	Shanghai Alliance Asset Management Co., Ltd.	Executive director and general manager
	Shanghai Lianxin Investment Management Co., Ltd.	Director
	Shanghai Atlas Investment Management Co., Ltd.	Director
	Shanghai Xinjingnan Metal Products Co., Ltd.	Chairman of the board of directors
	Shanghai Huali Integrated Circuit Manufacturing Co., Ltd.	Director
Ying Xiaoming	Shanghai Huali Microelectronics Corporation	Supervisor
	Shanghai APACTRON Particle Equipment Co., Ltd.	Director
	Shanghai Huahong (Group) Co., Ltd.	Supervisor
	Shanghai Zhongke Shenjiang Electric Vehicle Co., Ltd.	Supervisor
	Tianjin STL Energy Technology Co., Ltd.	Supervisor
	Shenzhen Kangva Technology Co., Ltd	Supervisor
	Shanghai Zhaoxin Semiconductor Co., Ltd.	Director
	Sino-US United MetLife Insurance Company Limited	Supervisor
	Joinus Technology Co., Ltd.	Director
	Shanghai INESA Intelligent Electronics Co., Ltd.	Vice chairman of the board of directors
	Shanghai Information Investment Inc.	Director
	Sinotherapeutics Inc.	Director
	EverDisplay Optronics (Shanghai) Limited	Director
	Shanghai Helan Motor Technology Co., Ltd.	Director
Chen Xuyuan	Shanghai Port International Cruise Terminal Development Co., Ltd.	Chairman of the board of directors
	Shanghai Port & Shipping Equity Investment Co., Ltd.	Chairman of the board of directors
	Shanghai Tongsheng Investment (Group) Co., Ltd.	Executive director
Li Chaokun	Zhong Chuan Finance Co., Ltd.	Director and general manager
	CSSC Investment and Development Co., Ltd.	Chairman of the board of directors
	CSSC Investment and Development (Shanghai) Co., Ltd.	Chairman of the board of directors
	China Cruise Industry Investment Company Limited	Chairman of the board of directors
	Jiulong Steel Logistics Co., Ltd.	Director

Name	Name of other entities	Positions held
David Sek-chi Kwok	Shanghai Commercial Bank Trustee Limited	Director
	The Hong Kong Institute of Bankers	Director
	Hai Kwang Property Management Company Limited	Director
	Bank Consortium Trust Company Limited	Director
	Shacom Futures Limited	Director
	Infinite Financial Solutions Limited	Director
	Shacom Insurance Brokers Limited	Director
	Shanghai Commercial Bank (Nominees) Ltd.	Director
	Shacom Property (CA) Inc.	Director
	Shacom Property (NY) Inc.	Director
	The Hong Kong Bankers' Club	Director
	AR Consultant Services (HK) Ltd.	Director
	Shacom Securities Limited	Director
	BC Reinsurance Ltd.	Director
	Hong Kong Life Insurance Limited	Director
	HKS Education Fund Limited	Director
	Bank Consortium Holdings Limited	Director
	Paofoong Insurance Company (Hong Kong) Limited	Director
	Joint Electronic Teller Services Limited	Director
	JETCO Systems Limited	Director
	Luen Fung Hang Life Limited	Director
	BCT Financial Limited	Director
	Executive Committee of Duty Lawyer Service	Member
	Global Bankers Program-Advisory Board	Member
	Banking and Finance Training Board of VTC	Chairman
	The Chinese Bankers' Association Limited	Director
	The Hong Kong Chi Tung Association Limited	Director
	Nova Credit Limited	Director
Gan Xiangnan	Shanghai Huangpu Guiding Fund and Equity Investment Co., Ltd.	Director and deputy general manager
	Shanghai New Huangpu Real Estate Co., Ltd.	Director
	Shanghai New Huangpu (Group) Co., Ltd.	Director
	Shanghai Huitongyuan Investment Management Co., Ltd.	Chairman of the board of directors
Wan Jianhua	Association of Shanghai Internet Financial Industry	Chairman
	China Resource Bank of Zhuhai Co., Ltd.	Independent non-executive director
	All In Pay Network Services Co., Ltd.	Chairman of the board of directors
	Great Wall Fund Management Co., Ltd.	Independent non-executive director
	Shanghai Xinnanyang Only Education and Technology Co., Ltd.	Independent non-executive director
	Gome Finance Technology Co., Ltd.	Independent non-executive director
	Hangzhou Huazhi Rongke Investment Management Co., Ltd.	Chairman of the board of directors
Guan Tao	China Finance 40 Forum	Senior researcher
	China International Finance Society	Director
	China Society of World Economics	Managing director
	V.Stone Fund	Independent non-executive director
	Minmetals Capital Company Limited	Independent non-executive director
	BOC International (China) Co., Ltd.	Independent non-executive director
	Dong Fureng Economic and Social Development School of Wuhan University	Dong Fureng chair professor

Name	Name of other entities	Positions held
Sun Zheng	Academic committee of Shanghai University of Finance and Economics	Chairman
	Accounting Society of China	Vice chairman
	Accounting standard and strategy committee of the Ministry of Finance	Member
	China Accounting Standards Committee of the Ministry of Finance	Member
	Academic review committee (business administration) of the academic degree committee	Member
	Postgraduate education guidance committee for national business administration postgraduate Degree	Member
	Shanghai Rural Commercial Bank Co., Ltd.	Independent director
	Shanghai Qiangsheng Holding Co., Ltd.	Independent director
	Industrial Securities Co., Ltd.	Independent director
Xu Jianxin	Shanghai Puyi Investment Management Co., Ltd.	Senior vice president
	Shanghai Shunho New Materials Science & Technology Co., Ltd.	Independent non-executive director
	Shanghai Jin Jiang International Hotels (Group) Company Limited	Independent non-executive director
Gong Fangxiong	First Seafront Financial Limited	Chairman of the board of directors
Shen Guoquan	AllBright Law Offices	Senior partner
	The 4th Listing Committee of the Shanghai Stock Exchange	Member
	Shanghai Arbitration Commission	Arbitrator
	Finance and securities affairs committee of All China Lawyers Association	Member
	Jiangxi Lianchuang Optoelectronic Technology Co.,Ltd.	Independent director
	Zibo Qixiang Tenda Chemical Co., Ltd.	Independent director
Yuan Zhigang	School of Economics of Fudan University	Professor
	Employment and Social Security Research Centre of Fudan University	Director
	Yuan Zhigang Studio of the Decision-Making Advisory Research Base of Shanghai Municipal People's Government	Chief expert
	Shanghai Decision-Making Advisory Panel	Member
	JIC Trust Co., Ltd.	Independent non-executive director
	Shanghai Pudong Development Bank Co., Ltd.	Independent director
Ge Ming	Beijing Huaming Fulong Finance & Accounting Consulting Co., Ltd.	Chairman of the board of directors
	Focus Media Information Technology Co., Ltd.	Independent director
	Ping An Insurance (Group) Company of China, Ltd.	Independent director
	The Chinese Institute of Certified Public Accountants	Executive director
	CPA Examination Committee of the Ministry of Finance	Member
	Industry development committee of the Beijing Institute of Certified Public Accountants	Deputy director
	The third session of the expert advisory committee for the merger, acquisition and reorganization of listed companies of the China Securities Regulatory Commission	Member

VI.Remuneration of Directors, Supervisors and senior management

Decision-making procedure regarding the remuneration of Directors, Supervisors and senior management	Remuneration of the legal representative of the Bank shall be approved by the competent department at a higher level. Remuneration of other Directors, Supervisors and senior management who are entitled to receive remuneration from the Bank shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors and reported to the Board of Directors for approval.
Basis for determination of the remuneration of Directors, Supervisors and senior management	The basis for determination of remuneration of the legal representative of the Bank shall be approved by the competent department according to the relevant rules on management of remuneration of senior officers of state-owned enterprises and the results of annual assessment. Remuneration distribution plan approved by the Board of Directors and its Nomination and Remuneration Committee shall be adopted for other Directors, Supervisors and senior management who are entitled to receive remuneration from the Bank.
Actual total amount of remuneration received by Directors, Supervisors and senior management at the end of the reporting period	During the reporting period, the total amount of remuneration of the Directors, Supervisors and senior management for the year was RMB11,480,700. In accordance with relevant requirements of government departments, the total amount of remuneration of the Executive Directors, Vice Chairman of the Board of Supervisors and senior management of the Bank for 2018 was subject to confirmation of the competent authority. However, it is expected that the remuneration subject to the confirmation will have no material impact on the financial statements of the Group and the Bank for 2018.

VII.Changes in Directors, Supervisors and senior management

Date	Name	Changes	Reasons of change
30 March 2018	Li Jianguo	Resigned as Vice President	Change of duties
21 April 2018	Juan Manuel San Román López	Resigned as Non-executive Director	Change of duties
23 April 2018	Jiang Hong	Resigned as Executive Director	Personal reasons
28 May 2018		Resigned as Vice President	
28 August 2018	Wang Ming	Appointed as Vice President at the sixth meeting of the fifth session of the Board of Directors and approved by CBIRC Shanghai Bureau	Appointment by the Board of Directors
	Cui Qingjun		
9 October 2018	Yuk Hung Antony Hung	Elected as Non-executive Director of the fifth session of the Board of Directors of the Bank at the 2017 annual general meeting and approved by CBIRC Shanghai Bureau	Election of the shareholders' general meeting
	Shi Hongmin	Elected as Executive Director of the fifth session of the Board of Directors of the Bank at the 2017 annual general meeting and approved by CBIRC Shanghai Bureau	
15 January 2019	Huang Xubin	Resigned as Non-executive Director	Change of duties

VIII.Punishments Imposed by Securities Regulatory Authorities on the Incumbent and Resigned Directors, Supervisors and senior management during the Reporting Period in the Past Three Years

There was no punishment imposed by securities regulatory authorities in the past three years.

IX.Details of Employees of the Bank and Key Subsidiaries

(I)Details of employees

Unit: Person

The Bank	**10,116**
Number of retired employees of the Bank and key subsidiaries	175
Composition of employees of the Bank by function	
Wholesale finance business	2,413
Retail finance business	1,674
Risk and internal control	607
Information Technology	469
Branch outlet	1,918
Operation management	1,246
Management support and others	1,789
Composition of employees of the Bank by education level	
Postgraduate	1,638
University graduate	7,324
Junior college graduate	882
Technical secondary school and below	272
Key subsidiaries	**343**
Total number of employees	**10,459**

(II)Employee remuneration policy

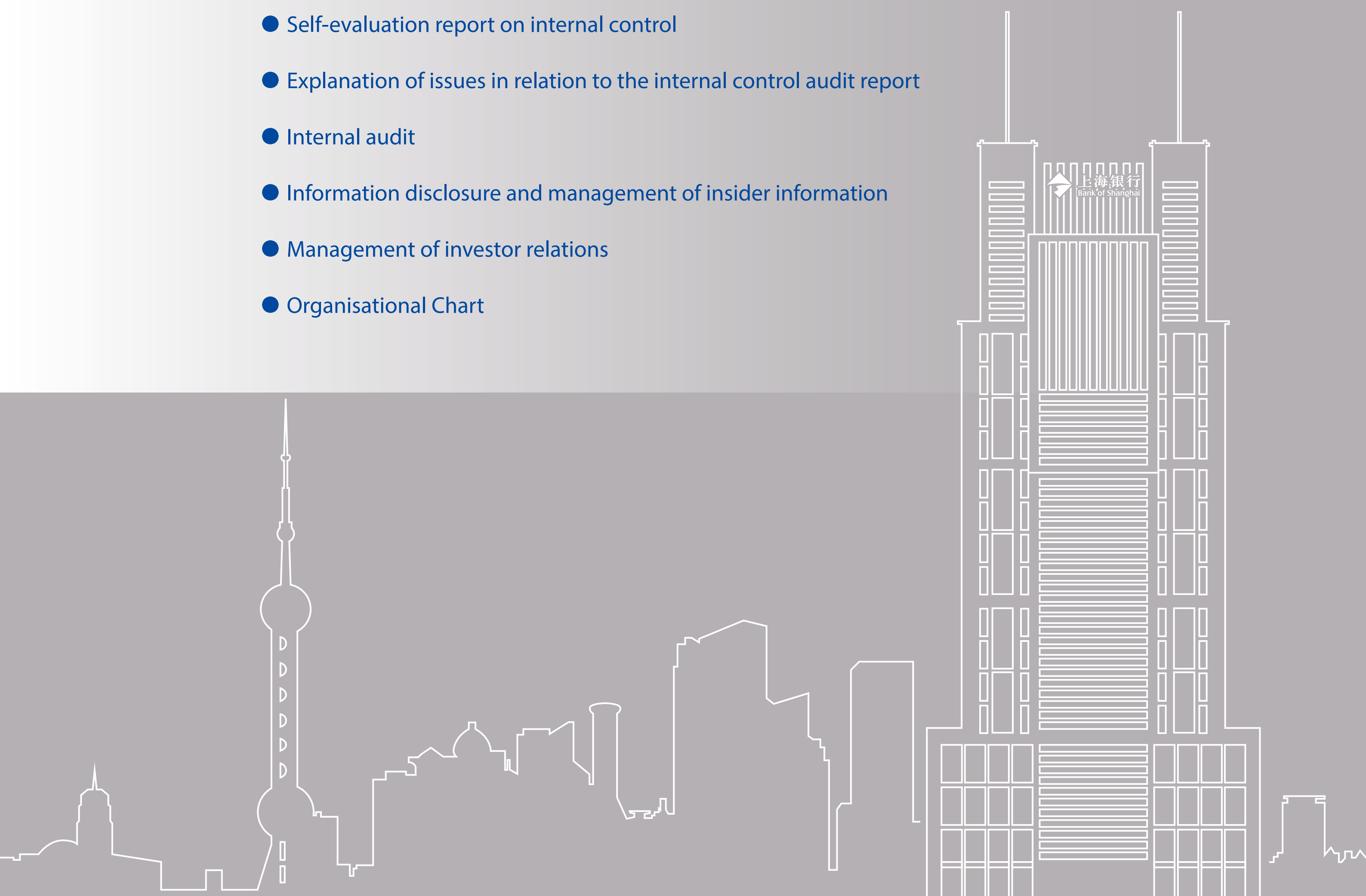
During the reporting period, the remuneration policy of the Bank remained stable. The remuneration of employees of the Bank comprises basic salaries, allowances, performance based bonuses and benefits. The resource allocation of the remuneration of employees of the Bank adheres to value-oriented and performance-oriented principles in order to ensure that annual total cash income of employees is in line with their contribution and performance. The Bank further improved the remuneration management mechanism, strengthened the guidance of performance distribution and guided branches to reasonably allocate and use remuneration resources in order to enhance the efficiency of resource allocation.

Annual total salary expenses of the Bank are linked with the actual results of the operations of the Bank. The Bank implemented deferred payment of performance salaries for certain key positions in order to further improve the long term risk accountability and recourse mechanisms, match the deferral of remuneration with the deferred period of risks, and facilitate the sound operation and sustainable development of the Bank.

(III)Employee training programme

The Bank classified its strategy delivering training programmes, which focus on delivering strategies, enhancing the implementation of strategies, in accordance with the qualification requirements on the management staff for new round of strategic planning and business transformation and development. It also carried out key business training programmes to facilitate the implementation of annual key tasks of the management and operation transformation as well as key team training programmes for the development of a pool of talents so as to promote the implementation of strategies of the Bank with adequate human resources.

Corporate Governance



Corporate Governance

I.Basic information of corporate governance

During the reporting period, the Bank further optimised its corporate governance system, strengthened equity management and enhanced operation mechanism. All subjects of corporate governance diligently performed their duties and operated within their scope of power.

The shareholders of the Bank shall be subject to the rights and obligations in accordance with the Articles of Association. We are not aware of any abuse of rights of shareholders due to violation of the Articles of Association which was detrimental to the interests of the Bank, other shareholders and debtors. The Bank convened and held shareholders' general meetings in compliance with the laws and regulations to ensure that the shares of all shareholders, especially minority shareholders, rank pari passu and that the shareholders can fully exercise their rights.

The Board of Directors faithfully performed its duties and exercised its voting rights in a cautious, prudent and responsible manner. It made significant contributions to the planning and implementation of new strategies, capital management, share price stabilisation, organisation structure, corporate governance, equity management, incentives and restraints, comprehensive risk management, internal control management and corporate culture of the Bank.

The Board of Supervisors duly implemented the regulatory requirements and improved the coverage of supervision and supervisory mechanism. It duly performed its supervisory duties with a focus on strategic business development, risk prevention, internal control management and financial position. Objective and fair opinions and suggestions were provided to further optimise the corporate structure and facilitate the stable development of the Bank.

The senior management adhered to the strategies of the Bank with a focus on enhancing operating income, efficiency and asset quality. In response to the market changes, the senior management carried out transformation and strengthened risk and operation management. Efforts were also made to refine sophisticated management and consolidate foundation of major aspects. The senior management accomplished its tasks during the year with satisfactory results.

There has not been any significant deviation in the actual corporate governance of the Bank from the regulatory documents in respect of corporate governance which were promulgated by the CBIRC and the CSRC.

II.Shareholders' general meeting

(I)Basic situation of the shareholders' general meeting

The shareholders' general meeting is the organ of authority of the Bank comprising all shareholders. The Bank convenes and holds shareholders' general meetings in strict compliance with the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting in order to guarantee the rights of the shareholders to information, participation and voting and ensure that all shareholders can fully exercise their rights.

(II)Convening of shareholders' general meeting

During the reporting period, the Bank held one shareholders' general meeting on 22 June 2018 which was the 2017 annual general meeting for the consideration and approval of 13 proposals, including the work report of the Board of Directors, work report of the Board of Supervisors, financial budget proposal, profit distribution proposal, report on performance assessment of the Directors and Supervisors, engagement of external auditors, extension of the validity period of the resolution of the issuance and listing of H shares, amendment of the Articles of Association, adjustments to the allowance of Independent Directors and external Supervisors and election of Directors, and the review of the report on the duties of independent directors and the management report on the related-party transactions for the year. All shareholders' general meetings were in strict compliance with the Articles of Association and other applicable regulations to guarantee the shareholders' rights to participation and vote and the issue of legal opinions by lawyers. The announcement on the resolution of the shareholders' general meeting was published on the website of the Shanghai Stock Exchange and the website of the Bank.

III.Board of Directors

(I)Basic information of the Board of Directors

During the reporting period, the Directors faithfully and diligently performed their duties in a professional and efficient manner. They duly reviewed and discussed all issues and took the initiative to understand the operation and development of the Bank. They also actively discussed and expressed their opinions before exercising their rights to vote in a prudent and responsible manner. The Board of Directors was in compliance with the laws and regulations and the Articles of Association in respect of, among others, scope of decision making, decision making procedures, authorisation procedures and voting procedures. The Board of Directors held 11 meetings and reviewed 70 issues. It formulated and implemented new strategic plans, strengthened capital management and carried out research on share price stabilisation. Branch network was established under enhanced corporate governance and equity management mechanism. Efforts were also made to improve incentive and restraint mechanism, comprehensive risk management and internal control management and corporate culture. These efforts have allowed the Bank to expedite its transformation, prepare for its goal of becoming a "boutique bank" and fulfil its corporate social responsibilities.

(II)Board of Directors' implementation of resolutions of the shareholders' general meeting

During the reporting period, the Board of Directors of the Bank strictly executed the resolutions of the shareholders' general meeting, and implemented the resolutions such as the 2017 Profit Distribution Proposal and the Engagement of Accounting Firms for 2018. It also considered and approved the proposals on the distribution of dividend of preference shares and the implementation of share price stabilisation.

(III)Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors of the Bank has 18 Directors, of which three are Executive Directors, namely Mr. Jin Yu, Mr. Hu Youlian and Mr. Shi Hongmin, nine are Non-executive Directors, namely Mr. Ye Jun, Mr. Ying Xiaoming, Mr. Chen Xuyuan, Mr. Yuk Hung Antony Hung, Mr. Zhuang Zhe, Mr. Li Chaokun, Mr. Huang Xubin, Mr. David Sek-chi Kwok and Ms. Gan Xiangnan, and six are Independent Non-executive Directors, namely Mr. Wan Jianhua, Mr. Guan Tao, Mr. Sun Zheng, Mr. Xu Jianxin, Mr. Gong Fangxiong and Mr. Shen Guoquan.

(IV)Meetings of the Board of Directors

Date	Meeting	Designated website for enquiry	Date of disclosure
19 January 2018	4th meeting of the fifth session	www.sse.com.cn	20 January 2018
9 April 2018	4th extraordinary meeting of the fifth session	www.sse.com.cn	10 April 2018
20 April 2018	5th meeting of the fifth session	www.sse.com.cn	21 April 2018
27 April 2018	5th extraordinary meeting of the fifth session	www.sse.com.cn	28 April 2018
28 May 2018	6th extraordinary meeting of the fifth session	www.sse.com.cn	29 May 2018
22 June 2018	6th meeting of the fifth session	www.sse.com.cn	23 June 2018
24 August 2018	7th meeting of the fifth session	www.sse.com.cn	25 August 2018
30 August 2018	7th extraordinary meeting of the fifth session	www.sse.com.cn	30 August 2018
26 October 2018	8th meeting of the fifth session	www.sse.com.cn	27 October 2018
12 November 2018	8th extraordinary meeting of the fifth session	www.sse.com.cn	13 November 2018
27 December 2018	9th extraordinary meeting of the fifth session	www.sse.com.cn	28 December 2018

Number of meetings of the Board of Directors held during the year	11
Of which: On-site meetings	5
Meetings convened by way of correspondence	6
Meetings convened on-site and by way of correspondence	0

IV.Performance of duties by Directors

(I)Attendance of meetings of the Board of Directors and the Shareholders' General Meeting

Name	Independent Non-executive Director	Attendance of meetings of the Board of Directors						Attendance of the Shareholders' General Meeting
		Required attendance during the year (times)	Attended in person (times)	Attended by way of correspondence (times)	Attended by proxy (times)	Absence (times)	Failed to attend meetings in person for two consecutive times	Attendance/ Required Attendance
Jin Yu	No	11	11	6	-	-	-	1/1
Hu Youlian	No	11	11	6	-	-	-	1/1
Shi Hongmin	No	3	3	2	-	-	-	0/0
Ye Jun	No	11	10	6	1	-	-	1/1
Ying Xiaoming	No	11	11	6	-	-	-	1/1
Chen Xuyuan	No	11	9	6	2	-	-	0/1
Yuk Hung Antony Hung	No	3	3	2	-	-	-	0/0
Zhuang Zhe	No	11	10	6	1	-	-	0/1
Li Chaokun	No	11	9	6	2	-	-	1/1
Huang Xubin	No	11	9	6	2	-	-	0/1
David Sek-chi Kwok	No	11	11	6	-	-	-	1/1
Gan Xiangnan	No	11	11	6	-	-	-	1/1
Wan Jianhua	Yes	11	9	6	2	-	-	0/1
Guan Tao	Yes	11	9	6	2	-	-	0/1
Sun Zheng	Yes	11	10	6	1	-	-	1/1
Xu Jianxin	Yes	11	11	6	-	-	-	1/1
Gong Fangxiong	Yes	11	11	6	-	-	-	1/1
Shen Guoquan	Yes	11	11	6	-	-	-	1/1

(II)Performance of duties by Independent Non-executive Directors

In respect of the matters discussed in the meetings of the Board of Directors, Independent Non-executive Directors maintained their independence when delivering their objective and fair opinions in the interest of depositors, minority shareholders and the Bank based on their economic, financial, accounting and legal expertise and other professional knowledge. They attached great importance to the completeness and accuracy of information disclosure. They also gave their independent opinions on matters such as related-party transactions, profit distribution, nomination of directors, appointment of senior management, reappointment of external directors, share price stabilisation and changes of accounting policies, which facilitated the efficient decision-making of the Board of Directors. The Independent Non-executive Directors who are the heads of the committees under the Board of Directors fully performed their roles by maintaining their independence and professionalism in the decision-making process of the Board of Directors to ensure its quality and efficiency.

V.Committees under the Board of Directors

There are five committees under the Board of Directors, namely the Strategy Committee, Related-Party Transactions Committee, Risk Management and Consumer Rights Protection Committee, Audit Committee and Nomination and Remuneration Committee. The committees duly fulfilled their responsibilities and assisted the Board of Directors in decision making. The committees also fulfilled their duties with respect to strategies implementation, related-party transactions control and management, risk management, consumer rights protection, external audit, internal control and remuneration incentives. They also played a crucial role in improving the corporate governance level of the Bank and protecting the interests of the stakeholders.

(I)Strategy Committee under the Board of Directors

As at the end of the reporting period, the Strategy Committee under the Board of Directors consisted of 12 directors, including Executive Directors, namely Mr. Jin Yu (chairperson), Mr. Hu Youlian and Mr. Shi Hongmin; Non-executive Directors, namely Mr. Ye Jun, Mr. Chen Xuyuan, Mr. Zhuang Zhe, Mr. Li Chaokun, Mr. David Sek-chi Kwok and Ms. Gan Xiangnan; and Independent Non-executive Directors, namely Mr. Wan Jianhua, Mr. Guan Tao and Mr. Gong Fangxiong.

The major duties of the Strategy Committee under the Board of Directors include: carrying out research and making recommendations on the operation targets and long-term development and strategic planning of the Bank for consideration and approval of the Board of Directors; examining and approving matters such as equity investment and disposal, fixed asset acquisition and disposal, as authorised by the Board of Directors; examining and making recommendations on the proposals regarding material investment and financing, capital operation and asset management which are subject to the approval of the Board of Directors or shareholders' general meeting pursuant to the Articles of Association; examining and making recommendations on other major events affecting the development of the Bank which are subject to the approval of the Board of Directors pursuant to the Articles of Association; reviewing, supervising, evaluating and making recommendations on the implementation of the development strategies of the Bank and the proposals regarding annual operation plan, material investment and financing and asset management on a regular basis; and other matters as authorised by the Board of Directors.

During the reporting period, the Strategy Committee under the Board of Directors held two meetings and reviewed three issues. Based on its judgement of the economic development trends, the Committee formulated and implemented a new series of strategic plans. It regularly evaluated the implementation of the strategic plans and optimised the restructuring of the Bank. Continuous efforts were also made to develop featured business so as to accelerate the transformation of the Bank.

(II)Related-Party Transactions Committee under the Board of Directors

As at the end of the reporting period, the Related-Party Transactions Committee under the Board of Directors consisted of five directors, including Independent Non-executive Directors, namely Mr. Shen Guoquan (chairperson), Mr. Guan Tao and Mr. Xu Jianxin; Non-executive Director, Mr. Ying Xiaoming; and Executive Director, Mr. Shi Hongmin.

The major duties of the Related-Party Transactions Committee under the Board of Directors include: managing, supervising and controlling the related-party transactions of the Bank; formulating regulations and management systems in respect of the related-party transactions of the Bank; identifying the related parties of the Bank and reporting the same to the Board of Directors and the Board of Supervisors and making timely announcement to the relevant employees of the Bank regarding the related parties identified by the Bank; reviewing major related-party transactions, submitting the review comments to the Board of Directors for approval and reporting to the Board of Supervisors and China's banking regulatory organisations within ten days upon the approval of the Board of Directors; handling the general filing of related-party transactions; reporting to the Board of Supervisors related-party transactions which are related to the directors and senior management of the Bank within ten working days upon approval of the Board of Directors; reviewing information disclosure regarding related-party transactions; and other matters as authorised by the Board of Directors.

During the reporting period, the Related-Party Transactions Committee under the Board of Directors held seven meetings and reviewed 19 issues. The Committee continued to enhance related-party transactions management in strict compliance with the related requirements of the CBIRC and the CSRC. It also confirmed and disclosed the list of related parties with timely update. The Committee enhanced general filing of related-party transactions and approval procedures of major related-party transactions, which continuously improved the quality of related-party transaction management.

(III)Risk Management and Consumer Rights Protection Committee under the Board of Directors

As at the end of the reporting period, the Risk Management and Consumer Rights Protection Committee under the Board of Directors consisted of five directors, including Independent Non-executive Director, Mr. Wan Jianhua (chairperson); Executive Director, Mr. Hu Youlian; and Non-executive Directors, namely Mr. Yuk Hung Antony Hung, Mr. Huang Xubin and Mr. Ying Xiaoming.

The major duties of the Risk Management and Consumer Rights Protection Committee under the Board of Directors include: reviewing and revising the risk strategies and basic policies of risk management of the Bank in accordance with the overall strategies of the Bank, supervising and evaluating the implementation and effectiveness of the strategies and making recommendations to the Board of Directors; supervising the control of the senior management of the Bank on credit risks, market risks, operating risks and other risks and urging the senior management to take necessary measures to identify, measure, monitor and control the relevant risks; monitoring the effectiveness of the decision-making mechanism in respect of risk management of the Bank, evaluating the organisation structure and systems of risk management of the Bank and giving opinions for improvement and making recommendations; assessing risks, management, risk tolerance and risk profile of the Bank on a regular basis; and other matters as authorised by the Board of Directors.

During the reporting period, the Risk Management and Consumer Rights Protection Committee under the Board of Directors (formerly known as the Risk Management Committee under the Board of Directors) held five meetings and reviewed 12 issues. In view of the trend of risk profiling, the Committee tightened risk supervision in accordance with, and with reference to, policies of the Bank. Initiatives were taken to enhance risk management capability and facilitate stable operation and transformation.

(IV)Audit Committee under the Board of Directors

As at the end of the reporting period, the Audit Committee under the Board of Directors consisted of five directors, including Independent Non-executive Directors, namely Mr. Xu Jianxin (chairperson), Mr. Sun Zheng and Mr. Shen Guoquan; and Non-executive Directors, namely Mr. Ye Jun and Mr. Yuk Hung Antony Hung.

The major duties of the Audit Committee under the Board of Directors include: proposing the engagement or replacement of external audit firms; guiding the internal audit of the Bank and supervising its internal audit system and implementation, reviewing internal audit regulations of the Bank, receiving medium and long-term internal audit plans and annual internal audit plan and advising on the performance and appraisal of the internal audit department; reviewing the auditing policies, financial conditions and financial reporting procedures of the Bank; liaising between internal and external auditing; reviewing the financial information and disclosure of the Bank; carrying out the annual audit of the Bank and preparing written report on the truthfulness, completeness and accuracy of information of the audited financial report and submitting the same to the Board of Directors for approval; supervising the internal control system and implementation of the Bank; and other matters as authorised by the Board of Directors.

During the reporting period, the Audit Committee under the Board of Directors held five meetings and reviewed 17 issues. It completed the reappointment of audit firms and diligently guided the internal and external auditing and internal control. It prudently reviewed the financial report to ensure the financial information was true, complete and accurate. It also facilitated the enhancement of the operation management through the revision and implementation of auditing management proposal.

(V)Nomination and Remuneration Committee under the Board of Directors

As at the end of the reporting period, the Nomination and Remuneration Committee under the Board of Directors consisted of five directors, including Independent Non-executive Directors, namely Mr. Sun Zheng (chairperson), Mr. Wan Jianhua and Mr. Gong Fangxiong; and Non-executive Directors, namely Mr. Ye Jun and Mr. Chen Xuyuan.

The major duties of the Nomination and Remuneration Committee under the Board of Directors include: advising on the size and composition of the Board; formulating the management measures for senior management, which shall be implemented upon approval of the Board of Directors; formulating the selection criteria and procedures of directors and senior management and conducting initial review on the qualifications and conditions of the candidates for directors and senior management and making recommendations to the Board of Directors; extensively identifying qualified candidates for directors and senior management; reviewing the appraisal standards of directors and senior management, carrying out appraisal and making recommendations; formulating the remuneration proposals of directors and senior management and making recommendations on the remuneration proposals to the Board of Directors and supervising the implementation of the proposals; reviewing matters such as the remuneration system of the Bank and its reform proposals; and other matters as authorised by the Board of Directors.

During the reporting period, the Nomination and Remuneration Committee under the Board of Directors held six meetings and reviewed and discussed 8 issues. It diligently performed its duties in respect of the performance evaluation of Directors, the review of performance of Independent Directors and qualifications of directors and senior management, the review of the term of senior management and the reform of the remuneration system of managers.

VI.Board of Supervisors

(I)Basic information of the Board of Supervisors

During the reporting period, the Board of Supervisors further optimised the supervisory systems and procedures in strict compliance with the listing rules and regulatory requirements and in line with the goals of the Three-Year Development Plan and the major tasks for the year. The Board of Supervisors diligently performed its daily supervisory duties in respect of finance, risk management, internal control and performance evaluation of Directors, Supervisors and senior management. Efforts were made to facilitate the continuous enhancement of corporate governance, operation and management of the Bank so as to maintain its healthy development. The Board of Supervisors held seven meetings, reviewed 15 issues and received seven reports.

(II)Composition of the Board of Supervisors

During the reporting period, the Board of Supervisors had four Supervisors. There were two employee Supervisors, namely Mr. Liu Jinan and Ms. Feng Xuefei, and two external Supervisors, namely Mr. Yuan Zhigang and Mr. Ge Ming.

(III)Meetings of the Board of Supervisors

Supervisors	In person/Required attendance	By proxy/Required attendance	Attendance rate
Liu Jinan	7/7	0/7	100%
Yuan Zhigang	7/7	0/7	100%
Ge Ming	7/7	0/7	100%
Feng Xuefei	7/7	0/7	100%

(IV)Explanation for the risks of the Bank identified by the Board of Supervisors

During the reporting period, the Board of Supervisors did not object to the matters under supervision during the reporting period.

VII.Committees under the Board of Supervisors

There are two committees under the Board of Supervisors, namely the Nomination Committee and the Supervision Committee. Under the authorisation of the Board of Supervisors, the committees assisted the Board of Supervisors to perform its duties in compliance with the regulatory requirements and the listing rules as well as the supervisory requirements in accordance with the laws.

(I)Supervision Committee under the Board of Supervisors

As at the end of the reporting period, the Supervision Committee under the Board of Supervisors had three Supervisors, including Yuan Zhigang (external Supervisor and chairperson), Ge Ming (external Supervisor) and Liu Jinan (Supervisor).

The major duties of the Supervision Committee under the Board of Supervisors include: formulating the supervisory proposals for the financial activities of the Bank and reviewing the implementation of such proposals; ensuring that the prudent operation philosophy, values, standards and procedures formulated by the Board of Directors align with the actual development strategies of the Bank; and supervising and reviewing the operation decisions, risk management and internal control of the Bank.

During the reporting period, the Supervision Committee under the Board of Supervisors held two meetings and reviewed two issues. The Committee further strengthened its supervision with respect to the financial activities, operation decisions, risk management and internal control of the Bank as well as the consolidation of the financial statements. It also organised specific research in relation to the asset management plans and arrangements in an effort to fully perform its duties.

(II)Nomination Committee under the Board of Supervisors

As at the end of the reporting period, the Nomination Committee under the Board of Supervisors had three Supervisors, including Ge Ming (external Supervisor and chairperson), Yuan Zhigang (external Supervisor) and Feng Xuefei (Supervisor).

The major duties of the Nomination Committee under the Board of Supervisors include: formulating selection procedures and criteria of Supervisors, conducting initial review on the qualifications of the candidates for Supervisors and making recommendations to the Board of Supervisors; supervising the appointment procedures of Directors; conducting integration performance evaluation of Directors, Supervisors and senior management and reporting the same to the Board of Supervisors; and supervising the remuneration management mechanism and policies of the Bank and the remuneration proposals of the senior management to ensure that they are efficient and reasonable.

During the reporting period, the Nomination Committee under the Board of Supervisors held two meetings and reviewed 5 issues. The Committee continued to improve the supervision and management on the performance of the Directors, Supervisors and senior management. Filing of performance supervision was optimised while performance evaluation was carried out in accordance with applicable requirements.

VIII.Establishment and implementation of the appraisal and incentive mechanism for senior management during the reporting period

The Bank has basically established an internal incentive and disciplinary system in line with that of modern financial enterprises. In accordance with the Appraisal Plan of Senior Management of Bank of Shanghai, the Administrative Measures for Remunerations of Executive Officers of Bank of Shanghai, the Administrative Measures for Remuneration of Senior Management of Bank of Shanghai and the [Measures for Appraisal and Remuneration Package of Mangers of Bank of Shanghai], the Board of Directors conducts appraisal on the senior management of the Bank based on integrated assessments including team and individual performance, duties and positions, as well as years and terms of service. The appraisal result is associated with the annual remuneration. The Bank has established a system for postponed payment, retrieval and deduction of performance bonus for employees so that the remuneration payment period matches with the risk period of relevant business. Such system is applicable to all senior management. The Bank conducts regular evaluations on and continuous improvements in the implementation of the existing incentive and disciplinary system.

IX.Internal control

The Bank has established a modern corporate governance structure mainly comprising the shareholders' general meeting as its authority, the Board of Directors as its decision-making body, the Board of Supervisors as its supervisory body and the senior management as its executive body. There is a clear division of responsibilities among the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management for checks and balances under such corporate governance structure. The internal control system can be separated into decision, execution and supervision functions being overseen by the person-in-charge of each branch and department to enable the participation of all employees in internal control.

The Bank has established an internal control framework covering internal control environment, risk identification and assessment, internal control activities, information and communication, monitoring as well as monitoring. Such framework has conformed with the general objectives of internal control and optimised the coverage of internal control in various businesses and the whole process of business activities. A risk control matrix has been established covering entity level, application level and information technology. During the reporting period, the matrix was applied to the GRC system for the head office and branches with a focus on business process, corporate governance and information technology, covering 107 key process, 582 sub-process, 1,073 major risks and 2,120 internal control.

During the reporting period, the Bank further improved its three-layer framework of regulations which comprise the basic, detailed and operation regulations. Internal control regulations were established for loan business, teller business, capital business, intermediary business, financial account and information system, respectively. During the reporting period, emphasis was placed on major aspects such as strategic development, business transformation, major tasks for the year, formulation of regulatory requirements and new product management. The Bank currently has over 1,700 regulations.

The Bank continued to refine its system management. With the establishment of GRC system, the Bank was able to carry out online management with the integration of internal risk control matrix, internal control assessment management, internal issues rectification and non-compliance scorecard. Through which, a close-loop management of "inspection-rectification-scorecard" has been realised.

Internal control initiatives were taken within the Group. Internal control initiatives were adopted in all the subsidiaries by phases according to regions and industry distribution. Guidance and templates in respect of policies and procedures establishment, internal control management, internal control assessment and rectification machanism were given to subsidiaries in an effort to improve their overall internal control awareness and meet the management requirements within the Group.

Management of authorisation and sub-authorisation was strengthened. The annual authorisation was efficiently formulated on the basis of meeting development needs, enhancing approval efficiency and complying with regulatory requirements. Credit approval authorisation was modified to support core clients, core businesses and featured business. Optimisation of the authorisation was carried out on an ongoing basis while adjustments to the authorisation were closely monitored to ensure the consistency and effectiveness.

Improve the working mechanism of the Products and Services Committee. Refine the Committee structure by appointing information technology department to the committee. The assessment of the system, database and applicaiotn planning to the relevant services and products were included in the post-evaluation and with more specific focus, which improves the working performance of the Committee.

X.Self-evaluation report on internal control

The Board of Directors of the Bank approved the 2018 Evaluation Report on the Internal Control of Bank of Shanghai Co., Ltd. For details of the report, please refer to the website of the Shanghai Stock Exchange (http://www.sse.com.cn).

XI.Explanation of issues in relation to the internal control audit report

KPMG Huazhen (Special General Partnership) was engaged by the Bank to conduct an audit on the effectiveness of the internal control in relation to the financial report of the Bank, and was of the view that the Bank had maintained effective internal control in relation to the financial report in all material aspects as at 31 December 2018 in accordance with the Basic Regulations of Internal Control for Enterprises.

XII.Internal audit

The Bank has established an independent vertical management system for internal audit. During the reporting period, the Bank continued to strengthen the risk-oriented audit by adhering to its development strategy of becoming a "boutique bank" and the objective of increasing audit quality, while audit performance and capability continued to improve. Internal audit played an important role in supporting and refining risk management, internal control and sustainable development of the Bank.

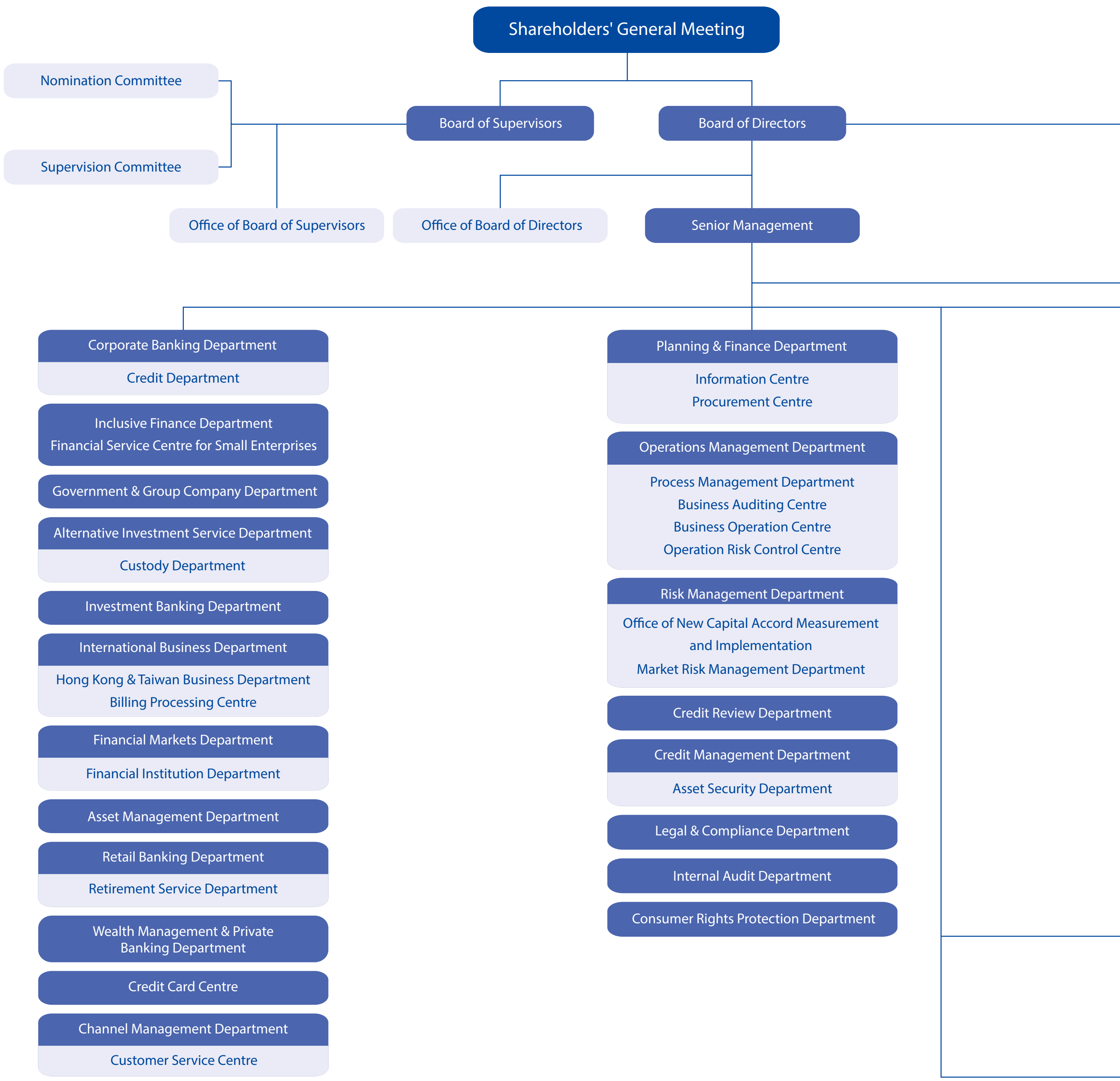
XIII.Information disclosure and management of insider information

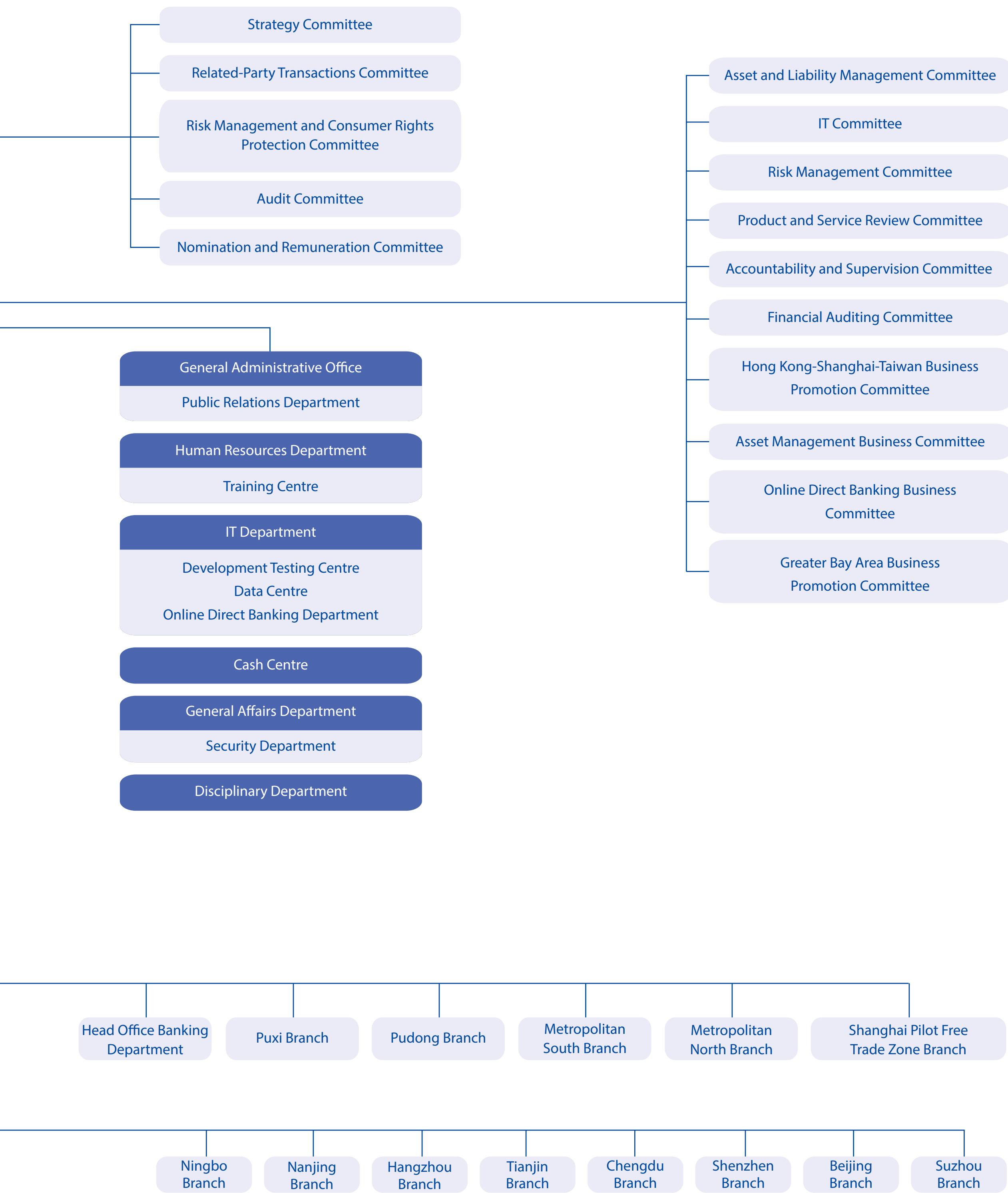
During the reporting period, the Bank has continuously developed its information disclosure management mechanism. Annoucements have been prepared and disclosed in a legal and compliant manner based on the principles of truthfulness, accuracy, completeness, timeliness and fairness so as to keep improving the management level of its information disclosure. The Bank made relevant information disclosure on the newspapers designated by the CSRC, namely China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, as well as the website of Shanghai Stock Exchange (http://www.sse.com.cn). In order to regulate the management of insider information and enhance the confidentiality, the Bank has formulated the Administrative Measures for Registration of the Holders of Insider Information of Bank of Shanghai Co., Ltd. in accordance with the regulations and requirements of the CSRC and other regulatory authorities. Since its listing, the Bank has continuously strengthened its management of insider information and enhanced the awareness of holders of insider information regarding confidentiality and compliance. The Bank has also strictly limited the number of holders of insider information through registration and filing of holders of insider information. The Bank was awarded with Grade A, the highest level of recognition, in the annual information disclosure assessment of listed companies carried out by the Shanghai Stock Exchange.

XIV.Management of investor relations

During the reporting period, the Bank was committed to optimizing the operations mechanism of investor relations and increasing communication and exchange among investors. Channels for communication and exchange among shareholders and investors were expanded through holding results announcement press conference, organising road shows for institutional investors, participating in broker strategic seminars, arranging research visits for analysts and domestic and foreign investors and hosting reception day for investors. The Bank took prompt follow-up measures in response to market concerns and addressed the issues in due course, achieving better market recognition. Capitalising on its fundamentals, excellent operating results and satisfactory investor relations management, the Bank was well-recognised by the market and was granted various awards, including "Outstanding Investor Relations Award for 2018" in the ChinaTimes' 12th Golden Cicada Award Ceremony for Institutional Investors and "Listed Company with the Greatest Potential of China's Great Listed Company Award Ceremony by 2018 Jiemian · Cai Lian Press".

XV.Organisational Chart




Strategy Committee
Related-Party Transactions Committee
Risk Management and Consumer Rights Protection Committee
Audit Committee
Nomination and Remuneration Committee
Asset and Liability Management Committee
IT Committee
Risk Management Committee
Product and Service Review Committee
Accountability and Supervision Committee
Financial Auditing Committee
Hong Kong-Shanghai-Taiwan Business Promotion Committee
Asset Management Business Committee
Online Direct Banking Business Committee
Greater Bay Area Business Promotion Committee
General Administrative Office
Public Relations Department
Human Resources Department
Training Centre
IT Department
Development Testing Centre
Data Centre
Online Direct Banking Department
Cash Centre
General Affairs Department
Security Department
Disciplinary Department
Head Office Banking Department
Puxi Branch
Pudong Branch
Metropolitan South Branch
Metropolitan North Branch
Shanghai Pilot Free Trade Zone Branch
Ningbo Branch
Nanjing Branch
Hangzhou Branch
Tianjin Branch
Chengdu Branch
Shenzhen Branch
Beijing Branch
Suzhou Branch

Financial Report

The 2018 financial report of the Bank has been audited by KPMG Huazhen (Special General Partnership) and signed by Jin Naiwen and Zhang Chenchen, certified public accountants, with standard unqualified auditor's report being issued. For the full text of the financial report, please see the attachment.

Documents for Reference

I. Financial statements bearing the signatures and seals of the Chairman of the Board of Directors, President, Vice President and Chief Financial Officer, and Head of Planning and Finance Department.

II. Originals of the audit reports bearing the seal of the accounting firm and the signatures and seals of certified public accountants.

III. Originals of all documents and announcements published by the Bank on the website designated by the CSRC during the reporting period.

IV. The Articles of Association of the Bank.

Chairman: 

The Board of Directors of Bank of Shanghai Co., Ltd.

19 April 2019

Written Confirmation of the Directors and Senior Management of Bank of Shanghai Co., Ltd. on the 2018 Annual Report

Pursuant to the relevant provisions and requirements, as the Directors and senior management of the Bank, upon full understanding and review of the 2018annual report and its summary, we hereby express the following views:

1. The Bank has strictly complied with the China Accounting Standards and relevant requirements in its operations, and the 2018annual report and its summary has fairly reected the nancial position and operating results of the Bank during the reporting period.

2. The 2018fnancial statements of the Bank have been audited by KPMG Huazhen (Special General Partnership) in accordance with Auditing Standards for the Chinese Certied Public Accountants respectively, with standard unqualied auditor's reports being issued.

3. We are of the view that, the 2018 annual report and its summary do not contain any misrepresentations, misleading statements or material omissions, and are individually and collectively responsible for its authenticity, accuracy and completeness.

19 April 2019

Signatures of our Directors and senior management are as follows:

Jin Yu	Hu Youlian	Ye Jun	Chen Xuyuan
Yuk Hung Antony Hung	Wan Jianhua	Guan Tao	Sun Zheng
Zhuang Zhe	Li Chaokun	David Sek-chi Kwok	Shi Hongmin
Ying Xiaoming	Gan Xiangnan	Xu Jianxin	Gong Fangxiong
Shen Guoquan	Huang Tao	Hu Debin	Wang Ming
Cui Qingjun	Li Xiaohong		

Auditors' Report and Financial Statements

AUDITORS' REPORT

KPMG hua-zhen,no.1900550

All Shareholders of Bank of Shanghai Company Limited:

1. Opinion

We have audited the accompanying financial statements of Bank of Shanghai Company Limited ("the Bank"), which comprise the consolidated and company balance sheets as at 31 December 2018, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Bank as at 31 December 2018, and the consolidated and company financial performance and cash flows of the Bank for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and receivables

Refer to the accounting policies in following notes to the Financial Statements:

Note III 7(2): Impairment of the Financial Assets;

Note III 29: Significant Accounting Judgments and Estimates;

Note V 8: Loans and Advances to Customers; and

Note V 11: Investment securities classified as receivables.

The Key Audit Matter	How the matter was addressed in our audit
Loans and receivables include Loans and Advances to Customers and Investment securities classified as receivables. Impairment of loans and receivables is a subjective area due to the degree of judgement applied by management in determining impairment allowances. From the Group's perspective, the portfolios which gave rise to the greatest uncertainty in determining impairment allowances for loans and advances to customers were those where impairments were derived from models approximating the impact of external environment and credit conditions on large portfolios of loans and advances to customers, and assessment of recoverable cash flows relating to individual loans and advances to customers, where loans and advances to customers were unsecured or were subject to potential collateral shortfalls.	Our audit procedures to assess impairment of loans and advances to customers included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording, monitoring and restructuring of loans and advances to customers, the credit grading process and the measurement of impairment allowances for individually assessed loans and advances to customers. • comparing the sum of impairment allowances of loans by credit quality across all grades with the allowances in the general ledger ; • assessing the appropriateness of the Group's methodology of collective impairment allowances by testing the samples in order to evaluate whether the individual impairment allowances should be performed;

Impairment of loans and receivables

Refer to the accounting policies in following notes to the Financial Statements:
Note III 7(2): Impairment of the Financial Assets;
Note III 29: Significant Accounting Judgments and Estimates;
Note V 8: Loans and Advances to Customers; and
Note V 11: Investment securities classified as receivables.

The Key Audit Matter	How the matter was addressed in our audit
Individual impairment allowances are assessed by management once objective evidence of impairment becomes apparent in a corporate loan. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints external valuers for the valuation of certain property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of impairment allowances as at the reporting date. The determination of the collective impairment allowances is dependent on the external macro environment and internal credit risk management models. The Group's collective impairment allowances for corporate loans and advances are derived from estimates including the Group's historical losses, the historical emergence period for corporate loans and advances (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors. The Group's collective impairment allowances for personal loans are derived from estimates, including the Group's historical overdue data, historical loss experience for personal loans and other adjustment factors. We identified assessing impairment of loans and advances to customers as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	• assessing the impairment allowances for individually impaired corporate loans and advances by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples in industries vulnerable to the current economic slowdown. We also focused on loans with perceived higher risk and selected samples from nonperforming loans, overdue but performing loans and borrowers with negative warning signs or adverse press coverage. We also made use of our internal IT specialist to assess the logic of preparing the overdue loans; • performing credit assessments for the selected individually impaired corporate loans and advances by assessing the forecast of recoverable cash flows through inquiry, applying judgement and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by management. We also evaluated the consistency of management's application of key assumptions and compared them with our own data sources. Where available, we made use of post reporting date information to evaluate credit quality with hindsight; • evaluating the validity of the models used and assumptions adopted in the Group's calculation of the collective impairment allowances by critically assessing: — input parameters involving management judgement; — economic factors used in the models; — the accuracy of the loan grading migration data for the corporate loan portfolios; — the overdue statistical data for the personal loan portfolios; and — historical loss parameters used. • considering, as part of the procedures above, the nature of and reasons for any revisions to the key assumptions and input parameters in the models, the consistency of judgement applied in the use of economic factors, the loss emergence period and the observation period for historical losses and assessing key internal controls over the input of underlying data into the models. We compared the economic factors used in the models to market information to assess whether they were aligned with market and economic development. We also assessed the emergence period by tracing the lifecycle of overdue accounts from the specific credit event to downgrading the account to a non-performing loan; • assessing the appropriateness of the Group's methodology of collective impairment allowances and testing the model calculations; • assessing the disclosures in the consolidated financial statements in relation to impairment of loans and advances to customers with reference to the requirements of the prevailing accounting standards.

Consolidation of structured entities

Refer to the accounting policies in following notes to the Financial Statements:
Note III 4: Business combination and consolidated financial statements,
Note III 29: Significant Accounting Judgments and Estimates and
Note VI 3: Involvement with Unconsolidated Structured Entities.

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity, through issuing a wealth management product, an investment fund, an asset management plan, a trust plan, a structured lease or an asset-backed security. In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and nature of each entity.	Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following: • understanding and assessing the design and implementation of internal control relating to the judgement process over whether a structured entity is consolidated or not; • selecting significant structured entities of each key product type and performing the following procedures for each structured entity selected: — inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; — inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity; — evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity; — assessing management's judgement over whether the structured entity should be consolidated or not; • evaluating the disclosures relating to structured entities in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Fair value of financial instruments

Refer to the accounting policies in following notes to the Financial Statements:
Note III 7: Financial Instruments,
Note III 16: Fair value measurement,
Note III 29: Significant Accounting Judgments and Estimates; and
Note XV: Fair Value of Financial Instruments.

The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments may impact either the profit or loss or other comprehensive income.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;

Fair value of financial instruments	
Refer to the accounting policies in following notes to the Financial Statements: Note III 7: Financial Instruments, Note III 16: Fair value measurement, Note III 29: Significant Accounting Judgments and Estimates; and Note XV: Fair Value of Financial Instruments.	
The Key Audit Matter	**How the matter was addressed in our audit**
The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.	• assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; • assessing whether the disclosures in the consolidated financial statements, including fair value hierarchy information and sensitivity to key inputs, appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

4. Other Information

The Bank's management is responsible for the other information. The other information comprises all the information included in 2018 annual report of the Bank, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

Certified Public Accountants Registered in the People's Republic of China

China Beijing

(Signed on Chinese original) Jin Naiwen

(Signed on Chinese original) Zhang Chenchen

19 April 2019

Bank of Shanghai Company Limited Consolidated balance sheet and balance sheet

(Expressed in thousands of Renminbi)

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Assets					
Cash and deposits with central bank	V. 1	145,105,775	136,063,645	144,686,994	135,523,343
Deposits with banks and other financial institutions	V. 2	15,090,430	38,788,136	13,219,871	37,744,874
Placements with banks and other financial institutions	V. 3	115,344,352	97,178,409	113,716,837	93,130,197
Financial assets at fair value through profit or loss	V. 4	17,874,361	11,554,237	17,475,237	11,050,447
Derivative financial assets	V. 5	1,237,616	839,088	1,208,812	822,813
Financial assets held under resale agreements	V. 6	36,368,624	25,808,851	28,404,516	23,695,961
Interests receivable	V. 7	9,760,277	7,680,426	9,586,977	7,547,582
Loans and advances to customers	V. 8	818,360,196	643,191,324	799,154,963	624,607,395
Available-for-sale financial assets	V. 9	401,779,521	420,684,813	396,701,596	417,714,561
Held-to-maturity investments	V. 10	310,643,240	264,262,868	307,217,029	264,068,510
Investment securities classified as receivables	V. 11	128,764,840	136,701,386	140,593,021	142,540,469
Long-term equity investments	V. 12	402,120	395,131	4,253,123	4,245,839
Fixed assets	V. 13	5,779,671	4,394,538	5,700,120	4,309,326
Intangible assets	V. 14	536,143	510,670	523,689	498,476
Deferred tax assets	V. 15	9,690,070	7,783,439	9,605,012	7,740,186
Other assets	V. 16	11,035,163	11,929,977	10,739,821	11,714,657
Total assets		**2,027,772,399**	**1,807,766,938**	**2,002,787,618**	**1,786,954,636**

The notes on pages 117 to 201 form part of these financial statements.

Bank of Shanghai Company Limited Consolidated balance sheet and balance sheet (continued)

(Expressed in thousands of Renminbi)

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Liabilities and equity					
Liabilities					
Borrowings from central bank		102,942,000	81,605,000	102,832,000	81,500,000
Deposits from banks and other financial institutions	V. 18	368,968,350	328,654,261	369,719,653	329,069,326
Placements from banks and other financial institutions	V. 19	68,336,138	51,801,096	64,716,254	49,938,427
Financial liabilities at fair value through profit or loss	V. 20	7,168	-	-	-
Derivative financial liabilities	V. 5	829,640	1,359,342	787,094	1,343,268
Financial assets sold under repurchase agreements	V. 21	61,151,258	78,573,169	61,151,258	78,359,419
Deposits from customers	V. 22	1,042,489,605	923,585,324	1,031,001,362	909,146,324
Employee benefits payable	V. 23	3,700,168	2,978,946	3,547,294	2,834,423
Taxes payable	V. 24	4,293,452	4,144,141	4,239,436	4,129,098
Interests payable	V. 25	17,383,127	16,570,559	17,201,728	16,404,001
Debt securities issued	V. 26	189,375,530	168,148,078	181,358,106	165,625,190
Deferred tax liabilities	V. 15	-	55,741	-	-
Other liabilities	V. 27	6,527,355	2,849,878	6,306,893	2,704,565
Total liabilities		**1,866,003,791**	**1,660,325,535**	**1,842,861,078**	**1,641,054,041**
Equity					
Share capital	V. 28	10,928,099	7,805,785	10,928,099	7,805,785
Other equity instruments	V. 29	19,957,170	19,957,170	19,957,170	19,957,170
Capital reserve	V. 30	25,331,364	28,452,203	25,329,889	28,452,203
Other comprehensive income	V. 31	627,454	(571,337)	499,252	(789,144)
Surplus reserve	V. 32	30,969,554	26,435,300	30,969,554	26,435,300
General reserve	V. 33	25,804,758	25,780,256	25,630,000	25,630,000
Retained earnings	V. 34	47,658,150	39,125,759	46,612,576	38,409,281
Total equity attributable to equity shareholders of the Bank		**161,276,549**	**146,985,136**	**159,926,540**	**145,900,595**
Non-controlling interests		**492,059**	**456,267**	**-**	**-**
Total equity		**161,768,608**	**147,441,403**	**159,926,540**	**145,900,595**
Total liabilities and equity		**2,027,772,399**	**1,807,766,938**	**2,002,787,618**	**1,786,954,636**

These financial statements were approved by the Board of Directors of the Bank on 19 April 2019.

Jin Yu
Chairman

Hu Youlian
President

Shi Hongmin
Vice President and
Chief Financial Officer

The notes on pages 117 to 201 form part of these financial statements.

Bank of Shanghai Company Limited Consolidated statement of comprehensive income and statement of comprehensive income

(Expressed in thousands of Renminbi)

	Note	The Group		The Bank	
		2018	2017	2018	2017
Interest income		75,877,060	60,082,285	74,787,717	59,252,748
Interest expense		(45,940,231)	(40,964,976)	(45,412,654)	(40,615,603)
Net interest income	V. 35	**29,936,829**	**19,117,309**	**29,375,063**	**18,637,145**
Fee and commission income		6,744,495	6,785,558	6,445,227	6,470,486
Fee and commission expense		(764,956)	(529,772)	(752,114)	(528,039)
Net fee and commission income	V. 36	**5,979,539**	**6,255,786**	**5,693,113**	**5,942,447**
Other income		42,998	29,105	30,790	10,464
Net investment gains	V. 37	7,906,133	9,636,523	7,931,944	9,680,438
Net gains / (losses) from changes in fair value	V. 38	4,652,482	(5,569,912)	4,702,894	(5,623,788)
Net foreign exchange (losses) / gains		(4,718,719)	3,535,189	(4,855,487)	3,447,820
Other operating incomes		95,427	111,090	92,700	107,557
(Losses) / gains from asset disposals		(6,867)	9,905	(6,867)	9,905
Operating income		**43,887,822**	**33,124,995**	**42,964,150**	**32,211,988**
Taxes and surcharges		(446,728)	(343,679)	(444,597)	(341,519)
General and administrative expenses	V. 39	(9,006,391)	(8,105,358)	(8,653,168)	(7,775,519)
Impairment losses	V. 40	(15,331,901)	(8,671,315)	(15,248,410)	(8,357,088)
Other operating expenses		(18,483)	(18,920)	(18,481)	(18,854)
Operating expenses		**(24,803,503)**	**(17,139,272)**	**(24,364,656)**	**(16,492,980)**
Operating profit		**19,084,319**	**15,985,723**	**18,599,494**	**15,719,008**
Add: Non-operating income		199,037	122,727	198,947	122,644
Less: Non-operating expenses		(31,484)	(25,988)	(31,077)	(25,389)
Profit before tax		**19,251,872**	**16,082,462**	**18,767,364**	**15,816,263**
Less: Income tax expense	V. 41	(1,184,037)	(745,669)	(1,086,922)	(702,084)
Net profit for the year		**18,067,835**	**15,336,793**	**17,680,442**	**15,114,179**
Net profit classified by continuity of operations:					
Net profit from continuing operations		18,067,835	15,336,793	17,680,442	15,114,179
Net profit from discontinued operations		-	-	-	-
Attributable to:					
Shareholders of the Bank		18,034,040	15,328,499	17,680,442	15,114,179
Non-controlling interests		33,795	8,294	-	-
Other comprehensive income, net of tax	V. 31	**1,180,474**	**(1,056,287)**	**1,288,396**	**(913,764)**
Other comprehensive income attributable to equity shareholders of the Bank, net of tax		1,198,791	(1,067,531)	1,288,396	(913,764)
Items that may be reclassified to profit or loss:					
Gains or losses arising from changes in fair value of available-for-sale financial assets		1,005,250	(797,075)	1,288,396	(913,764)
Translation differences arising on translation of foreign currency financial statements		193,541	(270,456)	-	-
Other comprehensive income attributable to non-controlling interests, net of tax		(18,317)	11,244	-	-
Total comprehensive income for the year		**19,248,309**	**14,280,506**	**18,968,838**	**14,200,415**
Total comprehensive income attributable to:Equity shareholders of the Bank		**19,232,831**	**14,260,968**	**18,968,838**	**14,200,415**
Non-controlling interests		**15,478**	**19,538**	-	-
Basic and diluted earnings per share (RMB)		**1.56**	1.40		

These financial statements were approved by the Board of Directors of the Bank on 19 April 2019.

Jin Yu
Chairman

Hu Youlian
President

Shi Hongmin
Vice President and
Chief Financial Officer

The notes on pages 117 to 201 form part of these financial statements.

Bank of Shanghai Company LimitedConsolidated cash flow statement and cash flow statement

(Expressed in thousands of Renminbi)

	Note	The Group		The Bank	
		2018	2017	2018	2017
Cash flows from operating activities:					
Net decrease in deposits with central bank		4,902,485	-	4,900,290	-
Net decrease in deposits with banks and other financial institutions		13,809,879	-	13,859,880	-
Net decrease in financial assets held under resale agreements		-	3,318,166	-	-
Net increase in borrowings from central bank		21,337,000	-	21,332,000	-
Net increase in deposits from banks and other financial institutions		40,314,089	46,638,526	40,650,327	46,743,156
Net increase in placements from banks and other financial institutions		16,547,675	2,849,969	14,790,460	2,201,604
Net increase in financial liabilities at fair value through profit or loss		7,147	-	-	-
Net increase in deposits from customers		118,904,281	74,511,960	121,855,038	72,181,554
Interest receipts		51,964,393	34,971,309	50,345,032	33,906,851
Fee and commission receipts		6,938,227	7,137,539	6,638,959	6,843,180
Proceeds from other operating activities		3,961,172	2,101,384	3,918,877	1,927,476
Sub-total of cash inflows		**278,686,348**	**171,528,853**	**278,290,863**	**163,803,821**
Net increase in deposits with central bank		-	(1,425,972)	-	(1,329,294)
Net increase in deposits with banks and other financial institutions		-	(13,459,129)	-	(13,425,869)
Net increase in placements with banks and other financial institutions		(21,617,870)	(13,713,482)	(24,224,787)	(13,051,174)
Net increase in financial asset at fair value through profit or loss		(6,305,016)	(4,475,348)	(6,374,147)	(4,652,980)
Net increase in financial assets held under resale agreements		(10,945,682)	-	(4,999,500)	-
Net increase in loans and advances to customers		(191,314,243)	(113,112,779)	(190,587,015)	(111,703,210)
Net decrease in borrowings from central bank		-	(28,985,000)	-	(29,000,000)
Net decrease in financial liabilities at fair value through profit or loss		-	(308,102)	-	(308,102)
Net increase in financial assets held under repurchase agreements		(17,557,293)	(12,952,609)	(17,343,543)	(12,952,609)
Interest payments		(37,327,648)	(30,026,941)	(36,865,251)	(29,643,182)
Fee and commission payments		(764,956)	(529,772)	(752,114)	(528,039)
Payment to and for employees		(4,702,605)	(4,426,302)	(4,479,401)	(4,209,785)
Payment of various taxes		(6,683,602)	(3,617,487)	(6,606,937)	(3,505,414)
Payment for other operating activities		(3,200,427)	(5,263,219)	(3,101,763)	(4,918,240)
Sub-total of cash outflows		**(300,419,342)**	**(232,296,142)**	**(295,334,458)**	**(229,227,898)**
Net cash outflows from operating activities	V. 42(1)	**(21,732,994)**	**(60,767,289)**	**(17,043,595)**	**(65,424,077)**

The notes on pages 117 to 201 form part of these financial statements.

Bank of Shanghai Company Limited Consolidated cash flow statement and cash flow statement (continued)

(Expressed in thousands of Renminbi)

	Note	The Group		The Bank	
		2018	2017	2018	2017
Cash flows from investing activities:					
Proceeds from disposal of investments		568,044,584	865,773,123	562,077,724	876,164,871
Investment returns received		31,775,093	37,461,386	32,220,665	37,726,324
Net proceeds from disposal of long-term assets		7,458	26,658	7,315	26,181
Sub-total of cash inflows		**599,827,135**	**903,261,167**	**594,305,704**	**913,917,376**
Payment for acquisition of investments		(585,489,287)	(784,339,587)	(579,901,227)	(788,905,346)
Payment for acquisition of long-term assets		(1,432,173)	(498,855)	(1,420,435)	(487,798)
Sub-total of cash outflows		**(586,921,460)**	**(784,838,442)**	**(581,321,662)**	**(789,393,144)**
Net cash inflows from investing activities		**12,905,675**	**118,422,725**	**12,984,042**	**124,524,232**
Cash flows from financing activities:					
Proceeds from issuance of other equity instruments		-	19,957,170	-	19,957,170
Proceeds from subsidiaries' investors		1,475	-	-	-
Proceeds from issuance of debentures		882,832,219	595,399,798	870,490,039	592,170,164
Sub-total of cash inflows		**882,833,694**	**615,356,968**	**870,490,039**	**612,127,334**
Repayment of debt securities		(861,781,381)	(665,723,240)	(854,893,472)	(663,380,000)
Interest paid on debt securities		(7,488,019)	(2,629,736)	(7,477,945)	(2,627,511)
Dividends paid		(4,922,899)	(2,997,406)	(4,912,513)	(2,980,444)
Sub-total of cash outflows		**(874,192,299)**	**(671,350,382)**	**(867,283,930)**	**(668,987,955)**
Net cash inflow / (outflows) from financing activities		**8,641,395**	**(55,993,414)**	**3,206,109**	**(56,860,621)**
Effect of foreign exchange rate changes on cash and cash equivalents		514,763	(543,994)	334,553	(477,826)
Net (decrease) / increase in cash and cash equivalents	V. 42(2)	328,839	1,118,028	(518,891)	1,761,708
Add: cash and cash equivalents at the beginning of the year		**85,072,926**	**83,954,898**	**81,721,170**	**79,959,462**
Cash and cash equivalents at the end of the year	V. 42(3)	**85,401,765**	**85,072,926**	**81,202,279**	**81,721,170**

These financial statements were approved by the Board of Directors of the Bank on 19 April 2019.

Jin Yu
Chairman

Hu Youlian
President

Shi Hongmin
Vice President and
Chief Financial Officer

The notes on pages 117 to 201 form part of these financial statements.

Bank of Shanghai Company Limited Consolidated statement of changes in shareholders' equity

(Expressed in thousands of Renminbi)

	Note	For the year ended 31 December 2018									
		The Group									
		Attributable to equity shareholders of the Bank								Non-controlling interests	Total
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2018		**7,805,785**	**19,957,170**	**28,452,203**	**(571,337)**	**26,435,300**	**25,780,256**	**39,125,759**	**146,985,136**	**456,267**	**147,441,403**
Changes in equity for the year											
1.Other comprehensive income		-	-	-	1,198,791	-	-	18,034,040	19,232,831	15,478	19,248,309
2. Shareholders' contributions											
- Contribution by non-controlling	V. 30	-	-	1,475	-	-	-	-	1,475	30,700	32,175
3. Appropriation of profits											
- Appropriation for surplus reserve	V. 32	-	-	-	-	4,534,254	-	(4,534,254)	-	-	-
- Appropriation for general reserve	V. 33	-	-	-	-	-	24,502	(24,502)	-	-	-
- Distributions to shareholders	V. 34	-	-	-	-	-	-	(4,942,893)	(4,942,893)	(10,386)	(4,953,279)
4. Transfers within equity											
- Share capital increased by capital reserve transfer	V. 30	3,122,314	-	(3,122,314)	-	-	-	-	-	-	-
Balance at 31 December 2018		**10,928,099**	**19,957,170**	**25,331,364**	**627,454**	**30,969,554**	**25,804,758**	**47,658,150**	**161,276,549**	**492,059**	**161,768,608**

	Note	For the year ended 31 December 2017									
		The Group									
		Attributable to equity shareholders of the Bank								Non-controlling interests	Total
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2017		6,004,450	-	30,253,538	496,194	22,227,344	21,245,093	35,542,604	115,769,223	449,391	116,218,614
Changes in equity for the year											
1. Other comprehensive income		-	-	-	(1,067,531)	-	-	15,328,499	14,260,968	19,538	14,280,506
2. Shareholders' contributions											
- Contribution by holders of other equity instruments	V.29	-	19,957,170	-	-	-	-	-	19,957,170	-	19,957,170
3. Appropriation of profits											
- Appropriation for surplus reserve	V.32	-	-	-	-	4,207,956	-	(4,207,956)	-	-	-
- Appropriation for general reserve	V.33	-	-	-	-	-	4,535,163	(4,535,163)	-	-	-
- Distributions to shareholders	V.34	-	-	-	-	-	-	(3,002,225)	(3,002,225)	(12,662)	(3,014,887)
4. Transfers within equity											
- Share capital increased by capital reserve transfer	V.30	1,801,335	-	(1,801,335)	-	-	-	-	-	-	-
Balance at 31 December 2017		7,805,785	19,957,170	28,452,203	(571,337)	26,435,300	25,780,256	39,125,759	146,985,136	456,267	147,441,403

These financial statements were approved by the Board of Directors of the Bank on 19 April 2019.

Jin Yu
Chairman

Hu Youlian
President

Shi Hongmin
Vice President and
Chief Financial Officer

The notes on pages 117 to 201 form part of these financial statements.

Bank of Shanghai Company Limited Statement of changes in shareholders' equity

(Expressed in thousands of Renminbi)

	Note	For the year ended 31 December 2018							
		The Bank							
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2018		7,805,785	19,957,170	28,452,203	(789,144)	26,435,300	25,630,000	38,409,281	145,900,595
Changes in equity for the year									
1. Other comprehensive income		-	-	-	1,288,396	-	-	17,680,442	18,968,838
2. Appropriation of profits									
- Appropriation for surplus reserve	V.32	-	-	-	-	4,534,254	-	(4,534,254)	-
- Distributions to shareholders	V.34	-	-	-	-	-	-	(4,942,893)	(4,942,893)
3. Transfers within equity									
- Share capital increased by capital reserve transfer	V.30	3,122,314	-	(3,122,314)	-	-	-	-	-
Balance at 31 December 2018		10,928,099	19,957,170	25,329,889	499,252	30,969,554	25,630,000	46,612,576	159,926,540

	Note	For the year ended 31 December 2017							
		The Bank							
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2017		6,004,450	-	30,253,538	124,620	22,227,344	21,130,000	35,005,283	114,745,235
Changes in equity for the year									
1. Other comprehensive income		-	-	-	(913,764)	-	-	15,114,179	14,200,415
2. Shareholders' contributions									
- Contribution by holders of other equity instruments	V.29	-	19,957,170	-	-	-	-	-	19,957,170
3. Appropriation of profits									
- Appropriation for surplus reserve	V.32	-	-	-	-	4,207,956	-	(4,207,956)	-
- Appropriation for general reserve	V.33	-	-	-	-	-	4,500,000	(4,500,000)	-
- Distributions to shareholders	V.34	-	-	-	-	-	-	(3,002,225)	(3,002,225)
4. Transfers within equity									
- Share capital increased by capital reserve transfer	V.30	1,801,335	-	(1,801,335)	-	-	-	-	-
Balance at 31 December 2017		7,805,785	19,957,170	28,452,203	(789,144)	26,435,300	25,630,000	38,409,281	145,900,595

These financial statements were approved by the Board of Directors of the Bank on 19 April 2019.

Jin Yu
Chairman

Hu Youlian
President

Shi Hongmin
Vice President and
Chief Financial Officer

The notes on pages 117 to 201 form part of these financial statements.

Bank of Shanghai Company Limited Notes to the financial statements

I. General information

With the approval from the People's Bank of China (the PBOC), Bank of Shanghai Co., Ltd. (formerly known as Shanghai City United Bank Ltd., hereinafter referred to as the "Bank" or Bank of Shanghai) was incorporated in Shanghai, PRC, on 30 January 1996 as a joint-stock commercial bank. With the approval from PBOC, the Bank changed its name from Shanghai City United Bank Ltd. to Bank of Shanghai Company Limited on July 16, 1998.The Bank obtained a financial business certificate No.B0139H231000001 with the approval from the China Banking Regulatory Committee (the CBRC) and obtained a business license with unified social credit code 91310000132257510M issued by the Shanghai Municipal Administration of Industry and Commerce.

In 1999, pursuant to a shareholders' resolution and approval from the PBOC (Shanghai Yin Fu [1999] No. 722), the Bank increased its registered capital from RMB1,606 million to RMB2,000 million. The Bank issued 394 million new shares at a price of RMB2.12 per share with par value of RMB1 per share.

In 2001, pursuant to a shareholders' resolution and approval from the PBOC (Shanghai Yin Fu [2001] No. 436), the Bank increased its registered capital from RMB2,000 million to RMB2,600 million. The Bank issued 600 million new shares at a price of RMB2.49 per share with par value of RMB1 per share.

In 2010, pursuant to a shareholders' resolution and approval from the CBRC (Yin Jian Fu [2010] No. 62), the Bank increased its registered capital from RMB2,600 million to RMB2,900 million. The Bank issued 300 million new shares at a price of RMB12.43 per share with par value of RMB1 per share.

In 2010, pursuant to a shareholders' resolution and with approval from the CBRC (Yin Jian Fu [2010] No. 188), the Bank increased 1,334 million new ordinary shares to all the shareholders by transferring from capital reserve according to 0.46 share free for every 1 share. The share capital of the Bank was increased from RMB2,900 million to RMB4,234 million by transferring.

In 2013, pursuant to a shareholder's resolution and approval from the CBRC (Hu Yin Jian Fu [2013] No. 833), the Bank issued 470 million new shares at a price of RMB13.9 per share with par value of RMB1 per share. The share capital of the Bank was subsequently increased from RMB4,234 million to RMB4,704 million after the Bank obtained a renewed business license on February 2014.

Pursuant to the Shareholders' resolutions, approvals from the CBRC (Hu Yin Jian Fu [2014] No. 908 and Hu Yin Jian Fu [2015] No. 339), the Bank issued 700 million new shares in total at a price of RMB16.57 per share with per value of RMB1 per share in 2014 and 2015. The share capital of the Bank was subsequently increased from RMB4,704 million to RMB5,404 million after the Bank obtained a renewed business licence on June 2015.

Pursuant to the Shareholders' resolutions, approvals from the China Securities Regulatory Commission (the CSRC) (Zheng Jian Xu Ke [2016] No. 1638), the Bank issued 600.45 million common shares (A share) through initial public offering at a price of RMB17.77 per share in Nov 2016. On 16 Nov 2016, the shares was listed for transactions on Shanghai Stock Exchange. The share capital of the Bank was subsequently increased by RMB600 million. The Bank's registered capital was 6,004 million. The stock code of the Bank is 601229.

Pursuant to the Shareholders' resolutions, approvals from the CBRC (Hu Yin Jian Fu [2017] No. 398), the Bank increased 3 shares per 10 shares by capital reserve on basis of the share capital as at 31 December 2016 which was 6,004,450 thousand shares. The share capital of the Bank was increased by RMB1,801,335 thousand and increased to RMB7,805,785 thousand shares subsequently. In addition, pursuant to the Shareholders' resolutions, approvals from the CSRC (Zheng Jian Xu Ke [2017] No. 2197), the Bank privately issued 200 million preference shares at price of RMB100.00.

Pursuant to the Shareholders' resolutions, approvals from the CBRC (Hu Yin Jian Fu [2018] No. 517), the Bank increased 4 shares per 10 shares by capital reserve on basis of the share capital as at 31 December 2017 which was 7,805,785 thousand shares. The share capital of the Bank was increased by RMB3,122,314 thousand and increased to RMB10,928,099 thousand shares subsequently.

For the purpose of these financial statements, "Mainland China" refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. "Outside Mainland China" refers to Hong Kong, Macau, Taiwan and other countries and regions.

The principal activities of the Bank and its subsidiaries (hereinafter collectively referred to as the "Group") are the provision of wholesale financial business, retail financial business, investment banking, fund management, asset management and other financial services.

II. Basis of preparation

The financial statements have been prepared on the basis of going concern.

III.Significant accounting policies and accounting estimates of the Bank

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance (MOF) of the People's Republic of China (PRC). These financial statements present truly and completely the consolidated financial position and financial position of the Bank as at 31 December 2018, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Bank for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

2. Accounting year

The accounting year of the Group is from 1 January to 31 December.

3. Functional currency

The Bank's functional currency is Renminbi ("RMB") and these financial statements are presented in RMB. Functional currency is determined by the Group on the basis of the currency in which major income and costs are denominated and settled. The Bank translates the financial statements of subsidiaries from their respective functional currencies into the Bank's functional currency (see Note III.6) if the subsidiaries' functional currencies are not the same as that of the Bank.

4. Business combination and consolidated financial statements

(a) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.14). If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income for the current period. In addition, any amount recognised in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs (see Note III.10(2)).

(b) Consolidated financial statements

General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements, and highly liquid short-term investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

6. Foreign currency transactions and foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, and construction or production of qualifying assets. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of available-for-sale financial assets, which are recognised in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

7. Financial instruments

(1) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Financial assets and financial liabilities are designated at fair value through profit or loss upon initial recognition when:

• the financial assets or financial liabilities are managed, evaluated and reported internally on a fair value basis;

• the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities;

• the financial assets or financial liabilities contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

• the separation of the embedded derivatives from the financial instrument is prohibited.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

- Loans and receivables

Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

• those that the Group intends to sell immediately or in the near future, which will be classified as held for trading;

• those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or

• those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Loans and receivables mainly comprise deposits with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers and investment securities classified as receivables. Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than

• those that the Group, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or

• those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method.

- Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sale and other financial assets which do not fall into any of the above categories.

Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in other comprehensive income is reclassified to profit or loss. Dividend income is recognised in profit or loss when the investee approves the dividends. Interest is recognised in profit or loss using the effective interest method.

- Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Liabilities other than those arising from financial guarantee contracts as stated in Note III.22 are measured at amortised cost using the effective interest method.

(2) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

Objective evidence that a financial asset is impaired includes but is not limited to:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(d) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;

(e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;

(f) a significant (i.e. a decline of 50%) or prolonged decline in the fair value (i.e. a decline persisting for 12 months of an investment in an equity instrument below its cost.

Loans and receivables

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognised in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment losses if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

For homogeneous groups of loans and receivables that are not considered individually significant, the Group adopts a flow rate methodology to collectively assess impairment losses. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgment based on management's historical experience.

Loans and receivables which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and receivables that were impaired at the balance sheet date but which will not be individually identified as such until sometime in the future.

The collective impairment loss is assessed after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics;

- the emergence period between a loss occurring and that loss being identified; and

- the current economic and credit environments and judgement on inherent loss based on management's historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. 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 for impairment.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

- Loans and receivables written-off and impairment reversal

If, in a subsequent period, the amount of the impairment losses on loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loan is written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

- Rescheduled loans and receivables

Rescheduled loans and receivables are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans and receivables are assessed individually and classified as impaired loans and advances upon restructuring. Rescheduled loans and receivables are subject to ongoing monitoring. Once a rescheduled loan or receivables meets specific conditions, it is no longer considered as impaired.

- Held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis and on a collective group basis as follows.

Where impairment is assessed on an individual basis, the impairment loss is calculated based on the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where held-to-maturity investments share similar credit risk characteristics (including those not having been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

- Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual and / or on a collective group basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment losses on that financial asset previously recognised in profit or loss.

If, after an impairment loss has been recognised on available-for-sale debt instruments, the fair value of the assets increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an equity instrument classified as available-for-sale is not reversed through profit or loss but recognised directly in other comprehensive income. The impairment loss on an investment in unquoted equity instrument whose fair value cannot be reliably measured is not reversed.

When there are impairments on equity investments where the Group does not have control, joint control or significant influence, and the investments are not quoted in an active market and their fair value cannot be reliably measured, the Group will recognise the difference between their carrying values and the present values of similar assets discounted at future cash flow based on their current market yields, which are accounted for as impairment losses in profit or loss. Such impairment losses cannot be reversed.

(3)Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;

- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred;

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset. The financial liability (or part of it) is derecognised only when its contractual obligation (or part of it) is discharged or cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(4) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts;

- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(6) Preference shares

At initial recognition, the Group classifies the preference shares issued as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

8. Financial assets held under resale and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

9. Precious metals

Precious metals represent gold and silver. Precious metals that are acquired by the Group are initially recognised at fair value when they are obtained or repurchased and subsequently carried at fair value, with changes in fair value recognised in profit or loss.

10. Long-term equity investments

(a) Investment cost of long-term equity investments

For a long-term equity investment acquired through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Bank, in exchange for control of the acquiree.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(b) Subsequent measurement of long-term equity investment

Investments in subsidiaries

In the Bank's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment is classified as held for sale (see Note III.31). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Bank recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses. For the impairment of the investments in subsidiaries, refer to Note III.15.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.4.

Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control and rights to the net assets of the arrangement.

An associate is an enterprise over which the Group has significant influence.

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement.

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

125 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

For the impairment of the investments in joint ventures and associates, refer to Note III.15.

(c) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;

- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

11. Fixed assets and construction in progress

Fixed assets represent tangible assets held by the Group for administrative purposes with useful lives over one accounting year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note III.15). Construction in progress is stated in the balance sheet at cost less impairment loss (see Note III.15).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

The carrying amount of a fixed asset is derecognised:

- When the fixed asset is for disposal; or

- When no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

The cost of fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Premises	20 - 30 years	5%	3.17% ~ 4.75%
Electronic equipment	10 years	5%	9.5%
Furniture and fixtures	3 - 5 years	5%	19% ~ 31.67%
Motor vehicles	5 years	5%	19%

Useful lives, estimated residual values and depreciation methods are reviewed at least each year-end.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to working condition for its intended use. Construction in progress is transferred to fixed assets when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

12. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.15). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 126

The respective amortisation periods for intangible assets are as follows:

Types of assets	Amortisation period (years)
Land use right	20 - 50 years
Software	3 - 5 years
Other intangible assets	10 - 20 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the end of the balance sheet, the Group does not have any intangible assets with indefinite useful lives.

13. Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. Repossessed assets is initially recognised at fair value and subsequently carried at lower of the carrying amount and the recoverable amount. If the recoverable amount of an repossessed asset is less than its carrying amount, the carrying amount of the repossessed asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss. Repossessed assets are not depreciated nor amortised. The impairment losses of initial measurement and subsequent re-measurement are charged to profit or loss.

Impairment losses on repossessed assets are accounted for in accordance with the accounting policies as set out in Note III.15.

14. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving enterprises under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.15). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

15. Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets and construction in progress

- intangible assets

- long-term equity investments

- repossessed assets

- goodwill

- long-term deferred expenses and etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates [the recoverable amounts of intangible assets not ready for use at least annually and] the recoverable amounts of goodwill [and intangible assets with indefinite useful lives] at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value (Note III.16) less costs to sell and its present value of expected future cash flows. An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

16. Fair value measurement

Unless otherwise specified, the Group determines fair value measurement as below:

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

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

17. Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accured at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits - defined contribution plans

The defined contribution plans in which the Group participated include:

- Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance and unemployment insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance and unemployment insurance plans based on the applicable benchmarks and rates stipulated by the government;

- Pursuant to "Trial Measures for Enterprise Annuity" (Order of the Ministry of Labor and Social Security of the People's Republic of China No. 20), the Group's employees participated in the enterprise annuity plan that was approved by the Board of Directors and submitted to the labor and social security authority. The Group makes contributions calculated in accordance with the annuity plan scheme.

- Eligible employees in the Bank's overseas subsidiaries participated in local contribution schemes. The Bank's overseas subsidiaries make contributions for the employees in accordance with local laws and regulations.

Defined contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

(c) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(d) Other long-term employee benefits

The Group recognises the deferred award provided for employees and the deferred payment of salaries to key management based on business performance during the periods of service provided by employees and key management, as liabilities and as part of the cost of assets or charged to profit or loss.

18. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group. A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income directly.

19. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;

- different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

20. Operating leases

(a) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(b) Assets leased out under operating leases

Fixed assets leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note III.11. Impairment losses are recognised in accordance with the accounting policies described in Note III.15. Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately. Contingent rentals are recognised as income as they are earned.

21. Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome;

- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

22. Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Liabilities arising from financial guarantees are recognised initially at fair value and the initial fair value is amortised over the life of the guarantee. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contracts has become probable. Financial guarantees are included within other liabilities.

23. Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

24. Income recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following conditions are met:

(a) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the Relevant Periods. 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. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call 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, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment losses.

(b) Fee and commission income

Fee and commission income is recognised in profit or loss when the corresponding service is provided.

Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without making a loan, the fee is recognised as fee and commission income upon its expiry.

(c) Dividend income

Dividend income from unlisted equity investment is recognised in profit or loss on the date when the Group's right to receive payment is established. Dividend income from a listed equity investment is recognised when the share price of the investment goes ex-dividend.

(d) Other income

Other income is recognised on an accrual basis.

25. Expenses

(a) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(b) Other expenses

Other expenses are recognised on an accrual basis.

26. Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the Relevant Periods, are not recognised as a liability at the end of the Relevant Periods but disclosed in the notes to the financial statements separately.

27. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Group determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC, the Administrative Measures on Affiliated Transactions between Commercial Banks and their Insiders or Shareholders issued by the CBRC and the Provisional Measures on Administration of Equities of Commercial Banks issued by the CBRC.

28. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

29. Significant accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(1) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets (see Notes III.11 and 12) and provision for impairment of various types of assets (see Notes V.2, 3, 6, 8, 9, 10, 11, 12, 13, 14 and 16). Other significant accounting estimates are as follows:

(i) Note V.15: Recognition of deferred tax assets;

(ii) Note XV: Fair value measurements of financial instruments and investment properties.

(2) Significant accounting judgements

Significant judgements made by the Group in the application of accounting policies are as follows:

(i) Note V.29: Preference shares classified as financial liabilities or equity instruments; and

(ii) Note VI: Significant judgements and assumptions in determining control, joint control or significant influence over other entity.

131 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

30. Changes in significant accounting policies and accounting estimates

(a) Description and reasons of changes in accounting policies

The MOF issued the following revised regulations and interpretations in 2017 and 2018:

- CAS Bulletin No.9 - Accounting of Net Investment Losses under Equity Method

- CAS Bulletin No.10 - Applying Revenue-based Depreciation Method on Fixed Assets

- CAS Bulletin No.11 - Applying Revenue-based Amortisation Method on Intangible Assets

- CAS Bulletin No.12 - Determination of Whether the Provider and Receiver of Key Management Personnel Services are Related Parties (collectively the "CAS Bulletins No.9-12")

- Notice on Revision of the 2018 Illustrative Financial Statements (Caikuai [2018] No.15) and related interpretation

The Group has applied the above new / revised regulations and interpretations since 1 January 2018 and adjusted the related accounting policies.

Major impacts of the adoption of the above revised regulations and interpretations are as follows:

(a) CAS Bulletins No.9-12

The Group has reviewed the relevant accounting policies in accordance with the requirements related to the accounting of net investment losses under equity method, the depreciation and amortisation methods of fixed assets and intangible assets and the related party identification and disclosure of key management personnel services of CAS Bulletins No.9-12.The adoption of CAS Bulletins No.9-12 does not have material impact on the financial position and financial performance of the Group.

(b) Presentation of financial statements

The Group has prepared financial statements for the year ended 31 December 2018 in accordance with the presentation format of the financial statements specified in Caikuai [2018] No.15 and related interpretation. The adoption of the presentation format of the financial statements does not have material impact on the financial position and financial performance of the Group.

IV. Taxation

The Bank and its domestic subsidiaries' main applicable taxes and tax rates are as follows::

Tax type	Tax basis and Tax rate
Value-added tax (VAT)	Output VAT is calculated on 6% of the product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period. Part of VAT is calculated on 3% ~ 17% of the product sales and taxable services revenue.
City maintenance and construction tax	1%-7% of VAT paid
Education surcharge	4%-5% of and VAT paid
Income tax	25% of taxable income

Shanghai Minhang BoS Rural Bank Co., Ltd. ("Minhang Rural"), Jiangsu Jiangning BoS Rural Bank Co., Ltd. ("Jiangning Rural"), Chongzhou BoS Rural Bank Co., Ltd. ("Chongzhou Rural") and Zhejiang Quzhou Qujiang BoS Rural Bank Co., Ltd. ("Qujiang Rural"), as subsidiary of the Bank, is calculated on taxable services revenue's 3% for the VAT according to Simple tax method.

Overseas subsidiaries pay income tax according to local regulations.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 132

V. Notes to the consolidated financial statements

1. Cash and deposits with central bank

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Cash on hand		2,127,633	2,072,258	2,114,180	2,063,514
Deposits with domestic central bank					
- Statutory deposit reserves	(i)	118,433,114	123,011,258	118,180,554	122,756,503
- Surplus deposit reserves	(ii)	24,257,734	10,224,071	24,126,432	10,113,157
- Fiscal deposits		172,986	178,338	172,986	178,338
- Foreign exchange risk reserves	(iii)	92,842	411,831	92,842	411,831
Deposits with overseas central banks	(iv)	21,466	165,889	-	-
Sub-total		**142,978,142**	**133,991,387**	**142,572,814**	**133,459,829**
Total		**145,105,775**	**136,063,645**	**144,686,994**	**135,523,343**

(i) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the Relevant Periods, the statutory deposit reserve ratios applicable to the Bank and its domestic subsidiaries were as follows:

	31 December 2018	31 December 2017
Reserve ratio for RMB deposits	9.0%-12.0%	8.0%-14.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

(ii) The surplus deposit reserves are maintained with the PBOC for clearing purposes.

(iii) The foreign exchange risk reserves placed the contracted value of foreign exchange forward sales in accordance with the related notice issued by the PBOC.

(iv) Deposits with overseas central banks are funds maintained with the overseas central banks by subsidiaries overseas for clearing purposes.

2. Deposits with banks and other financial institutions

Analysed by type and location of counterparty

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Deposits in mainland China				
- Banks	6,846,596	30,543,986	6,186,608	29,739,203
- Other financial institutions	4,304,178	5,925,670	4,302,018	5,922,030
Deposits outside mainland China				
- Banks	3,939,656	2,318,480	2,731,245	2,083,641
Total	**15,090,430**	**38,788,136**	**13,219,871**	**37,744,874**

133 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

3. Placements with banks and other financial institutions

Analysed by type and location of counterparty

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Placements in mainland China					
- Banks		1,375,900	4,784,625	1,375,900	3,124,320
- Other financial institutions		110,694,805	86,812,026	110,584,950	86,826,994
Placements outside mainland China					
- Banks		2,277,945	4,225,395	756,745	1,822,520
- Other financial institutions		1,031,925	1,383,162	1,031,925	1,383,162
Total		**115,380,575**	**97,205,208**	**113,749,520**	**93,156,996**
Less: Provision for impairment losses	V. 17	(36,223)	(26,799)	(32,683)	(26,799)
Carrying amount		**115,344,352**	**97,178,409**	**113,716,837**	**93,130,197**

At 31 December 2018, the Group's placements with its own non-principal-guaranteed wealth management products amounted to RMB14,951 million (RMB21,735 million as at 31 December 2017). In 2018, the Group's maximum exposure of placements with its own non-principal-guaranteed wealth management products amounted to RMB22,317 million (2017: RMB36,809 million).

4. Financial assets at fair value through profit or loss

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Debt instruments held for trading					
- Government		687,875	-	671,015	-
- Policy banks		3,356,693	139,898	3,356,693	139,898
- Banks and other financial institutions		750,023	1,949,966	750,023	1,949,966
- Other entities	(i)	12,697,506	8,993,473	12,697,506	8,950,793
Sub-total	(ii)	**17,492,097**	**11,083,337**	**17,475,237**	**11,040,657**
Equity instruments held for trading					
- Stocks	(iii)	173,748	245,402	-	-
- Fund	(iv)	167,838	215,362	-	-
- Other		20,675	346	-	-
Sub-total		**362,261**	**461,110**	**-**	**-**
Debt instruments designated at fair value through profit or loss					
- Banks and other financial institutions		-	9,790	-	9,790
- Other institutions		20,003	-	-	-
Sub-total	(ii)	**20,003**	**9,790**	**-**	**-**
Total		**17,874,361**	**11,554,237**	**17,475,237**	**11,050,447**

(i) Debt instruments held for trading issued by other entities mainly represented bonds issued by various domestic enterprises.

(ii) The above debt instruments held for trading and debt investment instruments designated at fair value through profit or loss - banks and other financial institutions represented bonds and bills traded in China domestic interbank bond market. The above debt financial assets designated at fair value through profit or loss – other institutions mainly represented non listed RMB bills issued in other foreign institutions.

(iii) The above stocks held for trading mainly represented listed stocks issued in mainland China.

(iv) The above fund held for trading represented unlisted fund issued in mainland China.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 134

5. Derivative financial assets and liabilities

	As at 31 December 2018					
	The Group			The Bank		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	1,262,722,187	32,024	(41,906)	1,261,667,308	18,239	(36,802)
Currency derivatives	400,245,427	1,205,555	(781,442)	392,086,941	1,190,536	(744,000)
Commodity derivatives	5,949,105	-	(5,935)	5,949,105	-	(5,935)
Other derivatives	62,600	37	(357)	62,600	37	(357)
Total	**1,668,979,319**	**1,237,616**	**(829,640)**	**1,659,765,954**	**1,208,812**	**(787,094)**

	As at 31 December 2017					
	The Group			The Bank		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	1,616,654,847	27,041	(13,497)	1,615,720,265	17,226	(13,497)
Currency derivatives	363,224,187	806,638	(1,338,047)	362,187,822	800,178	(1,321,973)
Commodity derivatives	1,911,793	5,409	(7,798)	1,911,793	5,409	(7,798)
Total	**1,981,790,827**	**839,088**	**(1,359,342)**	**1,979,819,880**	**822,813**	**(1,343,268)**

The notional value indicates the contractual value of the derivative transactions outstanding at the balance sheet date. It does not represent the amounts at risk.

6. Financial assets held under resale agreements

(1) Analysed by type of collateral

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Securities					
- Government bonds		4,455,000	5,055,854	4,455,000	5,055,854
- Bonds issued by banks and other financial institutions		3,205,800	7,106,952	3,205,800	7,106,952
- Bonds issued by other institutions		5,999,400	-	5,999,400	-
Sub-total		**13,660,200**	12,162,806	**13,660,200**	12,162,806
Bank certificate of deposit		14,744,316	13,781,499	14,744,316	11,533,155
Equity		8,194,526	-	**28,404,516**	23,695,961
Total		**36,599,042**	25,944,305		
Less: Provision for impairment losses	V. 17	**(230,418)**	(135,454)	-	-
Carrying amount		**36,368,624**	25,808,851	**28,404,516**	23,695,961

(2) Analysed by type and location of counterparty

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
In mainland China					
- Banks		4,951,000	10,314,140	4,951,000	10,314,140
- Other financial institutions		31,648,042	15,630,165	23,453,516	13,381,821
Total		**36,599,042**	25,944,305	**28,404,516**	**28,404,516**
Less: Provision for impairment losses	V. 17	**(230,418)**	(135,454)	-	-
Carrying Amount		**36,368,624**	25,808,851	**28,404,516**	23,695,961

135 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

7. Interests receivable

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Debt instruments	5,801,284	5,076,964	5,748,488	5,050,189
Loans and advances to customers	3,032,855	1,893,701	2,936,431	1,816,757
Placements with banks and other financial institutions	626,023	292,743	626,505	292,631
Financial assets held under resale agreements	180,463	27,350	161,646	15,768
Deposits with central bank, banks and other financial institutions	119,652	389,668	113,907	372,237
Total	**9,760,277**	**7,680,426**	**9,586,977**	**7,547,582**

8. Loans and advances to customers

(1) Analysed by natures

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Corporate loans and advances	**534,269,554**	**446,591,730**	**515,703,898**	**428,509,476**
Personal loans and advances				
- Personal consumption loans	157,475,662	69,253,364	157,059,630	68,837,611
- Property mortgages	72,768,999	64,532,841	72,735,842	64,516,637
- Credit cards	30,953,025	24,842,719	30,953,025	24,842,719
- Personal business loans	15,623,530	15,422,125	15,087,765	14,893,621
Sub-total	**276,821,216**	**174,051,049**	**275,836,262**	**173,090,588**
Discounted bills	**39,604,885**	**43,378,838**	**39,585,824**	**43,353,938**
Gross balance	**850,695,655**	**664,021,617**	**831,125,984**	**644,954,002**
Less: Provision for impairment losses				
- Individually assessed	(5,004,967)	(4,289,640)	(4,857,085)	(4,028,006)
- Collectively assessed	(27,330,492)	(16,540,653)	(27,113,936)	(16,318,601)
Total provision for impairment losses	**(32,335,459)**	**(20,830,293)**	**(31,971,021)**	**(20,346,607)**
Carrying amount	**818,360,196**	**643,191,324**	**799,154,963**	**624,607,395**

As at the balance sheet date, part of the above loans and advances to customers were pledged assets (Note X.1).

(2) Analysed by type of collateral

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Unsecured loans	294,628,602	164,919,131	292,648,265	159,231,836
Guaranteed loans	159,186,326	147,244,504	149,699,190	137,498,425
Loans secured by tangible assets	275,575,575	213,133,931	274,543,166	212,027,033
Loans secured by monetary assets	121,305,152	138,724,051	114,235,363	136,196,708
Gross balance	**850,695,655**	**664,021,617**	**831,125,984**	**644,954,002**
Less: Provision for impairment losses				
- Individually assessed	(5,004,967)	(4,289,640)	(4,857,085)	(4,028,006)
- Collectively assessed	(27,330,492)	(16,540,653)	(27,113,936)	(16,318,601)
Total provision for impairment losses	**(32,335,459)**	**(20,830,293)**	**(31,971,021)**	**(20,346,607)**
Carrying amount	**818,360,196**	**643,191,324**	**799,154,963**	**624,607,395**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 136

(3) Analysed by industrial sector

	As at 31 December 2018				As at 31 December 2017			
	The Group		The Bank		The Group		The Bank	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate	128,229,633	15.07	124,123,624	14.93	91,483,798	13.78	87,479,769	13.56
Leasing and commercial services	122,709,591	14.42	121,372,242	14.60	100,474,715	15.13	100,116,065	15.52
Manufacturing	65,573,181	7.71	65,258,177	7.85	58,373,887	8.79	57,371,061	8.90
Wholesale and retail	51,152,970	6.01	49,940,265	6.01	54,333,821	8.18	52,801,929	8.19
Public utilities	48,972,712	5.76	48,597,685	5.85	45,124,402	6.80	44,186,086	6.85
Construction	25,368,172	2.98	25,099,966	3.02	16,877,230	2.54	16,519,616	2.56
Financial services	23,517,516	2.76	14,788,720	1.78	20,247,009	3.05	12,880,341	2.00
Communication, software and IT services	16,646,874	1.96	16,119,544	1.94	10,653,383	1.60	10,497,878	1.63
Transportation, storage and postal services	15,249,265	1.79	14,774,939	1.78	13,981,002	2.11	13,351,306	2.07
Culture, sports and entertainment	11,225,369	1.32	11,128,465	1.34	8,704,215	1.31	8,484,277	1.32
Mining	6,904,682	0.81	6,904,682	0.83	5,750,953	0.87	5,217,050	0.81
Agriculture and farming	6,248,852	0.73	6,099,405	0.73	6,249,871	0.94	5,954,733	0.92
Education and research	5,557,595	0.65	4,801,151	0.58	4,750,153	0.72	4,109,824	0.64
OthersCulture, sports and entertainment	6,913,142	0.83	6,695,033	0.81	9,587,291	1.44	9,539,541	1.47
Sub-total of corporate loans and advances	**534,269,554**	**62.80**	**515,703,898**	**62.05**	**446,591,730**	**67.26**	**428,509,476**	**66.44**
Personal loans and advances	276,821,216	32.54	275,836,262	33.19	174,051,049	26.21	173,090,588	26.84
Discounted bills	39,604,885	4.66	39,585,824	4.76	43,378,838	6.53	43,353,938	6.72
Gross balance	**850,695,655**	**100.00**	**831,125,984**	**100.00**	**664,021,617**	**100.00**	**644,954,002**	**100.00**
Less: Provision for impairment losses								
- Individually assessed	(5,004,967)		(4,857,085)		(4,289,640)		(4,028,006)	
- Collectively assessed	(27,330,492)		(27,113,936)		(16,540,653)		(16,318,601)	
Total provision for impairment losses	**(32,335,459)**		**(31,971,021)**		**(20,830,293)**		**(20,346,607)**	
Carrying amount	**818,360,196**		**799,154,963**		**643,191,324**		**624,607,395**	

(4) Analysed by geographical sector

	As at 31 December 2018		As at 31 December 2017	
	The Group	The Bank	The Group	The Bank
Shanghai	423,022,897	421,442,898	283,110,502	281,563,037
Yangtze River Delta (excluding Shanghai)	158,915,211	158,510,797	155,183,207	154,571,005
Pearl River Delta (including Hong Kong)	143,944,535	126,686,014	118,964,819	102,370,944
Bohai Rim	97,434,522	97,434,522	82,370,257	82,370,257
Central and Western	27,378,490	27,051,753	24,392,832	24,078,759
Gross balance	**850,695,655**	**831,125,984**	**664,021,617**	**644,954,002**
Less: Provision for impairment losses				
- Individually assessed	(5,004,967)	(4,857,085)	(4,289,640)	(4,028,006)
- Collectively assessed	(27,330,492)	(27,113,936)	(16,540,653)	(16,318,601)
Total provision for impairment losses	**(32,335,459)**	**(31,971,021)**	**(20,830,293)**	**(20,346,607)**
Carrying amount	**818,360,196**	**799,154,963**	**643,191,324**	**624,607,395**

137 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

(5) Overdue loans and advances analysed by type of collateral and overdue period

	The Group				
	As at 31 December 2018				
	Overdue within three months (inclusive)	Overdue between three months and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,841,648	1,166,120	59,786	-	3,067,554
Guaranteed loans	2,481,888	2,765,696	581,503	14,804	5,843,891
Loans secured by tangible assets	1,648,220	2,155,983	524,149	105,845	4,434,197
Loans secured by monetary assets	701,323	164,588	78,490	58,480	1,002,881
Total	**6,673,079**	**6,252,387**	**1,243,928**	**179,129**	**14,348,523**

	The Group				
	As at 31 December 2017				
	Overdue within three months (inclusive)	Overdue between three months and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Unsecured loans	592,055	721,756	79,446	-	1,393,257
Guaranteed loans	337,259	1,009,356	1,108,330	32,260	2,487,205
Loans secured by tangible assets	697,948	745,087	1,201,283	141,096	2,785,414
Loans secured by monetary assets	13,145	176,887	64,142	58,480	312,654
Total	**1,640,407**	**2,653,086**	**2,453,201**	**231,836**	**6,978,530**

	The Bank				
	As at 31 December 2018				
	Overdue within three months (inclusive)	Overdue between three months and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,841,548	1,166,120	59,786	-	3,067,454
Guaranteed loans	2,481,022	2,654,046	465,272	14,804	5,615,144
Loans secured by tangible assets	1,631,332	2,153,349	524,149	105,845	4,414,675
Loans secured by monetary assets	701,323	164,588	78,490	58,480	1,002,881
Total	**6,655,225**	**6,138,103**	**1,127,697**	**179,129**	**14,100,154**

	The Bank				
	As at 31 December 2017				
	Overdue within three months (inclusive)	Overdue between three months and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Unsecured loans	591,945	721,726	79,164	-	1,392,835
Guaranteed loans	318,921	766,899	1,094,842	32,260	2,212,922
Loans secured by tangible assets	693,000	726,516	1,132,238	141,096	2,692,850
Loans secured by monetary assets	13,145	176,887	64,142	58,480	312,654
Total	**1,617,011**	**2,392,028**	**2,370,386**	**231,836**	**6,611,261**

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue for one day or more.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 138

(6) Analysed by assessment method of provision for impairment losses

	The Group				
	As at 31 December 2018				
	Loans and advances for which provision is collectively assessed	Impaired loans and advances (i)		Total	Gross impaired loans and advances as a % of gross loans and advances
		for which provision is collectively assessed	for which provision is individually assessed		
Gross balance	840,983,958	1,693,140	8,018,557	850,695,655	1.14
Less: Provision for impa irment losses	(25,900,364)	(1,430,128)	(5,004,967)	(32,335,459)	
Carrying amount	**815,083,594**	**263,012**	**3,013,590**	**818,360,196**	

	The Group				
	As at 31 December 2017				
	Loans and advances for which provision is collectively assessed	Impaired loans and advances (i)		Total	Gross impaired loans and advances as a % of gross loans and advances
		for which provision is collectively assessed	for which provision is individually assessed		
Gross balance	656,378,112	1,024,619	6,618,886	664,021,617	1.15
Less: Provision for impa irment losses	(15,633,213)	(907,440)	(4,289,640)	(20,830,293)	
Carrying amount	**640,744,899**	**117,179**	**2,329,246**	**643,191,324**	

	The Bank				
	As at 31 December 2018				
	Loans and advances for which provision is collectively assessed	Impaired loans and advances (i)		Total	Gross impaired loans and advances as a % of gross loans and advances
		for which provision is collectively assessed	for which provision is individually assessed		
Gross balance	821,648,684	1,682,233	7,795,067	831,125,984	1.14
Less: Provision for impa irment losses	(25,693,629)	(1,420,307)	(4,857,085)	(31,971,021)	
Carrying amount	**795,955,055**	**261,926**	**2,937,982**	**799,154,963**	

	The Bank				
	As at 31 December 2017				
	Loans and advances for which provision is collectively assessed	Impaired loans and advances (i)		Total	Gross impaired loans and advances as a % of gross loans and advances
		for which provision is collectively assessed	for which provision is individually assessed		
Gross balance	637,651,017	995,505	6,307,480	644,954,002	1.13
Less: Provision for impa irment losses	(15,432,751)	(885,850)	(4,028,006)	(20,346,607)	
Carrying amount	**622,218,266**	**109,655**	**2,279,474**	**624,607,395**	

(i) Impaired loans and advances to customers include loans and advances for which objective evidence of impairment exists. These loans and advances include loans and advances for which objective evidence of impairment has been identified:

- individually, or

- collectively; that is the portfolios of homogeneous loans and advances.

139 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

(7) Movements of provision for impairment losses

	The Group			
	2018			
	Provision for impairment losses which is collectively assessed	Provision for impaired loans and advances		Total
		collective assessement	individual assessement	
As at 1 January	(15,633,213)	(907,440)	(4,289,640)	(20,830,293)
Charge for the year	(10,256,674)	(1,685,026)	(5,015,025)	(16,956,725)
Release during the year	1,354	-	1,653,170	1,654,524
Recoveries	-	(96,525)	(442,675)	(539,200)
Unwinding of discount	-	-	117,926	117,926
Write-offs	-	1,259,096	2,977,890	4,236,986
Others	(11,831)	(233)	(6,613)	(18,677)
As at 31 December	**(25,900,364)**	**(1,430,128)**	**(5,004,967)**	**(32,335,459)**

	The Group			
	2017			
	Provision for impairment losses which is collectively assessed	Provision for impaired loans and advances		Total
		collective assessement	individual assessement	
As at 1 January	(11,830,337)	(726,586)	(4,045,852)	(16,602,775)
Charge for the year	(3,817,513)	(388,002)	(3,379,295)	(7,584,810)
Release during the year	-	-	1,501,839	1,501,839
Recoveries	-	(96,234)	(621,071)	(717,305)
Unwinding of discount	-	-	105,336	105,336
Write-offs	-	302,717	2,142,068	2,444,785
Others	14,637	665	7,335	22,637
As at 31 December	**(15,633,213)**	**(907,440)**	**(4,289,640)**	**(20,830,293)**

	The Bank			
	2018			
	Provision for impairment losses which is collectively assessed	Provision for impaired loans and advances		Total
		collective assessement	individual assessement	
As at 1 January	(15,432,751)	(885,850)	(4,028,006)	(20,346,607)
Charge for the year	(10,256,674)	(1,673,308)	(4,861,758)	(16,791,740)
Release during the year	-	-	1,556,709	1,556,709
Recoveries	-	(93,496)	(414,634)	(508,130)
Unwinding of discount	-	-	114,688	114,688
Write-offs	-	1,232,580	2,776,711	4,009,291
Others	(4,204)	(233)	(795)	(5,232)
As at 31 December	**(25,693,629)**	**(1,420,307)**	**(4,857,085)**	**(31,971,021)**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 140

	The Bank			
	2017			
	Provision for impairment losses which is collectively assessed	Provision for impaired loans and advances		Total
		collective assessement	individual assessement	
As at 1 January	(11,732,820)	(716,070)	(3,973,395)	(16,422,285)
Charge for the year	(3,711,516)	(376,928)	(3,108,038)	(7,196,482)
Release during the year	-	-	1,490,972	1,490,972
Recoveries	-	(96,234)	(610,204)	(706,438)
Unwinding of discount	-	-	103,226	103,226
Write-offs	-	302,717	2,066,409	2,369,126
Others	11,585	665	3,024	15,274
As at 31 December	**(15,432,751)**	**(885,850)**	**(4,028,006)**	**(20,346,607)**

(8) Rescheduled loans and advances to customers

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Rescheduled loans and advances to customers	1,161,948	1,004,523	1,150,886	1,004,523

(9) Fair value of collaterals

As at the end of the Relevant Periods, the fair value of collaterals held against corporate loans and advances of the Group and the Bank that were impaired and that were overdue but not impaired were as the follows:

Fair value of collaterals held against impaired corporate loans and advances

As at 31 December 2018, the gross balance of corporate loans and advances of the Group and the Bank that were impaired amounted to RMB8,019 million and RMB7,795 million respectively (31 December 2017: The Group and the Bank were RMB6,619 million and RMB6,307 million respectively). The covered portion of these loans and advances were RMB3,885 million and RMB3,884 million respectively (31 December 2017: The Group and the Bank were RMB3,770 million and RMB3,703 million respectively). Corresponding fair value of collaterals was as follows:

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Land and premises	3,019,681	2,539,462	3,016,486	2,444,163
Other assets	1,384,045	1,566,606	1,384,045	1,554,887
Total	**4,403,726**	**4,106,068**	**4,400,531**	**3,999,050**

Fair value of collaterals held against corporate loans and advances which were overdue but not impaired

As at 31 December 2018, the gross amount of corporate loans and advances of the Group and the Bank, which were overdue but not impaired, were RMB3,214 million and RMB3,207 million respectively (31 December 2017: RMB204 million and RMB190 million respectively). The covered portion of these loans and advances of the Group and the Bank were RMB1,094 million and RMB1,087 million respectively (31 December 2017: both RMB81 million respectively). Corresponding fair value of collaterals was as follows:

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Land and premises	706,371	82,257	706,371	82,257
Other assets	529,579	4,655	528,053	4,655
Total	**1,235,950**	**86,912**	**1,234,424**	**86,912**

141 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

The fair value of collateral was estimated by the Group based on the latest available external valuations adjusted by considering the current realisation experience as well as the market situation. Collaterals were mainly land and premises.

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Debt instruments measured by fair value (Analysed by issuer)					
In mainland China					
- Government		2,032,270	1,700,534	1,911,153	1,681,084
- Policy banks		8,534,150	9,100,121	8,331,522	8,950,398
- Banks and other financial institutions		194,737,547	180,906,385	193,730,396	179,924,230
- Other institutions	(i)	7,435,033	9,307,726	6,980,129	9,075,791
Outside mainland China					
- Government		1,151,972	946,706	200,005	196,064
- Banks and other financial institutions		6,623,126	7,511,423	4,688,611	6,410,929
- Other institutions	(i)	2,075,831	1,097,867	333,448	610,043
Sub-total	(ii)/(iii)	**222,589,929**	**210,570,762**	**216,175,264**	**206,848,539**
Equity instruments (Analysed by measurement)					
In mainland China					
- Measured by fair value	(iii)/(iv)	167,532,016	199,074,036	167,250,059	198,521,988
- Measured by cost	(v)	99,588	94,327	64,327	64,327
Outside mainland China					
- Measured by fair value	(iii)	11,557,988	10,945,688	13,211,946	12,279,707
Sub-total		**179,189,592**	**210,114,051**	**180,526,332**	**210,866,022**
Total		**401,779,521**	**420,684,813**	**396,701,596**	**417,714,561**

(2) Analysed by listed or unlisted

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Debt instruments					
- Listed		12,788,249	1,767,791	7,441,479	-
- Unlisted		209,801,680	208,802,971	208,733,785	206,848,539
Sub-total	(ii)	**222,589,929**	**210,570,762**	**216,175,264**	206,848,539
Equity instruments					
- Listed		62,678	68,607	62,678	68,607
- Unlisted	(v)	179,126,914	210,045,444	180,463,654	210,797,415
Sub-total		**179,189,592**	**210,114,051**	**180,526,332**	**210,866,022**
Total		**401,779,521**	**420,684,813**	**396,701,596**	**417,714,561**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 142

(3) Fair value analyses of available-for-sale financial assets

	Note	As at 31 December 2018					
		The Group			The Bank		
		Available-for-sale equity instruments	Available-for-sale debt instruments	Total	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost of equity instruments / debt instruments		178,558,550	223,723,010	402,281,560	179,905,182	217,080,274	396,985,456
Fair Value		179,090,004	222,589,929	401,679,933	180,462,005	216,175,264	396,637,269
Fair value change included in OCI		532,894	(120,665)	412,229	558,263	107,406	665,669
Provision for impairment	(iii)	(1,440)	(1,012,416)	(1,013,856)	(1,440)	(1,012,416)	(1,013,856)

	Note	As at 31 December 2017					
		The Group			The Bank		
		Available-for-sale equity instruments	Available-for-sale debt instruments	Total	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost of equity instruments / debt instruments		210,171,253	211,964,885	422,136,138	211,184,349	208,248,612	419,432,961
Fair Value		210,019,724	210,570,762	420,590,486	210,801,695	206,848,539	417,650,234
Fair value change included in OCI		(62,121)	(752,996)	(815,117)	(293,246)	(758,946)	(1,052,192)
Provision for impairment	(iii)	(89,408)	(641,127)	(730,535)	(89,408)	(641,127)	(730,535)

(i) Debt instruments issued by other institutions inside and outside mainland China mainly represent debt securities issued by all kinds of enterprises and companies.

(ii) At the balance sheet date, some of the debt instruments were pledged as collateral for debt securities lending transactions (see Note X for details). No other investments were subject to material restriction on realisation.

(iii) When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly.

(iv) Equity instruments measured based on fair value inside China mainly represent money fund and bond fund investment, and beneficial right investment on bonus bill.

(v) Part of available-for-sale unlisted equity instruments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any accumulated impairment losses.

10. Held-to-maturity investments

Analysed by type of issuer and geographical location

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Issued in mainland China:					
- Government		262,851,272	231,227,582	262,851,272	231,227,582
- Banks and other financial institutions		28,884,645	25,111,492	27,995,504	25,111,492
- Other institutions	(i)	10,064,524	1,121,939	10,043,749	1,121,939
Issued outside mainland China					
- Commercial banks and other financial institutions		4,896,361	4,177,804	4,185,043	4,177,804
- Other institutions	(i)	4,773,857	2,627,647	2,968,880	2,433,289
Total		**311,470,659**	**264,266,464**	**308,044,448**	**264,072,106**
Less: Provision for impairment losses	V. 17	(827,419)	(3,596)	(827,419)	(3,596)
Carrying amount	(ii)/(iii)	**310,643,240**	**264,262,868**	**307,217,029**	**264,068,510**

143 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

(i) Debt securities issued by other institutions inside and outside mainland China mainly represent debt securities issued by all kinds of enterprises companies.

(ii) As at the balance sheet date, part of the held-to-maturity investments was pledged as guaranty (See Note X). No other investments were subject to material restrictions on the realisation.

(iii) As at 31 December 2018, held-to-maturity investments of the Group and the Bank include a listed bond investment, which amounted to RMB14.89 billion and RMB12.98 billion respectively. (31 December 2017, RMB8.71 billion and RMB8.52 billion respectively).

11. Investment securities classified as receivables

Analysed by type of issuer and geographical location

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Issued in mainland China					
- Government	(i)	7,735,978	8,390,195	7,735,978	8,390,195
- Commercial Banks	(ii)/(iv)	928,877	902,293	-	-
- Other financial institutions	(iii)/(iv)	125,810,515	134,920,751	138,909,745	141,898,414
- Other institutions	(v)	300,000	100,000	300,000	100,000
Sub-total		**134,775,370**	**144,313,239**	**146,945,723**	**150,388,609**
Less: Provision for impairment losses	V. 17	(6,010,530)	(7,611,853)	(6,352,702)	(7,848,140)
Carrying amount	(vi)	**128,764,840**	**136,701,386**	**140,593,021**	**142,540,469**

(i) Mainly represent certificated bonds and local government bonds issued by Chinese government.

(ii) Mainly represent wealth management products issued by commercial banks.

(iii) Mainly represent the asset management plans established by asset management companies, the asset management plans established by securities companies and the certificates issued by securities companies.

Some banks and other financial institutions offer credit enhancement to some of the above investments. As at 31 December 2018, RMB1 billion of beneficial right transfer contracts have been signed to forward sell with banks and other financial institutions in mainland China (31 December 2017: RMB1.8 billion). The fair value of the above sale agreement is insignificant.

(iv) The Group invests in debt instruments directly or through structured entities to get a fixed or determinable income. The underlying assets of these structured entities include interbank deposits, bonds and credit assets. For the information of the interests in structure entities, see Note VI.

(v) Securities issued by other institutions in China are mainly debt instruments issued by all kinds of enterprises companies.

(vi) None of the above investment classified as receivables was listed. Part of the investment classified as receivables was pledged as guaranty (see Note X). No other investments were subject to material restrictions on the realization.

12. Long-term equity investments

	Note	The Group	
		As at 31 December 2018	As at 31 December 2017
Investments in associates	(i)	402,120	395,131

	Note	The Bank	
		As at 31 December 2018	As at 31 December 2017
Investments in associate	(ii)	382,399	375,115
Investments in subsidiaries	(iii)	3,870,724	3,870,724
Total		**4,253,123**	**4,245,839**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 144

(i) Changes in the Group's long-term equity investments in associate are as follows:

Investee	2018					
	Balance at 1 January	Increase in capital	Decrease in capital	Investment gains/(losses) recognised under equity method	Balance at 31 December	Balance of provision for impairment losses at 31 December
Shanghai Shangkang Yinchuang Investment Management co., Ltd. ("Shangkang Yinchuang")	19,016	-	-	505	19,521	-
Shanghai ShangCheng Consumer Finance Corporation Limited ("ShangCheng Finance")	375,115	-	-	7,284	382,399	-
Shenzhen Yushi Supply Chain Science & Technology Service Co. ,Ltd. ("Yushi Science&Technology")	1,000	-	(1,000)	-	-	-
Shangyin Yihao Equity Investment Fund Partnership Company("Shangyin Yihao")	-	100	-	-	100	-
Shangyin Zhonghe Hengtai Investment Partnership Company("Zhonghe Hengtai")	-	100	-	-	100	-
Total	**395,131**	**200**	**(1,000)**	**7,789**	**402,120**	**-**

Investee	2017				
	Balance at 1 January	Increase in capital	Investment loss recognised under equity method	Balance at 31 December	Balance of provision for impairment losses at 31 December
Shangkang Yinchuang	18,423	-	593	19,016	-
ShangCheng Finance	-	380,000	(4,885)	375,115	-
Yushi Science&Technology	-	1,000	-	1,000	-
Total	**18,423**	**381,000**	**(4,292)**	**395,131**	**-**

(ii) Changes in the Bank's long-term equity investments in associates are as follows:

Investee	2018				
	Balance at 1 January	Increase in capital	Investment loss recognised under equity method	Balance at 31 December	Balance of provision for impairment losses at 31 December
ShangCheng Finance	375,115	-	7,284	382,399	-

Investee	2017				
	Balance at 1 January	Increase in capital	Investment loss recognised under equity method	Balance at 31 December	Balance of provision for impairment losses at 31 December
ShangCheng Finance	-	380,000	(4,885)	375,115	-

See Note VI.2 for details of the Group's and the Bank's associates.

(iii) Changes in the Bank's long-term equity investments in subsidiaries are as follows:

Investee	2018			
	Balance at 1 January	Additional investment	Balance at 31 December	Balance of provision for impairment losses at 31 December
Bank of Shanghai (Hong Kong) Limited ("Hongkong subsidiary")	3,279,424	-	3,279,424	-
BOSC Asset Management Co., Ltd. ("Asset Management")	270,000	-	270,000	-
Minhang Rural	102,000	-	102,000	-
Jiangning Rural	102,000	-	102,000	-
Chongzhou Rural	66,300	-	66,300	-
Qujiang Rural	51,000	-	51,000	-
Total	**3,870,724**	**-**	**3,870,724**	**-**

145 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

Investee	2017			
	Balance at 1 January	Additional investment	Balance at 31 December	Balance of provision for impairment losses at 31 December
Hong Kong Subsidiary	3,279,424	-	3,279,424	-
Asset Management	270,000	-	270,000	-
Minhang Rural	102,000	-	102,000	-
Jiangning Rural	102,000	-	102,000	-
Chongzhou Rural	66,300	-	66,300	-
Qujiang Rural	51,000	-	51,000	-
Total	**3,870,724**	-	**3,870,724**	-

See Note VI.1 for details of the Bank's subsidiaries.

13. Fixed assets

	The Group					
	Premises	Construction in progress	Electronic equipment	Furniture and fixtures	Motor vehicles	Total
Cost:						
As at 1 January 2018	5,703,999	99,960	55,412	2,234,401	105,915	8,199,687
Additions	1,632,664	44,799	1,988	251,162	3,783	1,934,396
Disposals	-	(73,766)	(639)	(147,449)	(1,979)	(223,833)
As at 31 December 2018	**7,336,663**	**70,993**	**56,761**	**2,338,114**	**107,719**	**9,910,250**
Accumulated depreciation:						
As at 1 January 2018	(1,956,763)	-	(46,785)	(1,717,048)	(84,553)	(3,805,149)
Charge for the year	(262,756)	-	(4,839)	(194,138)	(5,958)	(467,691)
Disposals	-	-	484	139,897	1,880	142,261
As at 31 December 2018	**(2,219,519)**	-	**(51,140)**	**(1,771,289)**	**(88,631)**	**(4,130,579)**
Carrying amount						
As at 1 January 2018	**3,747,236**	**99,960**	**8,627**	**517,353**	**21,362**	**4,394,538**
As at 31 December 2018	**5,117,144**	**70,993**	**5,621**	**566,825**	**19,088**	**5,779,671**

	The Group					
	Premises	Construction in progress	Electronic equipment	Furniture and fixtures	Motor vehicles	Total
Cost:						
As at 1 January 2017	5,508,812	56,362	58,636	2,369,877	104,670	8,098,357
Additions	195,220	43,598	2,153	126,210	7,617	374,798
Disposals	(33)	-	(5,377)	(261,686)	(6,372)	(273,468)
As at 31 December 2017	**5,703,999**	**99,960**	**55,412**	**2,234,401**	**105,915**	**8,199,687**
Accumulated depreciation:						
As at 1 January 2017	(1,762,848)	-	(45,814)	(1,756,781)	(83,495)	(3,648,938)
Charge for the year	(193,946)	-	(5,122)	(208,043)	(7,109)	(414,220)
Disposals	31	-	4,151	247,776	6,051	258,009
As at 31 December 2017	**(1,956,763)**	-	**(46,785)**	**(1,717,048)**	**(84,553)**	**(3,805,149)**
Carrying amount						
As at 1 January 2017	**3,745,964**	**56,362**	**12,822**	**613,096**	**21,175**	**4,449,419**
As at 31 December 2017	**3,747,236**	**99,960**	**8,627**	**517,353**	**21,362**	**4,394,538**

As at 31 December 2018, the carrying amount of the Group's premises for operating leases was RMB491 million (31 December 2017: RMB356 million).

As at 31 December 2018, there was no significant amounts of temporarily idle fixed assets (31 December 2017: Nil).

As at 31 December 2018, title deeds were not yet finalised for the Group's premises with a carrying amount of RMB110 million (31 December 2017: 198 million). Management of the Group are of the opinion that the Group is entitled to legally and effectively occupy or use the above-mentioned premises.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 146

14. Intangible assets

	The Group			
	Land use right	Computer software	Others	Total
Cost				
As at 1 January 2018	278,832	947,047	5,568	1,231,447
Additions	-	173,071	57	173,128
As at 31 December 2018	**278,832**	**1,120,118**	**5,625**	**1,404,575**
Accumulated amortisation				
As at 1 January 2018	(85,368)	(633,626)	(1,783)	(720,777)
Accumulated amortisation	(5,905)	(141,473)	(277)	(147,655)
As at 31 December 2018	**(91,273)**	**(775,099)**	**(2,060)**	**(868,432)**
Carrying amount				
As at 1 January 2018	**193,464**	**313,421**	**3,785**	**510,670**
As at 31 December 2018	**187,559**	**345,019**	**3,565**	**536,143**

	The Group			
	Land use right	Computer software	Others	Total
Cost				
As at 1 January 2017	278,832	883,165	8,318	1,170,315
Additions	-	72,465	-	72,465
Disposals	-	(8,583)	(2,750)	(11,333)
As at 31 December 2017	278,832	947,047	5,568	1,231,447
Accumulated amortisation				
As at 1 January 2017	(79,465)	(507,465)	(3,770)	(590,700)
Amortised for the year	(5,903)	(133,471)	(742)	(140,116)
Disposals	-	7,310	2,729	10,039
As at 31 December 2017	(85,368)	(633,626)	(1,783)	(720,777)
Carrying amount				
As at 1 January 2017	199,367	375,700	4,548	579,615
As at 31 December 2017	193,464	313,421	3,785	510,670

15. Deferred tax assets and liabilities

(1) Analysed by nature

		The Group				
		As at 31 December 2018				
	Note	Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
Deferred tax assets						
Provision for impairment losses		36,727,868	9,178,642	-	-	9,178,642
Employee benefits payable		3,540,725	885,037	-	-	885,037
Fair value change		184,743	34,687	(1,800,252)	(450,063)	(415,376)
Others	(i)	165,910	41,767	-	-	41,767
Total		**40,619,246**	**10,140,133**	**(1,800,252)**	**(450,063)**	**9,690,070**

147 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	Note	The Group				
		As at 31 December 2017				
		Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
Deferred tax assets						
Provision for impairment losses		23,525,799	5,877,529	-	-	5,877,529
Employee benefits payable		2,832,482	708,101	-	-	708,101
Fair value change		5,150,029	1,286,441	(506,912)	(126,728)	1,159,713
Others	(i)	149,110	38,096	-	-	38,096
Total		**31,657,420**	**7,910,167**	**(506,912)**	**(126,728)**	**7,783,439**
Deferred tax liabilities						
Provision for impairment losses		88,800	22,200	-	-	22,200
Fair value change		-	-	(310,308)	(77,577)	(77,577)
Others	(i)	-	-	(2,206)	(364)	(364)
Total		**88,800**	**22,200**	**(312,514)**	**(77,941)**	**(55,741)**

(i) Others mainly represent the temporary differences arising from long-term deferred expenses, as well as the difference in amortization period between accounting policy and tax requirement for intangible assets.

(2) Movements of deferred tax

	Note	The Group			
		Year ended 31 December 2018			
		1 January 2018	Recognised in profit or loss	Recognised in equity	31 December 2018
Deferred tax assets					
Deferred tax					
- Provision for impairment losses	(i)	5,877,529	3,301,113	-	9,178,642
- Employee benefits payable		708,101	176,936	-	885,037
- Fair value change	(ii)	1,159,713	(1,162,358)	(412,731)	(415,376)
- Others		38,096	3,671	-	41,767
Net balance		**7,783,439**	**2,319,362**	**(412,731)**	**9,690,070**
Deferred tax liabilities					
Deferred tax					
- Provision for impairment losses	(i)	22,200	(22,200)	-	-
- Fair value change	(ii)	(77,577)	-	77,577	-
- Others		(364)	364	-	-
Net balance		**(55,741)**	**(21,836)**	**77,577**	**-**

	Note	The Group			
		Year ended 31 December 2017			
		1 January 2018	Recognised in profit or loss	Recognised in equity	31 December 2018
Deferred tax assets					
Deferred tax					
- Provision for impairment losses	(i)	4,960,903	916,626	-	5,877,529
- Employee benefits payable		578,929	129,172	-	708,101
- Fair value change	(ii)	(546,787)	1,405,947	300,553	1,159,713
- Others		39,844	(1,748)	-	38,096
Net balance		**5,032,889**	**2,449,997**	**300,553**	**7,783,439**
Deferred tax liabilities					
Deferred tax					
- Provision for impairment losses	(i)	-	22,200	-	22,200
- Fair value change	(ii)	(40,099)	-	(37,478)	(77,577)
- Others		(185)	(179)	-	(364)
Net balance		**(40,284)**	**22,021**	**(37,478)**	**(55,741)**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 148

(i) The Group made provision for impairment losses on financial assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets as at the balance sheet date. The amounts deductible for income tax purposes are calculated based on the underlying PRC tax rules at the balance sheet.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

16. Other assets

	Note	The Group	
		As at 31 December 2018	As at 31 December 2017
Precious metals		3,889,072	7,271,288
Suspense account for clearing		3,697,256	360,651
Receivables		1,736,618	1,444,266
Prepayments	(i)	663,475	1,571,332
Pledged deposits		389,331	594,392
Long-term deferred expenses	(ii)	267,034	203,416
Repossessed assets	(iii)	105,310	-
Others		421,877	524,955
Total		**11,169,973**	**11,970,300**
Less: Provision for impairment losses	V. 17	(134,810)	(40,323)
Net balance		**11,035,163**	**11,929,977**

(i) Prepayments mainly represent prepayments for office buildings, decorations for branches and other projects.

(ii) Long-term deferred expenses

	The Group			
	Year ended 31 December 2018			
	As at 1 January	Additions	Amortisation charged for the year	As at 31 December
Leasehold improvements	166,552	176,381	(121,282)	221,651
Others	36,864	16,057	(7,538)	45,383
Total	**203,416**	**192,438**	**(128,820)**	**267,034**

	The Group			
	Year ended 31 December 2017			
	As at 1 January	Additions	Amortisation charged for the year	As at 31 December
Leasehold improvements	212,907	62,216	(108,571)	166,552
Others	29,195	12,583	(4,914)	36,864
Total	**242,102**	**74,799**	**(113,485)**	**203,416**

(iii) Repossessed assets represent shares in third parties. As at 31 December 2018, the group accrue RMB 98.33million provision for impairment of repossessed assets (31 December 2017: nil).

149 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

17. Provision for impairment losses

Impaired items	Note	The Group				
		As at 1 January 2018	Charge for the year	Recoveries for the year	Write-off and others	As at 31 December 2018
Placements with banks and other financial institutions	V.3	26,799	9,424	-	-	36,223
Financial assets held under resale agreements	V. 6	135,454	-	-	94,964	230,418
Loans and advances to customers	V. 8	20,830,293	16,956,725	(1,654,524)	(3,797,035)	32,335,459
Available-for-sale financial assets	V. 9	730,535	583,321	-	(300,000)	1,013,856
Held-to-maturity investments	V. 10	3,596	823,823	-	-	827,419
Investment securities classified as receivables	V. 11	7,611,853	-	(1,495,438)	(105,885)	6,010,530
Other assets	V. 16	40,323	94,366	-	121	134,810
Total		**29,378,853**	**18,467,659**	**(3,149,962)**	**(4,107,835)**	**40,588,715**

Impaired items	Note	The Group				
		As at 1 January 2017	Charge for the year	Recoveries for the year	Write-off and others	As at 31 December 2017
Placements with banks and pother financial institutions	V. 3	17,162	9,637	-	-	26,799
Financial assets held under resale agreements	V. 6	-	135,454	-	-	135,454
Loans and advances to customers	V. 8	16,602,775	7,584,810	(1,501,839)	(1,855,453)	20,830,293
Available-for-sale financial assets	V. 9	584,762	157,807	(12,034)	-	730,535
Held-to-maturity investments	V. 10	1,637	1,959	-	-	3,596
Investment securities classified as receivables	V. 11	5,348,428	2,457,557	(194,132)	-	7,611,853
Other assets	V. 16	30,502	29,467	(16,807)	(2,839)	40,323
Total		**22,585,266**	**10,376,691**	**(1,724,812)**	**(1,858,292)**	**29,378,853**

Impaired items	Note	The Bank				
		As at 1 January 2018	Charge for the year	Recoveries for the year	Write-off and others	As at 31 December 2018
Placements with banks and pother financial institutions	V. 3	26,799	5,884	-	-	32,683
Loans and advances to customers	V. 8	20,346,607	16,791,740	(1,556,709)	(3,610,617)	31,971,021
Available-for-sale financial assets	V. 9	730,535	583,321	-	(300,000)	1,013,856
Held-to-maturity investments	V. 10	3,596	823,823	-	-	827,419
Investment securities classified as receivables	V. 11	7,848,140	-	(1,495,438)	-	6,352,702
Other assets	V. 16	11,304	95,789	-	-	107,093
Total		**28,966,981**	**18,300,557**	**(3,052,147)**	**(3,910,617)**	**40,304,774**

Impaired items	Note	The Bank				
		As at 1 January 2017	Charge for the year	Recoveries for the year	Write-off and others	As at 31 December 2017
Placements with banks and pother financial institutions	V. 3	17,162	9,637	-	-	26,799
Loans and advances to customers	V. 8	16,422,285	7,196,482	(1,490,972)	(1,781,188)	20,346,607
Available-for-sale financial assets	V. 9	584,762	157,807	(12,034)	-	730,535
Held-to-maturity investments	V. 10	1,637	1,959	-	-	3,596
Investment securities classified as receivables	V. 11	5,348,428	2,693,844	(194,132)	-	7,848,140
Other assets	V. 16	16,807	11,304	(16,807)	-	11,304
Total		**22,391,081**	**10,071,033**	**(1,713,945)**	**(1,781,188)**	**28,966,981**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 150

18. Deposits from banks and other financial institutions

Analysed by type and geographical location of counterparty

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Deposits in mainland China				
- Banks	100,731,341	85,890,216	101,374,879	86,244,439
- Other financial institutions	218,590,388	211,712,877	218,691,923	211,773,718
Deposits outside mainland China				
- Banks	49,646,621	31,051,168	49,652,851	31,051,169
Total	**368,968,350**	**328,654,261**	**369,719,653**	**329,069,326**

19. Placements from banks and other financial institutions

Analysed by type and geographical location of counterparty

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Placements in mainland China				
- Banks	34,539,844	16,520,472	34,539,844	16,520,472
- Other financial institutions	200,000	-	200,000	-
Placements outside mainland China				
- Banks	33,596,294	35,280,624	29,976,410	33,417,955
Total	**68,336,138**	**51,801,096**	**64,716,254**	**49,938,427**

20. Financial liabilities at fair value through profit or loss

	The Group	
	As at 31 December 2018	As at 31 December 2017
Short position in bond	**7,168**	-

All the financial liabilities at fair value through profit or loss are trading financial liabilities.

21. Financial assets sold under repurchase agreements

(1) Analysed by type of collateral

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Securities				
- Government bonds	34,575,900	35,139,100	34,575,900	35,139,100
- Policy bank bonds	9,982,040	10,660,900	9,982,040	10,660,900
Sub-total	**44,557,940**	**45,800,000**	**44,557,940**	**45,800,000**
Bank deposit receipt	296,000	-	296,000	-
Commercial bills	16,297,318	32,559,419	16,297,318	32,559,419
Asset management plans	-	213,750	-	-
Total	**61,151,258**	**78,573,169**	**61,151,258**	**78,359,419**

151 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

(2) Analysed by type and geographical location of counterparty

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
In mainland China				
- Banks	42,740,356	51,141,108	42,740,356	51,141,108
- Other financial institutions	18,410,902	27,432,061	18,410,902	27,218,311
Total	**61,151,258**	**78,573,169**	**61,151,258**	**78,359,419**

22. Deposits from customers

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Demand deposits				
- Corporate customers	336,208,174	323,092,112	334,726,519	321,541,586
- Personal customers	63,933,594	58,390,833	63,658,570	58,321,135
Sub-total	**400,141,768**	**381,482,945**	**398,385,089**	**379,862,721**
Time deposits (include call deposits)				
- Corporate customers	393,687,032	328,458,562	384,895,878	316,339,543
- Personal customers	166,373,714	146,876,815	165,967,911	146,633,040
Sub-total	**560,060,746**	**475,335,377**	**550,863,789**	**462,972,583**
Pledged deposits	**82,287,091**	**66,767,002**	**81,752,484**	**66,311,020**
Total	**1,042,489,605**	**923,585,324**	**1,031,001,362**	**909,146,324**

23. Employee benefits payable

	Note	The Group	
		As at 31 December 2018	As at 31 December 2017
Short-term employee benefits	(i)	2,592,986	1,915,377
Post employment benefits – defined contribution plans	(ii)	-	-
Termination benefits		1,643	3,305
Other long-term employee benefits	(iii)	1,105,539	1,060,264
Total	(iv)	**3,700,168**	**2,978,946**

(i) Short-term employee benefits

	The Group			
	As at 1 January 2018	Increased during the year	Decreased during the year	As at 31 December 2018
Salaries, bonuses, allowances	1,905,502	3,682,350	(3,010,161)	2,577,691
Staff welfare	-	178,501	(178,501)	-
Social insurance				
- Medical insurance	-	185,756	(185,756)	-
- Work-related injury insurance	-	2,996	(2,996)	-
- Maternity insurance	-	17,332	(17,332)	-
Housing fund	-	235,118	(235,118)	-
Labour union fee, staff and workers' education fee	9,875	76,169	(71,891)	14,153
Others	-	196,569	(195,427)	1,142
Total	**1,915,377**	**4,574,791**	**(3,897,182)**	**2,592,986**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 152

	The Group			
	As at 1 January 2017	Increased during the year	Decreased during the year	As at 31 December 2017
Salaries, bonuses, allowances	1,778,945	3,175,741	(3,049,184)	1,905,502
Staff welfare	-	172,321	(172,321)	-
Social insurance				
- Medical insurance	-	174,272	(174,272)	-
- Work-related injury insurance	-	3,300	(3,300)	-
- Maternity insurance	-	16,304	(16,304)	-
Housing fund	-	222,448	(222,448)	-
Labour union fee, staff and workers' education fee	13,274	71,853	(75,252)	9,875
Others	177	183,077	(183,254)	-
Total	**1,792,396**	**4,019,316**	**(3,896,335)**	**1,915,377**

(ii) Post employment benefits – defined contribution plans

	The Group			
	As at 1 January 2018	Increased during the year	Decreased during the year	As at 31 December 2018
Basic pension insurance	-	361,768	(361,768)	-
Unemployment insurance	-	9,376	(9,376)	-
Annuity	-	148,429	(148,429)	-
Others	-	486	(486)	-
Total	**-**	**520,059**	**(520,059)**	**-**

	The Group			
	As at 1 January 2017	Increased during the year	Decreased during the year	As at 31 December 2017
Basic pension insurance	-	341,877	(341,877)	-
Unemployment insurance	-	9,974	(9,974)	-
Annuity	-	149,542	(149,542)	-
Others	-	7,043	(7,043)	-
Total	-	**508,436**	**(508,436)**	-

(iii) The other long-term employee benefits of the group are deferred payment which are accrued according to the requirements of regulators and the relevant regulations of the bank. The timeline for the deferred payment is three years.

(iv) There were no arrears balance among the Group's employee benefits payable.

24. Taxes payable

	Note	The Group		The Bank	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Income tax payable		2,942,867	3,565,645	2,901,021	3,554,416
VAT and surcharges payable		1,344,608	576,551	1,332,561	572,857
Others	(i)	5,977	1,945	5,854	1,825
Total		**4,293,452**	**4,144,141**	**4,239,436**	**4,129,098**

(i) Others include property tax, land use tax and etc.

153 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

25. Interests payable

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Deposits from customers	12,619,625	12,580,968	12,557,735	12,484,675
Deposits from banks and other financial institutions	2,373,661	2,055,176	2,375,404	2,056,071
Borrowings from central bank	1,480,501	1,125,317	1,480,442	1,125,301
Debt securities issued	461,926	375,447	359,884	359,884
Placements from banks and other financial institutions	412,362	294,531	393,211	290,976
Financial assets sold under repurchase agreements	35,052	139,120	35,052	87,094
Total	**17,383,127**	**16,570,559**	**17,201,728**	**16,404,001**

26. Debt securities issued

		The Group				
	Note	1 January 2018	Issued for the year	Repaid for the year	amortization of discounts or premiums	31 December 2018
Negotiable certificates of deposit issued	(i)	150,635,724	877,840,000	(861,830,000)	(280,354)	166,365,370
Subordinated debts and tier 2 capital bonds issued	(ii)	14,989,466	-	-	3,270	14,992,736
Certificate of deposit	(iii)	1,871,788	8,967,590	(6,344,994)	98,007	4,592,391
Other Note instruments	(iv)	651,100	3,418,107	(651,100)	6,926	3,425,033
Total		**168,148,078**	**890,225,697**	**(868,826,094)**	**(172,151)**	**189,375,530**

		The Group				
	Note	1 January 2017	Issued for the year	Repaid for the year	amortization of discounts or premiums	31 December 2017
Negotiable certificates of deposit issued	(i)	214,359,983	597,850,000	(663,380,000)	1,805,741	150,635,724
Subordinated debts and tier 2 capital bonds issued	(ii)	14,986,196	-	-	3,270	14,989,466
Certificate of deposit	(iii)	1,734,206	2,603,600	(2,343,240)	(122,778)	1,871,788
Other Note instruments	(iv)	-	651,100	-	-	651,100
Total		**231,080,385**	**601,104,700**	**(665,723,240)**	**1,686,233**	**168,148,078**

		The Bank				
	Note	1 January 2018	Issued for the year	Repaid for the year	amortization of discounts or premiums	31 December 2018
Negotiable certificates of deposit issued	(i)	150,635,724	877,840,000	(861,830,000)	(280,354)	166,365,370
Subordinated debts and tier 2 capital bonds issued	(ii)	14,989,466	-	-	3,270	14,992,736
Total		**165,625,190**	**877,840,000**	**(861,830,000)**	**(277,084)**	**181,358,106**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 154

	Note	The Bank				
		1 January 2017	Issued for the year	Repaid for the year	amortization of discounts or premiums	31 December 2017
Negotiable certificates of deposit issued	(i)	214,359,983	597,850,000	(663,380,000)	1,805,741	150,635,724
Subordinated debts and tier 2 capital bonds issued	(ii)	14,986,196	-	-	3,270	14,989,466
Total		**229,346,179**	**597,850,000**	**(663,380,000)**	**1,809,011**	**165,625,190**

(i) As at 31 December 2018, the Group and the Bank held 99 unmature negotiable certificates of deposit that were issued in the inter-bank market. The maximum maturity is 365 days. The interest rate ranges from 2.8% to 4.5% (As at 31 December 2017, the Group and the Bank held 75 unmature negotiable certificates of deposit that were issued in the inter-bank market. The maximum maturity is 365 days. The interest rate ranges from 3.85% to 5.52%).

(ii) As at the balance sheet date, details for subordinated debts and tier 2 capital bonds issued by the Group and the Bank are shown as follows:

	Note	As at 31 December 2018	As at 31 December 2017
Subordinated fixed rate bonds maturing in May 2021	(a)	2,500,000	2,500,000
Subordinated fixed rate bonds maturing in May 2026	(a)	2,500,000	2,500,000
Subordinated fixed rate bonds maturing in December 2027	(b)	4,995,701	4,994,611
Fixed-rate tier 2 capital bonds maturing in May 2025	(c)	4,997,035	4,994,855
Total		**14,992,736**	**14,989,466**

(a) The Group issued two tranches of subordinated bonds total amounting to RMB5 billion in the inter-bank market, including 10-years bonds with face value of RMB2.5 billion and 15-years bonds with face value of RMB2.5 billion on 20 May 2011. The 10-years bonds bear a fixed annual coupon interest rate of 5.6% and the 15-years bonds bear a fixed annual coupon interest rate of 5.8%.

(b) The Group issued 15-years fixed interest rate bonds with face value RMB5 billion on 5 December 2012. The coupon interest rate per annum is 5.35%. The Group has the option to redeem all of the bonds at face value on 6 December 2022 upon regulatory approval.

(c) The Group issued 10-years fixed-rate tier 2 capital bonds with face value RMB5 billion on 7 May 2015. The coupon interest rate per annum is 5.32%. The Group has the option to redeem all of the bonds at face value on 11 May 2020 upon regulatory approval.

(iii) Certificates of deposit issued by the Group were issued publicly by Hong Kong Subsidiary in the Hong Kong market. As at 31 December 2018, the Group held 14 unmature certificates of deposit. The maximum maturity is 1095 days. The interest rate ranges from 2.00% to 4.60% (As at 31 December 2017, the Group held 8 unmature certificates of deposit. The maximum maturity is 1095 days. The interest rate ranges from 2.14% to 2.73%).

(iv) As at 31 December 2018, 1 other US dollar bonds total issued nonpublicly by the Group in Singapore. The maximum maturity is 3 years and the coupon interest rate per annum is 3.125% (As at 31 December 2017, 2 other US dollar bonds total issued nonpublicly by the Group. The maximum maturity is 1 years and the coupon interest rate per annum is 3.3%).

27. Other liabilities

	The Group	
	As at 31 December 2018	As at 31 December 2017
Suspense account for clearing	4,284,172	1,026,967
Deferred income	370,142	351,960
Dormant accounts	359,753	227,689
Payment and collection clearance accounts	352,317	307,147
Dividend payable	192,422	162,042
Payables for purchase of long-term assets	152,788	110,054
Others	815,761	664,019
Total	**6,527,355**	**2,849,878**

155 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

28. Share capital

	The Group and the Bank		
	1 January 2018	Share capital increased by capital reserve transfer	31 December 2018
Share capital listed in mainland China	7,805,785	3,122,314	10,928,099

As explained in Note V.34, pursuant to the Shareholders' resolutions approved on 22 June 2018, the Bank increased 4 shares per 10 shares from capital reserve on basis of the share capital at the end of 2017 which was 7,805,785 thousand shares. The share capital of the Bank was subsequently increased by RMB 3.122 billion.

29. Other equity instruments

(1) Preference shares that remain outstanding at the end of the year are set out as follows:

Outstanding financial instruments	Issuance date	Accounting classification	Dividend or interest rate	Issuance price RMB	Quantity Million	Amount Thousand	Maturity date or renewal status	Conditions for conversion	Conversion status
Preference shares	December 2017	Equity instruments	5.20%	100/share	200	20,000,000	Sustainable	Compulsory	None
Minus: issuance cost						(42,830)			
Total						**19,957,170**			

(2) Major terms

(i) Dividend

Adjustable rate for a certain stage, which means that the dividends will be paid at the same rate within a period and the rate will be reset every five years.

The coupon dividend rate includes the benchmark interest rate and the fixed premium. The benchmark interest rate is the arithmetic average of the yield of the national debt for five years in the first twenty trading days (exclude the day) for the deadline of the issue of the priority share or the adjustment day of the benchmark interest rate (repricing day). The benchmark interest rate will be adjusted every five years from the date of issuing the preferred shares. The fixed premium is determined by the coupon dividend rate at the issue date, after deducting the benchmark rate. Once the fixed premium determined, it will be no longer adjusted.

At the repricing day, a new dividend rate will be determined by the sum of benchmark rate at the day and the initial fixed premium.

Dividends will be paid annually.

(ii) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are prior to the ordinary shareholders on the right to dividends. Dividend payments are not linked to the bank's own ratings, nor are they adjusted according to the rating changes.

The Bank may elect to cancel any dividend and it do not constitute a breach of contract. The bank can freely control the cancellation of preferred stock dividends for repayment of other debts due. The cancellation of preferred stock dividends does not constitute any other restrictions on the bank, except for the dividend distribution restrictions on common stock.

(iii) Dividend stopper

The Bank will inform Preference Shareholders at least ten days before the interest payment day if the Bank cancels the dividends to the Preference Shareholders. If the Bank cancels all or part of the dividends to the Preference Shareholders, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends for the current dividend period to the Preference Shareholders in full. Pay the dividends in full indicate that the Bank determine to begin paying all the dividends to Preference Shareholders. Since the preferred share is paid by non-cumulative dividends, the bank will not distribute dividends that have been cancelled in the previous year.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 156

(iv) Order of distribution and liquidation method

Preferred shareholders prefer priority to common shareholders to allocate residual assets. The amount paid is the sum of the preferred shares which has been issued and still existent and the dividends has been declared but not paid during the current period. The amount not sufficient to pay is allocated according to the proportion of preferred shareholders. The Preference Shareholders as well as the new Preference Shareholders in the future will rank equally for payment. The order arrangement of the preferred shareholders and the holders of other tier one capital instruments issued by the bank in the future subject to the relevant regulatory requirements.

(v) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Bank shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to be above 5.125%. In the case of partial transfer, the preferred stock will be converted into shares on the same proportion and on the same terms.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBRC has determined that the Bank would become non-viable if there is no conversion or write-down of preference share; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable), the Bank shall have the right to convert all Preference Shares into A shares.

If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

(vi) Redemption

The preferred shares have no maturity date. After five years since the date of issuance under the premise of obtaining the approval of the CBRC and compliance with regulatory requirements, the Bank has right to redeem all or some of domestic preference shares at the payment day of each year. The redemption period of preference shares ranges from five years after the issue date to the date of full redemption or conversion.

Redemption price is equal to book value plus accrued dividend in current period.

(3) Movement of the preference shares that remain outstanding at the end of the year:

Outstanding financial instruments	At the beginning of the year		Additions during the year		At the end of the year	
	Quantity Million	Carrying value Thousand	Quantity Million	Carrying value Thousand	Quantity Million	Carrying value Thousand
Preference shares	200	19,957,170	-	-	200	19,957,170

(4) Relevant information of amounts attributable to holders of equity instruments

	As at 31 December 2018	As at 31 December 2017
Equity attributable to shareholders of the Company	161,276,549	146,985,136
- Equity attributable to ordinary shareholders of the Company	141,319,379	127,027,966
- Equity attributable to holders of the Company's other equity instruments	19,957,170	19,957,170
Equity attributable to non-controlling shareholders	492,059	456,267
- Equity attributable to non-controlling ordinary shareholders	492,059	456,267
- Equity attributable to non-controlling shareholders of other equity instruments	-	-

30. Capital reserve

	The Group			
	As at 1 January 2018	Additions during the year(i)	Decrease during the year (ii)	As at 31 December 2018
Share premium	28,452,203	-	(3,122,314)	25,329,889
Other capital reserve	-	1,475	-	1,475
Total	**28,452,203**	**1,475**	**(3,122,314)**	**25,331,364**

	As at 1 January 2017	Additions during the year	Decrease during the year (iii)	As at 31 December 2017
Share premium	30,253,538	-	(1,801,335)	28,452,203

157 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	The Bank			
	As at 1 January 2018	Additions during the year	Decrease during the year (ii)	As at 31 December 2018
Share premium	28,452,203	-	(3,122,314)	25,329,889

	As at 1 January 2017	Additions during the year	Decrease during the year (iii)	As at 31 December 2017
Share premium	30,253,538	-	(1,801,335)	28,452,203

(i) In January 2018, Minhang Rural increased capital and shares by introducing new investors. The difference before and after the capital increase in the net asset share of Minhang Rural was approximately RMB 1.47 million, which was included in the capital reserve.

(ii) As explained in Note V.34, pursuant to the Shareholders' resolutions approved on 22 June 2018, the Bank increased 4 shares per 10 shares from capital reserve on basis of the share capital at the end of 2017 which was 7,805,785 thousand shares. The share capital of the Bank was subsequently increased by RM3.122 billion.

(iii) As explained in Note V.34, pursuant to the Shareholders' resolutions approved on 23 June 2017, the Bank increased 3 shares per 10 shares from capital reserve on basis of the share capital at the end of 2016 which was 6,004,450 thousand shares. The share capital of the Bank was subsequently increased by RMB1.801 billion.

31. Other comprehensive income

	The Group						
	2018						
Item	Balance at the beginning of the year attributable to shareholders of the Bank	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the Bank
Items that may be reclassified to profit or loss							
Including: Gain or loss arising from changes in fair value of available-for-sale financial assets	(618,633)	1,616,716	(294,629)	(335,154)	1,005,250	(18,317)	386,617
Translation differences arising from translation of foreign currency financial statements	47,296	193,541	-	-	193,541	-	240,837
Total	**(571,337)**	**1,810,257**	**(294,629)**	**(335,154)**	**1,198,791**	**(18,317)**	**627,454**

	The Bank					
	2018					
Item	Balance at the beginning of the year	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount	Other comprehensive Balance at the end of the year
Items that may be reclassified to profit or loss						
Gain or loss arising from changes in fair value of available-for-sale financial assets	(789,144)	1,908,231	(190,370)	(429,465)	1,288,396	499,252

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 158

Item	The Group						
	2017						
	Balance at the beginning of the year attributable to shareholders of the Bank	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the Bank
Items that may be reclassified to profit or loss							
Including: Gain or loss arising from changes in fair value of available-for-sale financial assets	178,442	(788,802)	(260,104)	263,075	(797,075)	11,244	(618,633)
Translation differences arising from translation of foreign currency financial statements	317,752	(270,456)	-	-	(270,456)	-	47,296
Total	**496,194**	**(1,059,258)**	**(260,104)**	**263,075**	**(1,067,531)**	**11,244**	**(571,337)**

Item	The Bank					
	2017					
	Balance at the beginning of the year	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount	Other comprehensive Balance at the end of the year
Items that may be reclassified to profit or loss						
Gain or loss arising from changes in fair value of available-for-sale financial assets	124,620	(968,120)	(250,232)	304,588	(913,764)	(789,144)

32. Surplus reserve

	The Group and The Bank		
	Statutory surplus reserve	Discretionary surplus reserve	Total
As at 1 January 2017	8,306,780	13,920,564	22,227,344
Appropriation	1,402,652	2,805,304	4,207,956
As at 31 December 2017	9,709,432	16,725,868	26,435,300
As at 1 January 2018	**9,709,432**	**16,725,868**	**26,435,300**
Appropriation	**1,511,418**	**3,022,836**	**4,534,254**
As at 31 December 2018	**11,220,850**	**19,748,704**	**30,969,554**

In accordance with Company Law of the People's Republic of China and the Bank's Articles of Association, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital. Subject to the approval of shareholders' meeting, statutory and discretionary surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After the appropriation of statutory surplus reserve, discretionary surplus reserve may be appropriated from the net profit subject to the approval of shareholders' meeting. Upon the approval of shareholders' meeting, discretionary surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital.

As at 1 January 2017, the balance of the statutory surplus reserve of the Bank has reached 50% of its registered capital. The Bank continued to appropriate 10% of its net profit to the statutory surplus reserve according to the shareholders' resolutions on 23 June 2017 and 22 June 2018.

159 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

33. General reserve

	The Group		The Bank	
	2018	2017	2018	2017
As at 1 January	25,780,256	21,245,093	25,630,000	21,130,000
Appropriation	24,502	4,535,163	-	4,500,000
As at 31 December	25,804,758	25,780,256	25,630,000	25,630,000

According to the Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises (Cai Jin [2012] No.20) issued by the MOF, a financial enterprise shall appropriate from net profits an amount of not less than 1.5% of its risk-bearing assets at the year end as general reserve.

General reserve of the Group also includes other general reserves accrued by the Bank's subsidiaries in accordance with the laws and regulations applicable to the business industry or region.

34. Appropriation of profits

(i) According to the resolution made in the 8th session of the 5th Board Meeting on October 26, 2018, it was decided to declare a cash dividend of RMB 5.20 (tax inclusive) per share based on the 5.20% dividend yield ratio of the par value of the preferred stock -Shangyinyou 1. Then, the total dividends paid amount to RMB 1.04 billion (tax inclusive), and the date of dividend payment was on December 19, 2018.

(ii) In accordance with the resolution of the shareholders' meeting of the Bank on 22 June 2018, the shareholders approved the following profit appropriations and capital reserve addition for the year ended 31 December 2017:

- 10% of the profit after tax for the statutory surplus reserve of year 2017;

- 20% of the profit after tax for the discretionary surplus reserve of year 2017;

- No general reserve extracted of year 2017;

- RMB5.00 per 10 shares (including tax) with the aggregate amount of RMB3,903 million as cash dividend to the shareholders on the register; and

- Converting capital reserve into new shares on the basis of 7,805,785,000 shares of the total share capital at the end of 2017, by four shares for every ten existing shares with the total new shares amounting to RMB3,122 million.

(iii) In accordance with the resolution of the shareholders' meeting of the Bank on 23 June 2017, the shareholders approved the following profit appropriations and share capital increase from capital reserve addition for the year ended 31 December 2016:

- 10% of the profit after tax for the statutory surplus reserve of year 2016;

- 20% of the profit after tax for the discretionary surplus reserve of year 2016;

- RMB4.5 billion for the general reserve;

- RMB5.00 per 10 shares (including tax) with the aggregate amount of RMB3,002 million as cash dividend to the shareholders on the register; and;

- Converting capital reserve into new shares on the basis of 6,004,450,000 shares of the total share capital at the end of 2016, by three shares for every ten existing shares with the total new shares amounting to RMB1,801 million.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 160

35. Net interest income

	Note	The Group		The Bank	
		2018	2017	2018	2017
Investment in debt instruments		25,860,958	26,273,058	26,386,209	26,488,798
Loans and advances to customers					
- Corporate loans and advances		24,633,460	17,757,665	23,781,525	17,044,493
- Personal loans and advances		13,831,166	6,857,596	13,770,297	6,794,190
- Discounted bills		1,453,720	1,923,105	1,452,776	1,920,819
Placements with banks and other financial institutions		5,583,690	3,487,554	5,591,047	3,377,815
Deposits with central bank		2,049,359	2,028,931	2,044,871	2,024,335
Financial assets held under resale agreements		1,542,899	889,683	874,001	750,999
Deposits with banks and other financial institutions		774,946	751,856	758,444	733,602
Others		146,862	112,837	128,547	117,697
Interest income	(i)	**75,877,060**	**60,082,285**	**74,787,717**	**59,252,748**
Deposits from customers					
- Corporate customers		(14,714,175)	(11,677,442)	(14,488,814)	(11,396,426)
- Individual customers		(4,761,674)	(4,520,908)	(4,749,368)	(4,510,894)
Deposits from banks and other financial institutions		(10,359,384)	(9,215,618)	(10,374,772)	(9,255,032)
Debt securities issued		(8,129,648)	(8,353,584)	(7,891,378)	(8,307,347)
Placements from banks and other financial institutions		(3,202,327)	(1,645,187)	(3,156,642)	(1,606,615)
Borrowings from central bank		(3,035,941)	(2,935,567)	(3,033,060)	(2,932,962)
Financial assets sold under repurchase agreements		(1,731,349)	(2,611,742)	(1,716,903)	(2,601,399)
Others		(5,733)	(4,928)	(1,717)	(4,928)
Interest expense		**(45,940,231)**	**(40,964,976)**	**(45,412,654)**	**(40,615,603)**
Net interest income		**29,936,829**	**19,117,309**	**29,375,063**	**18,637,145**

(i) Interest income arising from impaired financial assets is listed as follows:

	The Group		The Bank	
	2018	2017	2018	2017
Interest income arising from impaired loans and advances to customers	117,926	105,336	114,688	103,226

36. Net fee and commission income

	The Group		The Bank	
	2018	2017	2018	2017
Bank card fees	1,802,351	1,353,300	1,802,351	1,353,300
Agent service fees	1,531,473	1,919,918	1,359,470	1,735,989
Advisory service fees	1,394,235	1,183,029	1,303,783	1,164,082
Custodian and other fiduciary service fees	904,570	1,239,868	904,019	1,202,750
Settlement and clearing fees	198,639	170,042	198,395	169,663
Electronic banking service fees	86,566	75,962	86,566	75,962
Others	826,661	843,439	790,643	768,740
Fee and commission income	**6,744,495**	**6,785,558**	**6,445,227**	**6,470,486**
Bank card charges	(415,604)	(220,554)	(415,604)	(220,554)
Agency expenses	(101,217)	(83,874)	(101,217)	(83,874)
Settlement and clearing charges	(73,475)	(75,293)	(73,345)	(74,973)
Others	(174,660)	(150,051)	(161,948)	(148,638)
Fee and commission expense	**(764,956)**	**(529,772)**	**(752,114)**	**(528,039)**
Net fee and commission income	**5,979,539**	**6,255,786**	**5,693,113**	**5,942,447**

161 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

37. Net investment gains

	The Group		The Bank	
	2018	2017	2018	2017
Net gains/(losses) during the period in which financial instruments are held				
- Bonus income	7,291,183	8,692,396	7,272,437	8,677,600
- Dividend income	39,540	34,866	50,308	87,839
- Others	(1,267)	(1,199)	(2,045)	(1,199)
Net gains / (losses) from disposal of financial instruments				
- Available-for-sale financial assets	294,629	260,104	190,370	250,232
- Precious metal	213,516	465,886	213,516	465,886
- Derivatives	4,868	452,185	118,289	465,315
- Financial assets at fair value through profit or loss	55,827	(263,423)	81,785	(260,350)
Gains/(losses) from long-term equity investments accounted for using equity method	7,789	(4,292)	7,284	(4,885)
Gains from disposal of long-term equity investment	48	-	-	-
Total	**7,906,133**	**9,636,523**	**7,931,944**	**9,680,438**

38. Net (losses)/gains from changes in fair value

	The Group		The Bank	
	2018	2017	2018	2017
Derivatives	4,609,425	(5,183,248)	4,624,281	(5,227,118)
Financial assets at fair value through profit or loss	56,979	(66,449)	92,535	(76,455)
Precious metal	(13,922)	(320,215)	(13,922)	(320,215)
Total	**4,652,482**	**(5,569,912)**	**4,702,894**	**(5,623,788)**

39. General and administrative expenses

	The Group		The Bank	
	2018	2017	2018	2017
Staff costs				
- Short-term employee benefits	4,574,791	4,019,316	4,353,988	3,882,035
- Post-employment benefits – defined contribution plans	520,059	508,436	512,337	495,849
- Termination benefits	(400)	(1,131)	(400)	(1,131)
- Other long-term employee benefits	329,377	419,032	326,347	353,644
Sub-total	**5,423,827**	**4,945,653**	**5,192,272**	**4,730,397**
Premises and equipment expenses				
- Depreciation and amortisation	744,166	667,821	718,833	648,352
- Rental and property management expenses	799,935	771,928	754,897	736,952
- Utility charges	86,437	87,174	84,591	85,479
- Others	32,702	26,463	32,379	25,311
Sub-total	**1,663,240**	**1,553,386**	**1,590,700**	**1,496,094**
Other general and administrative expenses	1,919,324	1,606,319	1,870,196	1,549,028
Total	**9,006,391**	**8,105,358**	**8,653,168**	**7,775,519**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 162

40. Impairment losses

	The Group		The Bank	
	2018	2017	2018	2017
Loans and advances to customers	15,302,201	6,082,971	15,235,031	5,705,510
Held-to-maturity investments	823,823	1,959	823,823	1,959
Available-for-sale financial assets	583,321	145,773	583,321	145,773
Placements with banks and other financial institutions	9,424	9,637	5,884	9,637
Financial assets held under resale agreements	-	135,454	-	-
Investment securities classified as receivables	(1,495,438)	2,263,425	(1,495,438)	2,499,712
Others	108,570	32,096	95,789	(5,503)
Total	**15,331,901**	**8,671,315**	**15,248,410**	**8,357,088**

41. Income tax expenses

(1) Income tax expenses

	The Group		The Bank	
	2018	2017	2018	2017
Current tax	3,653,111	3,967,227	3,541,261	3,887,160
Deferred tax	(2,297,526)	(2,472,018)	(2,294,291)	(2,443,591)
Tax filling differences	(171,548)	(749,540)	(160,048)	(741,485)
Total	**1,184,037**	**745,669**	**1,086,922**	**702,084**

(2) Reconciliations between income tax expenses and accounting profit:

	Note	The Group		The Bank	
		2018	2017	2018	2017
Profit before tax		**19,251,872**	**16,082,462**	**18,767,364**	**15,816,263**
Expected income tax at statutory tax rate of 25%		4,812,968	4,020,615	4,691,841	3,954,066
Effect of different tax rates applied by certain subsidiaries		(26,141)	(19,042)	-	-
Tax effect of non-taxable income	(i)	(3,607,727)	(3,576,627)	(3,600,416)	(3,576,092)
Tax effect of non-deductible expenses	(ii)	31,128	306,819	21,319	302,151
Adjustments for prior years		(26,191)	13,904	(25,822)	21,959
Income tax expenses		**1,184,037**	**745,669**	**1,086,922**	**702,084**

(i) Non-taxable income mainly represent interest income from PRC government bonds, local government bonds and investment gains from equity investments.

(ii) Non-deductable expenses mainly represent staff costs in excess of the deductible threshold, non-deductible entertainment expenses and donations.

163 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

42. Note to the statement of cash flow

(1) Reconciliation of net profit to cash flows from operating activities:

	The Group		The Bank	
	2018	2017	2018	2017
Profit for the year	**18,067,835**	**15,336,793**	**17,680,442**	**15,114,179**
Adjustments:				
Impairment losses	15,331,901	8,671,315	15,248,410	8,357,088
Unwinding of discount	(117,926)	(105,336)	(114,688)	(103,226)
Depreciation and amortisation	744,166	667,821	718,833	648,352
Net (losses) / gains from disposal of fixed assets, intangible assets and other long-term assets	6,867	(9,905)	6,867	(9,905)
Net (gains) / losses from changes in fair value	(4,652,482)	5,569,912	(4,702,894)	5,623,788
Foreign exchange (gains) / losses	(321,222)	273,538	(334,553)	477,826
Net investment gains	(7,631,922)	(8,981,875)	(7,518,354)	(9,009,587)
Interest income from investment in debt instruments	(25,115,509)	(25,939,248)	(25,803,424)	(26,154,988)
Interest expenses on debt securities issued	8,129,648	8,353,584	7,891,378	8,307,347
Deferred taxation	(2,297,526)	(2,472,018)	(2,294,291)	(2,443,591)
Increase in operating receivables	(208,399,938)	(148,876,995)	(204,114,051)	(150,179,569)
Increase in operating payables	184,523,114	86,745,125	186,292,730	83,948,209
Net cash outflow from operating activities	**(21,732,994)**	**(60,767,289)**	**(17,043,595)**	**(65,424,077)**

(2) Changes in cash and cash equivalents:

	The Group		The Bank	
	2018	2017	2018	2017
Cash and cash equivalents at the end of the year	85,401,765	85,072,926	81,202,279	81,721,170
Cash and cash equivalents at the beginning of the year	(85,072,926)	(83,954,898)	(81,721,170)	(79,959,462)
Net increase in cash and cash equivalents	**328,839**	**1,118,028**	**(518,891)**	**1,761,708**

(3) Cash and cash equivalents:

	The Group		The Bank	
	2018	2017	2018	2017
Cash on hand	2,127,633	2,072,258	2,114,180	2,063,514
Balance with central bank other than restricted deposits	24,279,200	10,389,960	24,126,432	10,113,157
Deposits with banks and other financial institutions with original maturity of three months or less	9,885,309	19,773,136	8,129,751	18,794,874
Placements with banks and other financial institutions with original maturity of three months or less	25,704,607	29,141,611	23,426,900	27,053,664
Financial assets held under resale agreements with original maturity of three months or less	23,405,016	23,695,961	23,405,016	23,695,961
Cash and cash equivalents at the end of the year	**85,401,765**	**85,072,926**	**81,202,279**	**81,721,170**

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 164

VI. Interests in other entities

1. Interests in subsidiaries and structured entities included in the consolidated financial statements

Composition of the Group

Main subsidiaries directly held through establishment:

Name	The Bank's shareholding percentage (i)	The Bank's voting rights percentage (i)	Registered capital	Place of operation and registration and date of establishment	Primary business
Minhang Rural (ii)	46.41%	55.51%	RMB250 million	Shanghai, 16 Feb 2011	Commercial banking
Qujiang Rural	51%	51%	RMB100 million	Zhejiang, 20 Jun 2011	Commercial banking
Jiangning Rural	51%	51%	RMB200 million	Jiangsu, 24 May 2012	Commercial banking
Chongzhou Rural	51%	51%	RMB130 million	Sichuan, 21 Jun 2012	Commercial banking
Asset Management	90%	90%	RMB300 million	Shanghai, 30 Aug 2013	Asset management

Main subsidiaries indirectly held through establishment:

Name	The Bank's shareholding percentage (i)	The Bank's voting rights percentage (i)	Registered capital	Place of operation and registration and date of establishment	Primary business
BOSC International Company Limited ("BOSC International")	100%	100%	HKD780 million	Hong Kong, 5 Mar 2014	nvestment banking
BOSC Ruijin Asset Management (Shanghai) Co., Ltd. ("BOSC Ruijin")	90%	100%	RMB130 million	Shanghai, 17 Mar 2014	Asset management
BOSC International Capital Limited	100%	100%	HKD10 million	Hong Kong, 5 Oct 2016	Corporate finance
BOSC International Asset Management Limited	100%	100%	HKD5 million	Hong Kong, 5 Oct 2016	Asset management
BOSC International Investment Limited	100%	100%	HKD1 million	Hong Kong, 5 Oct 2016	Investment
BOSC International Securities Limited	100%	100%	HKD10 million	Hong Kong, 11 Oct 2016	Securities agent
BOSC International (Shenzhen) Company Limited	100%	100%	RMB200.98 million	Shenzhen, 27 May 2017	Investment advisory
BOSC International (BVI) Limited	100%	100%	USD1	British Virgin Island, 6 Jul 2017	Financing
BOSC International Advisory (Shenzhen) Company Limited	100%	100%	RMB10 million	Shenzhen, 15 Sep 2017	Advisory
BOSC International Equity Investment Fund Management (Shenzhen) Company Limited	100%	100%	RMB10 million	Shenzhen, 20 Nov 2017	Investment management
BOSC International Investment (Shenzhen) Company Limited	100%	100%	RMB10 million	Shenzhen, 23 Nov 2017	Investment
BOSC International Investment (BVI) Limited	100%	100%	USD1	British Virgin Island, 22 Dec 2017	Investment

165 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

Main subsidiaries directly held through business combination of entities not under common control:

Name	The Bank's shareholding percentage (i)	The Bank's voting rights percentage (i)	Registered capital	Place of operation and registration	Primary business
Hong Kong Subsidiary (iii)	100%	100%	HKD4 billion	Hong Kong	Commercial banking

Structured entities that are included in the consolidated financial statements:

As at 31 December 2018, the net assets of the structured entities included in the consolidated financial statements are RMB14.3 billion (31 December 2017: RMB10.5 billion). The interests held by the Bank and its subsidiaries in the above structured entities are recognised as available-for-sale financial assets and investment securities classified as receivables in their balance sheets, totalling RMB2billion and RMB12.1 billion respectively (31 December 2017: RMB1.8 billion of available-for-sale financial assets and RMB8.6 billion of investment securities classified as receivables).

Management judges whether the Group controls investees and structured entities in accordance with the control elements listed in Note III.4. The Group involves in operating activities of investees by holding shares of investees and exercising the corresponding voting rights. When judging whether the Group controls the investees, the Group assesses the purpose of setting up the investee, related activities and decision-making mechanism, the proportion of voting rights held by the Group and its ability to influence variable interests through voting rights and other rights. After the assessment, if the Group conclude that it controls an investee, the investee will be consolidated in the consolidated financial statements.

The Group manages or invests in several structured entities, including asset management plans, debt investment plans, wealth management products, asset-backed securities and investment funds. To judge whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities. If the Group has power over the structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements. If the Group does not have substantive rights to the primary activities of the structured entities, or the Group acts as an agent instead of a main owner due to its insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements. For the information of the structured entities which the Group has interest in or acts as a sponsor but does not consolidate in the consolidated financial statements, see Note VI.3.

(i) The Bank's shareholding percentage and voting rights percentage are either direct or indirect percentage at the report date when the Bank has gained direct or indirect control over its subsidiaries through establishment or investment, or through business combination of entities not under common control.

(ii) Pursuant to approval from the CBRC Shanghai Branch, Minhang Rural's capital increased in January 2018. After the capital increasement, the Bank held 46.41% of the shares in Minhang Rural. According to the agreement with other shareholders of Minhang Rural, the Bank holds 55.51% of the voting rights in Minhang Rural shareholders' resolution. Therefore, the Bank believes that it controls the Minhang Rural and include it into the scope of the consolidated financial statements.

(iii) On May 2013, the Bank acquired 100% stake in China Construction Bank (Asia) Finance Limited ("CCB Asia Finance") by cash. On June 2013, CCB Asia Finance was renamed Bank of Shanghai (Hong Kong) Ltd. Hong Kong Subsidiary's capital increased by HKD1.8 billion in 2014 and its registered capital increased from HKD200 million to HKD2 billion. Hong Kong Subsidiary's capital increased by HKD2 billion in 2016 and its registered capital increased from HKD2 billion to HKD4 billion.

2. Interests in associates

Item	The Group	
	2018	2017
Associates		
- Non-significant associates	402,120	395,131

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 166

(i) Background of non-significant associates

Name	Direct Shareholding percentage	Nature of business	Registered capital	Place of operation	Place of registration	Whether strategic significant to the Group's activities
Shangkang Yinchuang	40.00%	Asset management	RMB50 million	Shanghai	Shanghai	No
ShangCheng Finance	38.00%	Consumer finance	RMB1 billion	Shanghai	Shanghai	No
ShangYin Yihao	0.99%	Investment	RMB10.1 million	Shenzhen	Zhuhai	No
Zhonghe Hengtai	0.34%	Investment	RMB29.1 million	Shenzhen	Shenzhen	No

(ii) Summary financial information on non-significant associates

Item	The Group	
	2018	2017
Carry amount of investment	402,120	395,131
Calculated based on shareholding percentage		
- Net profit	7,789	(4,292)
- Other comprehensive income	-	-
- Total comprehensive income	7,789	(4,292)

3. Interests in structured entities not included in the consolidated financial statements

(1) Information of structured entities not included in the consolidated financial statements

The Group's structured entities not included in the consolidated financial statements include: asset management plan, wealth management products, investment fund, debt investment plan and asset-backed securities established by third parties that are directly held by the Group, as well as non-principal-guaranteed wealth management products and investment fund established by the Group. These structured entities are designed to manage investors' assets by offering them investment products to raise funds. The Group's interests in these structured entities not included in the consolidated financial statements mainly include direct investment and management fee income received for managing these structured entities.

Considering the definition of "control" described in Note III.4(2) and the principles set out in Note VI.1, relevant agreements and its investment into structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

As at 31 December 2018 and 31 December 2017, relevant assets and liabilities as well as their carrying amount / maximum loss exposure of the Group's interests in these structured entities not included in the consolidated financial statements through direct investment are as follows:

	As at 31 December 2018				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investment securities classified as receivables	Total
Asset management plans	-	33,805,769	-	111,679,240	145,485,009
Wealth management products	-	149,765,297	-	-	149,765,297
Investment funds	167,838	144,495,883	-	-	144,663,721
Debt investment plans	-	25,109,386	-	-	25,109,386
Asset-backed securities	156,649	360,674	3,601,491	-	4,118,814
Total	**324,487**	**353,537,009**	**3,601,491**	**111,679,240**	**469,142,227**

167 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	As at 31 December 2017			
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Investment securities classified as receivables	Total
Asset management plans	-	28,669,696	120,841,274	149,510,970
Wealth management products	-	132,955,854	-	132,955,854
Investment funds	215,362	180,777,226	-	180,992,588
Debt investment plans	-	26,771,549	-	26,771,549
Asset-backed securities	-	982,399	-	982,399
Total	**215,362**	**370,156,724**	**120,841,274**	**491,213,360**

The maximum loss exposure of the asset management plans and asset-backed securities is the fair value or amortised cost at the reporting date depending on classification of financial instruments in balance sheet. The maximum loss exposure of the wealth management products, investment funds and debt investment plans is the fair value at the reporting date.

(2) Interests in structured entities established by third parties

The Group holds interests in structured entities established by third parties through direct investment. As at 31 December 2018 and 31 December 2017, relevant assets and liabilities as well as their carrying amount / maximum loss exposure of the Group's interests in these structured entities established by third parties through direct investment are as follows:

	As at 31 December 2018				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Investment securities classified as receivables	Total
Asset management plans	-	33,598,093	-	111,679,240	145,277,333
Wealth management products	-	149,765,297	-	-	149,765,297
Investment funds	-	137,532,328	-	-	137,532,328
Debt investment plans	-	25,109,386	-	-	25,109,386
Asset-backed securities	156,649	360,674	3,601,491	-	4,118,814
Total	**156,649**	**346,365,778**	**3,601,491**	**111,679,240**	**461,803,158**

	As at 31 December 2017		
	Available-for-sale financial assets	Investment securities classified as receivables	Total
Asset management plans	28,002,259	120,841,274	148,843,533
Wealth management products	132,863,476	-	132,863,476
Investment funds	172,217,223	-	172,217,223
Debt investment plans	26,771,549	-	26,771,549
Asset-backed securities	982,399	-	982,399
Total	**360,836,906**	**120,841,274**	**481,678,180**

The maximum loss exposure of the asset management plans and asset-backed securities is the fair value or amortised cost at the reporting date depending on classification of financial instruments in balance sheet. The maximum loss exposure of the wealth management products, investment funds and debt investment plans is the fair value at the reporting date.

(3) Interests in structured entities established by the Bank, but not included in the consolidated financial statements

Determination of the Group as promoter of a structured entity is based on the fact that the Group has played a key role in the process of setting up the structured entity or jointly setting up the entity with other parties, and that the structured entity represents an extension of the Group's main activities and maintains close business relationship with the Group after its establishment.

According to the above determination criteria, structured entities not included in the financial statements (the Group as promoter) include the Group's non-principal-guaranteed wealth management products, investment fund and asset-backed securities. As at 31 December 2018, the carrying amount of the Group's management fees receivable in the consolidated balance sheet was RMB450 million (31 December 2017: RMB301 million).

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 168

As at 31 December 2018 and 31 December 2017, relevant assets and liabilities as well as their carrying amount / maximum loss exposure of the Group's interests in these structured entities established by the Group through direct investment are as follows:

	As at 31 December 2018		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
Asset management plans	-	207,676	207,676
Investment funds	167,838	6,963,555	7,131,393
Total	**167,838**	**7,171,231**	**7,339,069**

	As at 31 December 2017		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
Asset management plans	-	667,437	667,437
Investment funds	215,362	8,560,003	8,775,365
Wealth management products	-	92,378	92,378
Total	**215,362**	**9,319,818**	**9,535,180**

The maximum loss exposure of the asset management plans, the investment funds and the wealth management products is the fair value at the reporting date.

As at 31 December 2018, balance of the non-principal-guaranteed wealth management products established by the Group but not included in the Group's the consolidated financial statements was RMB252.7 billion (31 December 2017: RMB230.2 billion), balance of the investment fund and asset management plan established by the Group but not included in the Group's the consolidated financial statements was RMB137.5 billion (31 December 2017: RMB158.8 billion).

(4) Structured entities which the Group no longer held interests in and were not included in the consolidated financial statements as at 31 December 2018:

In 2018, the Group's commission income from such non-principal-guaranteed wealth management products was RMB270 million (2017: RMB1,243 million). In 2018, the total volume of matured non-principal-guaranteed wealth management products issued by the Group amounted to RMB166.0 billion (2017: RMB401.1 billion).

In 2018, the Group's income from such asset management plan and investment fund was immaterial (2017: not material).

VII. Transfer of financial assets

In normal course of business, the Group transfers the recognised financial assets to third parties in some transactions. These financial assets are derecognised in whole or in part if they meet the criteria for derecognition. When the Group retains substantial risk and return of the transferred assets, transfer of these financial assets does not meet the criteria for derecognition and the Group still recognises these assets in the balance sheet.

1. Transferred but not entirely derecognised financial assets

The Group's transferred but not entirely derecognised transferred financial assets mainly include debt securities loaned. The counterparties may sell such debt securities or use them for guarantees if the Group has no any default, but are also obliged to return these debt securities to the Group on the agreed due date. For these transaction, the management believes that the Group retains most risk and return. Thus, these debt securities are therefore not derecognised.

	The Group and the Bank	
Debt securities lending transactions	As at 31 December 2018	As at 31 December 2017
	Held-to-maturity Investment	Held-to-maturity Investment
Carrying amount of transferred financial assets	6,422,043	18,138,084

2. Transferor's continuing involvement in transferred financial assets that are derecognised in their entirety

At 31 December 2018 and 31 December 2017, the Group and the Bank did not hold any financial assets that were derecognised with continuing involvement.

169 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

VIII. Commitments and contingent liabilities

1. Credit commitments

The Group's credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit etc. The potential loss of credit commitments is assessed periodically and the provision is recognised as necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The contractual amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed to completely perform as contracted. Acceptances represent 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.

As credit commitments expire without being drawn upon, the total of the contractual amounts set out in the following table do not represent the expected future cash outflows.

	The Group	
	As at 31 December 2018	As at 31 December 2017
Credit card commitments	36,816,594	30,076,992
Irrevocable loan commitments		
- original contractual maturity less than 1 year	-	331,774
- original contractual maturity more than 1 year (inclusive)	19,980,739	22,256,831
Sub-total	**56,797,333**	**52,665,597**
Bank acceptances	60,756,977	49,439,368
Guarantees	60,046,674	50,732,587
Letters of credit	7,050,980	6,125,847
Sub-total	**127,854,631**	**106,297,802**
Total	**184,651,964**	**158,963,399**

2. Credit risk weighted amount

	The Group	
	As at 31 December 2018	As at 31 December 2017
Credit risk weighted amount of credit commitments	97,007,044	78,874,830

Credit risk weighted amount of credit commitments was calculated according to the requirements set out in the Administrative Measures on Capitals of Commercial Banks (For Trial Implementation) issued by CBRC.

3. Operating lease commitments

As at the end of the Relevant Periods, the Group's future minimum lease payments under non-cancellable operating leases for properties and other assets were as follows:

	The Group	
	As at 31 December 2018	As at 31 December 2017
Within 1 year (inclusive)	519,887	505,355
After 1 year but within 2 years (inclusive)	378,248	334,154
After 2 years but within 3 years (inclusive)	255,527	208,029
After 3 years but within 5 years (inclusive)	225,627	219,237
Above 5 years	69,145	116,391
Total	**1,448,434**	**1,383,166**

4. Capital commitments

As at the balance sheet date, the authorized capital commitment of the Group were as follows:

	As at 31 December 2018	As at 31 December 2017
Contracted for but not paid	302,399	590,031
Authorised but not contracted for	95,739	144,960

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 170

5. Underwriting and redemption commitments

(1) As at the end of the Relevant Periods, there were no unexpired commitments for underwriting bonds of the Group (31 December 2017: Nil).

(2) As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds it previously sold should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interests payable to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date. The redemption commitments below represent the coupon value of PRC government bonds underwritten and sold by the Group and the Bank but not yet matured at the end of the Relevant Periods:

	As at 31 December 2018	As at 31 December 2017
Redemption commitments	7,059,968	6,828,324

6. Unresolved litigations and disputes

As at 31 December 2018, the total related amount of litigations and disputes whereby the Group acted as defendants was RMB105 million (31 December 2017: RMB37 million). According to the opinion of the Group's lawyers and external lawyers, the Group recognised the related litigation provision (see Note V. 27), which they believed to be reasonable and sufficient.

As at 31 December 2018, there were a number of legal proceedings outstanding against the Group (including the cases in which the Group act as the plaintiff). The Group recognised the related litigation provision for predictable events.

IX. Entrusted lending business

The Group provides entrusted lending business services to government agencies, corporations and individuals. All entrusted loans are funded by entrusted funds from these entities and individuals. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrust assets are not assets of the Group and are not recognised in the balance sheets. The relevant surplus funding is accounted for as deposits from customers.

	The Group	
	As at 31 December 2018	As at 31 December 2017
Entrusted loans	172,875,342	273,992,116
Entrusted funds	172,875,342	273,992,116

X. Pledged assets

1. Assets pledged as security

The secured liabilities related to assets pledged as security are presented as borrowings from central bank, financial assets sold under repurchase agreements, deposits from customers and other liabilities at the end of the relevant periods.

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Borrowings from central bank	102,897,000	81,500,000	102,832,000	81,500,000
Financial assets sold under repurchase agreements	61,151,258	78,573,169	61,151,258	78,359,419
Deposits from customers	36,660,520	23,218,000	36,660,520	23,218,000
Other liabilities	89,715	-	-	-
Total	**200,798,493**	**183,291,169**	**200,643,778**	**183,077,419**

In addition, the Group provided pledged assets for bonds which were held from debt securities borrowing transactions. As at 31 December 2018, the fair value of the relevant bonds amounted to RMB 182 million (31 December 2017: Nil).

Transactions above are conducted under customary terms of relevant businesses.

171 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

(1) Carrying value of pledged assets analysed by asset type

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Securities				
- Government bonds	189,041,875	153,843,765	189,041,875	153,843,765
- Bank and other financial institution bonds	14,545,305	15,650,726	14,469,848	15,650,726
- Corporate bonds	180,037	-	-	-
Sub-total	**203,767,217**	**169,494,491**	**203,511,723**	**169,494,491**
Commercial bills	15,869,139	32,733,656	15,869,139	32,733,656
Credit assets	1,511,477	-	1,433,120	-
Bank certificate of deposit	291,267	-	291,267	-
Asset management plans	-	527,250	-	-
Total	**221,439,100**	**202,755,397**	**221,105,249**	**202,228,147**

(2) Carrying value of pledged assets analysed by statement of financial position classification

	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Loans and advances to customers	17,380,616	32,733,656	17,302,259	32,733,656
Available-for-sale financial assets	839,422	527,250	583,928	-
Held-to-maturity investments	203,219,062	162,384,567	203,219,062	162,384,567
Investment securities classified as receivables	-	7,109,924	-	7,109,924
Total	**221,439,100**	**202,755,397**	**221,105,249**	**202,228,147**

2. Collaterals accepted as securities for assets

The Group conducts resale agreements and bonds lending under customary terms of placements, and holds collaterals for these transactions. As at the end of each of the Relevant Periods, the Group did not hold any resale agreement or bonds lending that collaterals were permitted to sell or re-pledge in the absence of the counterparty's default on the agreements.

XI. Related parties and transactions

1. The change of proportion of shares of the Group held by the shareholders during the relevant periods

Company name	Proportion of the Bank held by the company	
	As at 31 December 2018	As at 31 December 2017
Shanghai Lianhe Investment Co., Ltd. ("Lianhe Investment")	13.38%	13.30%
Shanghai International Port (Group) Co., Ltd. ("SIPG")	7.34%	6.48%
Santander Central Hispano S.A. ("Santander")	6.50%	6.48%
TCL Corporation Co.,Ltd.	4.99%	4.99%
China Jianyin Investment Co., Ltd.	4.84%	4.84%
China Shipbuilding International Trading Co.,Ltd.	4.08%	4.08%
Shanghai Commercial Bank Limited	3.00%	2.70%
Shanghai Huangpu District State-owned Assets Corporation	1.94%	1.94%
Shanghai Luwan Financial Investment Company	1.06%	1.06%

In addition to the requirements of the CASs, and Administrative Procedures on the Information Disclosures of Listed Companies, the major shareholders are also identified in accordance with the Provisional Measures on Administration of Equities of Commercial Banks issued by the CBRC on 5 January 2018.

In accordance with the Provisional Measures on Administration of Equities of Commercial Banks, major shareholder of a commercial bank shall mean a shareholder who holds or controls 5% or more of the shares or voting rights of a commercial bank, or who holds less than 5% of the total capital or total shares but exerts significant influence over business management of the commercial bank. Significant influence shall include but not be limited to, appointing directors, supervisors or senior management personnel to a commercial bank, exerting influence over the commercial bank's financial and business management decision-making through an agreement or any other method.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 172

2. Major shareholders of the Group

Company name	Legal representative	Place of registration	Registered capital as at 31 December 2018
Lianhe Investment	Qin Jian	Shanghai	RMB3.5 billion
SIPG	Chen Xuyuan	Shanghai	RMB23.2 billion
Santander	Ana Botin	Santander	EUR8.1 billion
TCL Corporation Co.,Ltd.	Li Dongsheng	Guangdong	RMB13.55 billion
China Jianyin Investment Co., Ltd.	Zhong Jianan	Beijing	RMB20.692 billion
China Shipbuilding International Trading Co.,Ltd.	Li Hongtao	Shanghai	RMB4.39 billion
Shanghai Commercial Bank Limited	Guo Xizh	Hong Kong	HKD2 billion
Shanghai Huangpu District State-owned Assets Corporation	Zhu Xiaodong	Shanghai	RMB1.505 billion
Shanghai Luwan Financial Investment Company	Kong Guanghui	Shanghai	RMB0.15 billion

The details of the main business are as follows:

Lianhe Investment: Mainly engaged in the investment business of important infrastructure construction projects, technological transformation of enterprises, high-tech, financial services, agriculture, real estate and other industrial development projects, consulting agency, agent sales agency, information research and talent training.

SIPG: Mainly engaged in domestic and international cargo (including containers) loading and unloading (including barge), storage, transit and surface transport; container deconsolidation, cleaning, repairing, manufacturing and leasing; international shipping, warehousing, storage, processing, distribution and logistics information management; provide international passengers with waiting vessels and ship facilities and services; ship diversion, towing, shipping agents, freight forwarders; ship port services such as supply of fuel materials, supplies of living goods; port facilities lease; port information, technical consulting services, port terminal construction, management and operation; port lifting equipment, handling machinery, mechanical and electrical equipment and accessories wholesale and import and export.

Santander: Mainly engaged in consumer credit, mortgage, lease financing, factoring, mutual funds, pension funds, insurance, commercial credit, investment banking services, structured financing and mergers and acquisitions consulting business.

TCL Corporation Co.,Ltd.: Mainly engaged in research, development, production, sales of electronic products and communication equipment, new optoelectronics, liquid crystal display devices, hardware & electric material, VCD, DVD video player, building materials, general machinery, electronic computer technology services, freight storage (excluding hazardous chemicals), film equipment maintenance, recycling of waste materials, import and export of goods and technology, venture capital business and venture capital consulting, entrusted to manage the venture capital of other venture capital institutions, provide entrepreneurial management services for start-up enterprises, participate in the initiation of venture capital institutions and investment management consultancy, real estate leasing, provision of information system services, provision of conference services, provision of electronic product technology development services, development and sales of software products, patent transfer, agent declaration services, provision of consultancy services, payment settlement.

China Jianyin Investment Co., Ltd.: Mainly engaged in investment and investment management, asset management and disposal, corporate management, real estate leasing, consulting.

China Shipbuilding International Trading Co.,Ltd.: Mainly engaged in self-operated and agent import and export business of various commodities and technologies, processing with imported materials and custom manufacturing with materials, designs or samples supplied and compensation trade, operating counter trade and entrepot trade; domestic trade.

Shanghai Commercial Bank Limited: Mainly engaged in providing banking and banking related financial services in Hong Kong, the United States, the United Kingdom and China.

Shanghai Huangpu District State-owned Assets Corporation: Mainly engaged in asset investment, holding, asset adjustment and shareholding leasing. Authorization and entrustment of state-owned assets, technical advice and technical services of financial investment information.

Shanghai Luwan Financial Investment Company: Mainly engaged in providing financial investment consulting, metal materials, building materials, photographic equipment, and daily necessities.

173 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

3. Transactions with related parties

The Group's material transactions and balances with its related parties are summarised as follows:

	Lianhe Investment and its subsidiaries	SIPG and its subsidiaries	Santander and its subsidiaries	Other major shareholders and other related parties of major shareholders	Other related corporations	Related natural person	Total	Ratio to similar transactions
Transactions with related parties during the year ended 31 December 2018:								
Interest income	20,098	67,255	870	109,687	305,999	6,093	510,002	0.67%
Interest expense	(10,958)	(8,948)	(350)	(139,970)	(156,650)	(2,620)	(319,496)	0.70%
Fee and commission income	989	9	-	334	5,970	9	7,311	0.11%
Fee and commission expense	-	-	-	-	(1)	-	(1)	0.00%
Net investment gains	-	1,221	-	-	244,703	-	245,924	3.11%
Net gains / (losses) from changes in fair value	-	7,855	(1,499)	6,942	(56,265)	-	(42,967)	0.92%
Other operating income	41	1	-	1	156	4	203	0.21%
Non-operating income	-	-	-	6,245	-	-	6,245	3.14%
Other comprehensive income, net of tax	-	-	-	7,664	(33,835)	-	(26,171)	2.22%
Balances with related parties as at 31 December 2018:								
Deposit with banks and other financial institutions	-	-	2,947	838,870	71,459	-	913,276	6.05%
Placements with banks and other financial institutions	-	-	894,225	-	900,003	-	1,794,228	1.56%
Financial assets at fair value through profit or loss	-	-	-	-	16,028	-	16,028	0.09%
Derivative financial assets	-	-	-	79,918	-	-	79,918	6.46%
Interests receivable	553	1,046	130	8,767	27,981	195	38,672	0.40%
Loans and advances to customers (Note (i))	407,841	750,000	-	1,026,788	2,839,025	147,056	5,170,710	0.63%
Available-for-sale financial assets	-	-	-	296,104	8,315,145	-	8,611,249	2.14%
Held-to-maturity investments	-	-	-	-	195,516	-	195,516	0.06%
Long-term equity investments	-	-	-	-	402,120	-	402,120	100.00%
Other assets	-	-	-	-	1,191,789	-	1,191,789	10.80%
Deposits from banks and other financial institutions	-	-	(93)	(13,146,366)	(1,220,097)	-	(14,366,556)	3.89%
Placements from banks and other financial institutions	-	-	-	-	(191,424)	-	(191,424)	0.28%
Derivative financial liabilities	-	-	(1,499)	(64,013)	(4,138)	-	(69,650)	8.40%
Deposits from customers	(3,103,417)	(2,497,010)	-	(11,537,070)	(8,575,825)	(44,299)	(25,757,621)	2.47%
Interests payable	(3,654)	(8,495)	(1)	(72,437)	(28,586)	(889)	(114,062)	0.66%
Significant off-balance sheet items with related parties as at 31 December 2018:								
Loan commitments	2,100,015	151,080	-	1,290,507	-	-	3,541,602	17.73%
Guarantees	-	800	-	612	798,272	-	799,684	1.33%
Letters of credit	316,423	-	-	-	362,182	-	678,605	9.62%
Loans guaranteed by related parties	407,836	-	-	30,000	-	-	437,836	0.08%
Entrusted loans	1,416,000	4,507,000	-	215,833	-	-	6,138,833	3.55%
Entrusted funds	1,924,399	4,507,000	-	-	250,000	-	6,681,399	3.86%
Bank acceptances	-	-	-	-	115,083	-	115,083	0.19%

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 174

	Lianhe Investment and its subsidiaries	SIPG and its subsidiaries	Santander and its subsidiaries	Other major shareholders and other related parties of major shareholders	Other related corporations	Related natural person	Total	Ratio to similar transactions
Transactions with related parties during the year ended 31 December 2017:								
Interest income	-	2,321	24,533	138,241	228,018	-	393,113	0.65%
Interest expense	(18,238)	(2,373)	(17,864)	(38,393)	(279,471)	-	(356,339)	0.87%
Fee and commission income	2	-	29	2,237	270	7	2,545	0.04%
Net investment gains / (losses)	-	-	-	-	(292)	-	(292)	0.00%
Net losses from changes in fair value	-	-	(7,855)	-	(473)	-	(8,328)	0.15%
Other operating income	-	-	-	-	7,195	-	7,195	6.48%
Non-operating income	-	-	-	1,628	-	-	1,628	1.33%
Other comprehensive income, net of tax	-	-	-	(2,914)	47,487	-	44,573	4.22%
Balances with related parties as at 31 December 2017:								
Deposit with banks and other financial institutions	-	2,763	-	559,495	864,860	-	1,427,118	3.68%
Placements with banks and other financial institutions	-	627,856	-	813,746	705,024	-	2,146,626	2.21%
Financial assets at fair value through profit or loss	-	-	1,402,650	-	295,048	-	1,697,698	14.69%
Derivative financial assets	-	-	-	-	15,310	-	15,310	1.82%
Interests receivable	-	3,974	1,150	15,422	3,619	-	24,165	0.31%
Loans and advances to customers (Note (i))	-	-	660,000	1,458,880	333,416	-	2,452,296	0.38%
Available-for-sale financial assets	-	-	-	296,433	12,751,053	-	13,047,486	3.10%
Held-to-maturity investments	-	-	-	195,516	-	-	195,516	0.07%
Long-term equity investments	-	-	-	-	395,131	-	395,131	100.00%
Other assets	-	-	-	-	230,707	-	230,707	1.93%
Deposits from banks and other financial institutions	-	(95)	-	(3,990,874)	(11,616,157)	-	(15,607,126)	4.75%
Placements from banks and other financial institutions	-	(412,993)	-	(17,575)	-	-	(430,568)	0.83%
Derivative financial liabilities	-	-	-	-	(15,038)	-	(15,038)	1.11%
Deposits from customers	(1,525,050)	-	(4,862,921)	(1,531,910)	(3,399,244)	(17,271)	(11,336,396)	1.23%
Interests payable	(25,570)	(2,128)	(22,368)	(39,342)	(69,866)	(2)	(159,276)	0.96%
Significant off-balance sheet items with related parties as at 31 December 2017:								
Loan commitments	-	-	151,080	187,309	-	-	338,389	1.50%
Guarantees	-	-	800	-	-	-	800	0.00%
Letters of credit	-	-	-	2,305	-	-	2,305	0.04%
Loans guaranteed by related parties	574,474	-	160,000	722,055	-	-	1,456,529	0.29%
Entrusted loans	-	-	9,340,000	1,865,948	-	-	11,205,948	4.09%
Entrusted funds	747,966	-	5,310,000	5,892,500	-	-	11,950,466	4.36%

(i) As at 31 December 2018, there was no individually assessed provision for impairment losses for the above loans and advances to related parties (31 December 2017: Nil).

The Group's transactions with related parties are conducted in accordance with normal commercial terms and normal business procedures, and its pricing principles are consistent with those of independent third parties.

175 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

4. Key management personnel

The remuneration of key management personnel during the Relevant Periods were as follows:

	The Group	
	2018	2017
Remuneration of key management personnel	11,481	13,665

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors, Supervisors and Senior Management. According to China's laws and regulations, no provision was made for the bonus for these key management personnel in 2017, but the bonus that has not been made provision is not expected to have a significant impact on the financial statements of the Group and the Bank in 2017.

5. Transactions between the Bank and its subsidiaries

Significant transactions with subsidiaries:

	2018	2017
Interest income	52,587	30,099
Interest expense	(15,389)	(12,818)
Fee and commission income	3,344	2,125
Interest income	669	669

Significant balances outstanding as at the balance sheet date:

	2018	2017
Deposits with banks and other financial institutions	50,000	50,000
Placements with banks and other financial institutions	756,797	1,838,051
Interests receivable	3,098	3,201
Other Assets	992	696
Deposits from banks and other financial institutions	(751,396)	(412,920)
Deposits from customers	(28,001)	(16,673)
Interests payable	(1,743)	(632)
Other Liabalities	(334)	-
Guarantees	3,876,654	3,298,733

All the intra-group transactions and intra-group balances are eliminated when preparing the consolidated financial statements.

6. Transactions with the annuity plan

Apart from the obligations for defined contributions to the Annuity Fund, no other transactions were conducted between the Group and the Annuity Fund during the Relevant Periods.

XII Segment reporting

The Group manages its business by business lines and geographical areas. The Group has presented segments reporting in a manner consistent with the way in which information is reported internally to management for the purposes of resource allocation and performance assessment. The Group defines reporting segments based on the following business operating segments:

Wholesale financial business

This segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans, deposit products, trade financing, settlement services, investment banking services, asset custody services, interbank borrowing, repurchase transactions and other interbank business, financial market business and equity investment.

Retail financial business

This segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, personal wealth management services, remittance services, securities agency and credit card services, etc.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 176

Others

This segment represents other miscellaneous activities, none of which constitutes a separately reportable segment.

Measurement of segment assets and liabilities and segment income and expenses is based on the Group's accounting policies.

In order to implement the customer-centric business philosophy for Boutique Bank strategy, the group further deepens customer management, strengthens business linkage and cross-selling and improves the ability of integrated financial services in the wholesale financial business. Thus, the former corporate financial business segment and treasury business segment are merged into wholesale financial business segment. The Group has restated the comparative figure for the purpose of comparison.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income / expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income / expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities are determined before intra-group balances and intra- group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the relevant periods to acquire fixed assets, intangible assets and other long-term assets.

1. Segment results, assets and liabilities

	The Group			
	2018			
	Wholesale Financial Business	Retail Financial Business	Others	Segment Total
External net interest income / (expense)	20,872,587	9,069,492	(5,250)	29,936,829
Inter-segment net interest income / (expense)	489,003	(489,003)	-	-
Net interest income / (expense)	**21,361,590**	**8,580,489**	**(5,250)**	**29,936,829**
Fee and commission income	3,967,451	2,594,290	182,754	6,744,495
Fee and commission expense	(266,599)	(498,357)	-	(764,956)
Net fee and commission income	**3,700,852**	**2,095,933**	**182,754**	**5,979,539**
Other income	-	-	42,998	42,998
Net investment gains	7,812,419	-	93,714	7,906,133
Net gains / (losses) from changes in fair value	4,687,872	-	(35,390)	4,652,482
Net foreign exchange (losses) / gains	(4,733,263)	14,544	-	(4,718,719)
Other operating income	8,939	-	86,488	95,427
Losses from asset disposals	-	-	(6,867)	(6,867)
Operating income	**32,838,409**	**10,690,966**	**358,447**	**43,887,822**
Tax and surcharges	(269,497)	(175,891)	(1,340)	(446,728)
General and administrative expenses	(5,482,580)	(3,422,169)	(101,642)	(9,006,391)
Impairment losses	(12,364,649)	(2,954,962)	(12,290)	(15,331,901)
Other operating expenses	(18,481)	-	(2)	(18,483)
Operating expenses	**(18,135,207)**	**(6,553,022)**	**(115,274)**	**(24,803,503)**
Operating profit	14,703,202	4,137,944	243,173	19,084,319
Add: Non-operating income	64,916	101,473	32,648	199,037
Less: Non-operating expenses	(9,740)	(2,580)	(19,164)	(31,484)
Profit before tax	**14,758,378**	**4,236,837**	**256,657**	**19,251,872**
Segment assets	**1,745,832,186**	**280,129,355**	**1,810,858**	**2,027,772,399**
Segment liabilities	**1,626,692,312**	**238,932,075**	**379,404**	**1,866,003,791**
Other segment information				
Credit commitments	**152,392,765**	**32,259,199**	**-**	**184,651,964**
Depreciation and amortisation	**(396,122)**	**(344,537)**	**(3,507)**	**(744,166)**
Capital expenditure	**(1,224,276)**	**(1,064,847)**	**(10,839)**	**(2,299,962)**

177 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	The Group			
	2017			
	Wholesale Financial Business	Retail Financial Business	Others	Segment Total
External net interest income / (expense)	16,789,152	2,336,072	(7,915)	19,117,309
Inter-segment net interest (expense) / income	(2,041,875)	2,041,875	-	-
Net interest income / (expense)	**14,747,277**	**4,377,947**	**(7,915)**	**19,117,309**
Fee and commission income	4,388,752	2,179,276	217,530	6,785,558
Fee and commission expense	(292,105)	(237,667)	-	(529,772)
Net fee and commission income	**4,096,647**	**1,941,609**	**217,530**	**6,255,786**
Other income	-	-	29,105	29,105
Net investment gains	9,617,598	-	18,925	9,636,523
Net (losses) / gains from changes in fair value	(5,579,918)	-	10,006	(5,569,912)
Net foreign exchange gains	3,507,312	27,877	-	3,535,189
Other operating income	9,798	-	101,292	111,090
Gains from asset disposals	613	-	9,292	9,905
Operating income	**26,399,327**	**6,347,433**	**378,235**	**33,124,995**
Tax and surcharges	(242,778)	(98,817)	(2,084)	(343,679)
General and administrative expenses	(5,139,156)	(2,877,574)	(88,628)	(8,105,358)
Impairment losses	(8,161,450)	(472,266)	(37,599)	(8,671,315)
Other operating expenses	(18,913)	-	(7)	(18,920)
Operating expenses	**(13,562,297)**	**(3,448,657)**	**(128,318)**	**(17,139,272)**
Operating profit	12,837,030	2,898,776	249,917	15,985,723
Add: Non-operating income	10,845	78,220	33,662	122,727
Less: Non-operating expenses	(5,423)	(926)	(19,639)	(25,988)
Profit before tax	**12,842,452**	**2,976,070**	**263,940**	**16,082,462**
Segment assets	**1,628,898,866**	**177,299,767**	**1,568,305**	**1,807,766,938**
Segment liabilities	**1,446,892,387**	**213,027,099**	**406,049**	**1,660,325,535**
Other segment information				
Credit commitments	**128,886,407**	**30,076,992**	-	**158,963,399**
Depreciation and amortisation	**(385,553)**	**(278,924)**	**(3,344)**	**(667,821)**
Capital expenditure	**(301,402)**	**(218,046)**	**(2,614)**	**(522,062)**

2. Geographical information

The Group operates principally in mainland China. Besides the Head Office, branches and sub-branches in Shanghai, it has set up branches and sub-branches in Ningbo, Nanjing, Hangzhou, Tianjin, Chengdu, Shenzhen, Beijing and Suzhou. The Group also established subsidiaries in Shanghai, Zhejiang Province, Jiangsu Province, Sichuan Province and Guangdong Province respectively. The Group has established subsidiaries outside mainland.

When presenting geographical information, operating income is allocated based on the locations of the branches which generate income. Total assets are allocated based on geographical location of the underlying assets.

Geographical areas, as defined for management reporting purposes, are as follows:

- "Shanghai" region refers to the Head Office, branches and sub-branches in Shanghai, Minhang Rural, Asset Management and BOSC Ruijin;

-"Yangtze River Delta (excluding Shanghai)" refers to the area serviced by the following branches and subsidiaries of the Bank: Ningbo, Nanjing, Hangzhou, Suzhou, Qujiang Rural and Jiangning Rural;

-"Pearl River Delta (including Hong Kong)" refers to the area serviced by the following branches of the Bank: Shenzhen, Hong Kong Subsidiary, BOSC International, BOSC International Capital Limited, BOSC International Asset Management Limited, BOSC International Investment Limited, BOSC International Securities Limited, BOSC International (Shenzhen) Company Limited, BOSC International Advisory (Shenzhen) Company Limited, BOSC International Equity Investment Fund Management (Shenzhen) Company Limited and BOSC International Investment (Shenzhen) Company Limited;

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 178

-"Bohai Rim" refers to the area serviced by the following branches of the Bank: Beijing and Tianjin;

-"Central and Western" refers to the area serviced by the following branches and subsidiaries of the Bank: Chengdu and Chongzhou Rural;

-"Outside mainland (excluding Hong Kong)" refers to the area serviced by the following subsidiaries: BOSC International (BVI) Limited and BOSC International Investment (BVI) Limited.

Since the structure of the Group's internal assets and liabilities was changed along with the change in the structure of assets and liabilities in each segment, the Group has restated the comparative figure for the purpose of comparison.

	The Group	
	As at 31 December 2018	As at 31 December 2017
Operating Income		
Shanghai	27,600,028	22,558,187
Yangtze River Delta (excluding Shanghai)	6,982,508	4,216,996
Pearl River Delta (including Hong Kong)	4,636,041	3,365,683
Bohai Rim	3,874,430	2,367,977
Central and Western	788,624	616,152
Outside mainland (excluding Hong Kong)	6,191	-
Total	**43,887,822**	**33,124,995**
Profit before income tax		
Shanghai	12,907,896	12,021,967
Yangtze River Delta (excluding Shanghai)	3,499,768	2,957,521
Pearl River Delta (including Hong Kong)	1,585,602	1,319,423
Bohai Rim	949,508	369,257
Central and Western	302,907	(585,706)
Outside mainland (excluding Hong Kong)	6,191	-
Total	**19,251,872**	**16,082,462**
Total Assets		
Shanghai	1,424,782,110	1,308,060,142
Yangtze River Delta (excluding Shanghai)	205,033,505	229,224,856
Pearl River Delta (including Hong Kong)	219,273,234	180,510,802
Bohai Rim	235,832,889	173,170,098
Central and Western	36,636,312	30,270,511
Outside mainland (excluding Hong Kong)	3,519,830	1
Elimination	(97,305,481)	(113,469,472)
Total	**2,027,772,399**	**1,807,766,938**
Total liabilities		
Shanghai	1,274,097,173	1,169,542,665
Yangtze River Delta (excluding Shanghai)	195,902,044	221,549,698
Pearl River Delta (including Hong Kong)	213,450,231	174,775,638
Bohai Rim	236,371,912	173,701,182
Central and Western	36,102,717	30,355,101
Outside mainland (excluding Hong Kong)	3,514,471	-
Elimination	(93,434,757)	(109,598,749)
Total	**1,866,003,791**	**1,660,325,535**
Credit commitment		
Shanghai	82,437,708	76,145,625
Yangtze River Delta (excluding Shanghai)	38,364,173	25,226,715
Pearl River Delta (including Hong Kong)	34,371,404	23,296,930
Bohai Rim	25,657,062	29,650,857
Central and Western	3,821,617	4,643,272
Total	**184,651,964**	**158,963,399**

XIII. Risk management

The Group mainly has exposure to the following risks from financial instruments:

• credit risk

• market risk

• liquidity risk

• operational risk

This note presents information about the Group's exposure to each of the above risks and its changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks, and the Group's capital management.

Risk management framework

The Board is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is primarily responsible for reviewing the risk strategies and risk management policies, evaluating risk management, internal control structure and system effectiveness, supervising the implementation of senior management in risk management, urging the senior management to take the necessary measures to identify, measure, monitor and control the risks, and recommend to the Board.

To identify, evaluate, monitor, control and report the risks, the Group has designed a comprehensive risk management framework and procedures. The Vice President in charge of risk management is responsible for overall risk management. The Group's risk management policies and systems are regularly reviewed and revised to reflect changes in market conditions, products and services.

The Group defined the "three lines of defense" management system and established organizational structure of risk management and the implementation of a comprehensive risk management. The senior management, along with the Risk Management Committee, Asset and Liability Management Committee, Information Technology Management Committee and Accountability Commission and other committees are responsible for management, coordination, review, decision-making and supervision of main risks, including credit risk, market risk, liquidity risk, operational risk and information technology risk. The group formed the risk management framework which include "first line of defense" for direct management, "second lines of defense" for remanagement and "the third line of defense" for resupervision.

The group set up credit department under corporate business department of head office and every branch and risk management team or post in corporate business department, small business financial services center, retail business department, credit card center, financial market department and other relevant departments. The team or post will keep separate and independent of business marketing team, carrying out all kinds of risk management responsibilities directly in the process of all kinds of business performance. They take responsibility of risk identification, assessment, monitoring, controlling and reporting to forward risk pass, establish unified risk system whose power according with the responsibility and the first line of risk management.

Risk management department, credit department, audit department of credit management and legal compliance department under the group head office and branches set up the "the second line" for risk management and it strengthens management functions based on direct management of "the first line" .The above departments promote the construction of a comprehensive risk management system, formulate the overall policies, procedures and standards and ensure consistency and effectiveness of risk management under the authorization of senior management. It also takes responsibility to review and remanage credit business approved by "the first line " in the terms of policies and procedures for compliance, business focus and prudential credit plan, measure the quality of assets and risk status really, objectively, timely and accurately; provide independent assessment, supervision, restriction and supplement for management effectiveness of "the first line".

The audit department under group head office and branches as "the third line" of risk management, is in charge of strengthening resupervision function of the "first line" and "second line" and check up, supervise and evaluate the validity of risk management.

1. Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group. It arises primarily from the Group's credit businesses and treasury businesses such as investment in debt securities.

Credit business

To identify, assess, monitor and manage credit risk, the Group has established a reporting structure, credit policies and procedures catering for effective credit risk management and implemented systematic control procedures. The Group continues to optimise its credit approval process, reinforce its credit risk management through its processes, clarify functions and responsibilities of the credit approval cycle, formulate the credit policies, management framework and the Group's marketing strategies from time to time, analyse the development of lending businesses and the level of risk management, and approve loans within the authorised limit in accordance with relevant rules, regulations and monetary policies in the PRC and the Group's business strategy.

Customer relationship managers from the relevant business departments will conduct an independent and prudent pre-disbursement investigation on the application for the loan submitted by customers. Pre-loan investigations mainly involve collecting customer information, reviewing credit application materials and preparing a credit investigation report by customer relationship managers.

The loan reviewers of the Group conduct the review primarily on the basis of the investigation report submitted by the customer relationship managers, as well as the knowledge they obtained through indirect channels about the customers, their upstream and downstream enterprise and related industries. After the loan reviewers conduct a thorough examination, they may issue a review report which includes an evaluation of the credit risk involved in the application.

According to authorised credit approval limit, credit applications shall be approved by authorised officers or loan approval committees as appropriate. These authorised officers and members of loan approval committees are generally selected from credit approval specialists of the Group.

In general, the credit applications which are approved by the relevant business departments are subject to re-affirmation by the Credit Review Department. The Credit Review Department reviews the procedural compliance and key risk analysis of each credit approval report in order or reach a decision on whether or not to re-affirm such credit approval.

For loans secured with collateral, the Group conducts collateral appraisals prior to the loan approval and monitors any subsequent changes in the fair value. With respect to a third-party guarantor, the Group assess the guarantor's financial situation, credit history and ability to meet its obligations in order to determine the appropriate guarantee amount. To mitigate risks, where appropriate, the Group may require customers to provide collateral and guarantees.

Before signing credit agreement, the loan disbursement officer of the Group shall review the credit agreement, the status of compliance of pre-conditions for loan disbursement, the collateral arrangement and other loan disbursement procedures. The loan disbursement officers are independent from customer relationship managers who are preparing credit investigation report and authorised officers for credit approval procedures.

The Group employs a variety of methods for conducting post-disbursement monitoring. By conducting scheduled or non-scheduled on-site or off-site inspections, the Group monitors the corporate customers' business operations and financial situation, individual customers' income status, the collateral and the guarantor, and promptly issues risk warnings.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. In compliance with relevant requirements of the CBRC, the Group conducts credit risk grade review on a regular basis. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans. In general, loans are impaired when one or more events demonstrate that there is objective evidence that losses will be incurred. The allowances for impairment loss on impaired loans and advances are assessed collectively or individually as appropriate.

The core definitions of the five-tier grading of loans and advances are set out below:

Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special mention: Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.

Loss: Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

Treasury business

The Group's treasury operations involve investments in PRC government bonds, other government bonds, financial institution bonds, corporate bonds, inter-bank money market transactions and bank notes transfer discount, etc.

The Group manages credit risk management for treasury operations in accordance with the credit risk management policies, procedures and systems. The Group conducts credit risk management in respect of the treasury operations primarily through the management of credit limits for counterparties, and assigns a total credit limit for domestic and foreign financial institutions and sets sub-limits for various business lines. In addition, the Financial Markets Department works closely with credit management department, risk management department and other departments to form an integrated risk monitoring system for treasury operations.

(1) Maximum exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of the Relevant Periods, including derivative financial instruments. The maximum exposure to credit risk in respect of these off-balance sheet items as at the balance sheet date is disclosed in Note VIII.

181 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

(2) Financial assets analysed by credit quality are summarised as follows:

	The Group				
	As at 31 December 2018				
	Deposits / placements with banks and other financial institutions	Financial assets held under resale agreements	Loans and advances	Investments	Others
Impaired					
Individually assessed gross amount	-	-	8,018,557	3,432,720	-
Provision for impairment losses	-	-	(5,004,967)	(2,081,471)	-
Sub-total	-	-	3,013,590	1,351,249	-
Collectively assessed gross amount	-	-	1,693,140	-	-
Provision for impairment losses	-	-	(1,430,128)	-	-
Sub-total	-	-	263,012	-	-
Overdue but not impaired					
Less than 3 months (inclusive)	-	-	5,874,009	900,000	-
Neither overdue nor impaired gross amount	-	-	(1,588,844)	(122,900)	-
Sub-total	-	-	4,285,165	777,100	-
Total	130,471,005	36,599,042	835,109,949	683,027,754	16,926,408
Impaired Individually assessed gross amount	(36,223)	(230,418)	(24,311,520)	(5,645,994)	(126,052)
Provision for impairment losses	130,434,782	36,368,624	810,798,429	677,381,760	16,800,356
Sub-total	130,434,782	36,368,624	818,360,196	679,510,109	16,800,356

	The Group				
	As at 31 December 2017				
	Deposits / placements with banks and other financial institutions	Financial assets held under resale agreements	Loans and advances	Investments	Others
Impaired					
Individually assessed gross amount	-	-	6,618,886	2,152,293	-
Provision for impairment losses	-	-	(4,289,640)	(2,117,994)	-
Sub-total	-	-	2,329,246	34,299	-
Collectively assessed gross amount	-	-	1,024,619	-	-
Provision for impairment losses	-	-	(907,440)	-	-
Sub-total	-	-	117,179	-	-
Overdue but not impaired					
Less than 3 months (inclusive)	-	-	1,388,178	-	-
More than 3 months but less than 6 months (inclusive)	-	-	-	-	-
More than 6 months	-	-	3,800	-	-
Gross amount	-	-	1,391,978	-	-
Provision for impairment losses	-	-	(223,443)	-	-
Sub-total	-	-	1,168,535	-	-
Neither overdue nor impaired gross amount	135,993,344	25,944,305	654,986,134	628,732,426	10,918,823
Provision for impairment losses	(26,799)	(135,454)	(15,409,770)	(6,138,582)	(29,020)
Sub-total	135,966,545	25,808,851	639,576,364	622,593,844	10,889,803
Total	135,966,545	25,808,851	643,191,324	622,628,143	10,889,803

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 182

(i) Investments comprise transactional debt instruments at fair value through profit or loss, debt instruments investment of available-for-sale financial assets, held-to-maturity investments and investment securities classified as receivables.

(ii) Others comprise financial assets such as derivative financial assets, interests receivable and other receivables.

(3) Credit ratings of receivables from inter-banks

Receivables from inter-banks include deposits and placements with banks and other financial institutions, and financial assets held under resale agreements. Receivables from inter-banks neither overdue nor impaired are rated with reference to major rating agencies recognised by the PBOC.

	The Group	
	As at 31 December 2018	As at 31 December 2017
Neither overdue nor impaired		
- grade A to AAA	99,433,511	75,933,676
- grade B to BBB	-	65,018
- unrated	67,636,536	85,938,955
Sub-total	**167,070,047**	**161,937,649**
Provision for impairment losses	(266,641)	(162,253)
Carrying amount	**166,803,406**	**161,775,396**

(4) Credit ratings of debt instruments

The Group adopts a credit rating approach to manage the credit risk of the debt instruments portfolio. Debt instruments are rated with reference to major rating agencies generally recognised by the PBOC. The carrying amounts of debt instruments investments analysed by the rating agency designations as at the balance sheet date are as follows:

	The Group	
	As at 31 December 2018	As at 31 December 2017
Impaired items		
- C	275,437	300,000
- Unrated	3,157,283	1,852,293
Total of impaired items	**3,432,720**	**2,152,293**
Provision for impairment losses	(2,081,471)	(2,117,994)
Net amount	**1,351,249**	**34,299**
Overdue but not impaired items		
- Unrated	900,000	-
Provision for impairment losses	(122,900)	-
Net amount	**777,100**	-
Neither overdue nor impaired		
- AAA	226,914,172	170,383,700
- AA- to AA+	12,261,433	9,927,358
- A- to A+	11,656,757	8,832,178
- Lower than A	11,035,914	7,433,816
- Unrated	421,159,478	432,155,374
Sub-total	**683,027,754**	**628,732,426**
Provision for impairment losses	(5,645,994)	(6,138,582)
Net amount	**677,381,760**	**622,593,844**
Carrying amount	**679,510,109**	**622,628,143**

2. Market risk

Market risk is the risk of loss, in respect of the Group's on and off balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices. The Group's market risk mainly derives from assets and liabilities operating in the market and interest rate risk and foreign exchange rate risk of its products.

183 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

The market risk management of the Group oversees the whole process of identifying, measuring, monitoring and controlling market risk. The Group established the risk management framework in accordance with the requirements of the CBRC. The Board and the Risk Management Committee are responsible for leading the management of market risk. The senior management is responsible for formulating, regularly reviewing and monitoring the policies, procedures and detailed rules of market risk management and the overall evaluation of the Group's market risk management. The Risk Management Department is responsible for formulating the policies, the management of preference of the market risk and the limitation of the risk and monitoring and controlling the market risk independently.

The Group is primarily exposed to structural interest rate risk arising from interest generating commercial banking assets and interest bearing commercial banking liabilities. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of assets and liabilities. The Group manages this risk through measures such as the Value-at-risk analysis ("VaR"), interest rate gap analysis, sensitivity analysis, etc.

The Group's foreign exchange risks mainly comprises risks arising from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and foreign currency risk arising from the currency mismatch of loans and advances to customers and deposits from customers. The Group's major businesses are denominated in RMB, and the foreign currency exposure is not significant. The Group manages the foreign currency risk mainly by closely monitoring the limit of the currency exposures.

The Group is also exposed to market risk from its customer driven derivatives transactions and mitigates this risk by entering into back-to-back transactions with banks and other financial institutions. The Group determined that the market risk arising from stock prices for its investment portfolios is minimal.

The Group separately monitors the market risk of its trading portfolios and non-trading portfolios. The Group identifies, measures and manages the market risk by using various risk monitoring tools including the Value-at-risk ("VaR") analysis, duration analysis, gap analysis, position analysis, sensitivity analysis, scenarios analysis and stress testing. The Group has established a market risk limits system based mainly on position indicators, interest sensitivity and stop-losses indicators, and monitors the application of these risk limits. By undergoing inspecting procedures on new products and complex businesses, the Group ensures that market risk of new businesses be identified and assessed as early as possible.

(1) VaR analysis of trading portfolios

Trading portfolios include exchange rate, interest rate derivatives and precious metals as well as trading securities. The historical simulation model for the VaR analysis is a major tool used by the Group to measure and monitor the market risk of its trading portfolios.

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Group used a 99% level of confidence (therefore no more than 1% statistical probability that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR of interest rates, foreign exchange rates and commodity prices of trading portfolios. The holding period is one day.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used there is 1 percent probability that losses could exceed the VaR;

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The total VaR of the Group's trading portfolios during the years and as at the balance sheet date are summarised as below:

	The Group			
	As at 31 December	Average	Maximum	Minimum
2018	27,052	38,942	65,084	25,129
2017	46,730	39,256	50,413	16,942

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 184

As a supplement to VaR analysis, stressing test is performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. The Group sets stress testing limits, continuously adjusts and enhances the scenarios for stress testing by taking into account financial market fluctuations in order to capture the potential impact of market price fluctuations and volatility on the trading book, enhancing the Group's market risk management capabilities.

(2) Interest rate risk exposure

Interest rate risk is the likelihood of a loss that may arise from adverse movements in the market interest rate. The Group predicts trends of interest rate by studying various macroeconomic indicators, and predicts future funding movements and trends within the Group by referring to the Group's funding costs, capital adequacy ratios, growth of loans and deposits and other factors, so as to assess the interest rate risk taking capacity of the Group.

The Group mainly manages interest rate risks through structuring and adjusting its asset portfolios. Asset portfolios aim at mitigating risks and improve profitability by diversification of assets.

The interest rate risk mainly represents risk arising from interest rate policy changes and the mismatch of interest-sensitive assets and liabilities. Interest rate risk management measures of the Group mainly include:

(i) Forecast interest rate trend – the Group closely reviews the interest rate policies to identify the interest rate risks in order to justify interest rate risk limits and the adjust the risk exposure;

(ii) Set up risk management indicators to manage investment transactions, which is followed by regular reassessment;

(iii) Adjust investment portfolio and financing structure in response to market expectations;

(iv) Establish RMB deposit and loan pricing authorisation system; and

(v) Promote assets and liabilities management and internal transfer pricing system and manage interest rate risk exposure by various tools on an integrated basis.

	The Group					
	As at 31 December 2018					
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets						
Cash and deposits with central bank	2,260,057	142,845,718	-	-	-	145,105,775
Deposits and placements with banks and other financial institutions	459,399	55,409,560	52,933,898	21,631,925	-	130,434,782
Financial assets held under resale agreements	-	36,368,624	-	-	-	36,368,624
Loans and advances to customers (Note i)	-	518,516,730	226,277,025	68,180,175	5,386,266	818,360,196
Investments (Note ii)	179,551,853	131,852,766	140,649,855	304,763,146	102,244,342	859,061,962
Other financial assets	16,800,356	-	-	-	-	16,800,356
Total financial assets	**199,071,665**	**884,993,398**	**419,860,778**	**394,575,246**	**107,630,608**	**2,006,131,695**
Financial liabilities						
Borrowings from central bank	-	(17,500,000)	(85,442,000)	-	-	(102,942,000)
Deposits and placements from banks and other financial institutions	-	(326,522,920)	(110,781,568)	-	-	(437,304,488)
Financial liabilities at fair value through profit or loss	(7,168)	-	-	-	-	(7,168)
Financial assets sold under repurchase agreements	-	(59,422,701)	(1,728,557)	-	-	(61,151,258)
Deposits from customers	-	(623,607,813)	(235,759,241)	(177,622,551)	(5,500,000)	(1,042,489,605)
Debt securities issued	-	(119,047,319)	(51,704,107)	(6,131,368)	(12,492,736)	(189,375,530)
Other financial liabilities	(24,155,723)	-	-	-	-	(24,155,723)
Total financial liabilities	**(24,162,891)**	**(1,146,100,753)**	**(485,415,473)**	**(183,753,919)**	**(17,992,736)**	**(1,857,425,772)**
Total	**174,908,774**	**(261,107,355)**	**(65,554,695)**	**210,821,327**	**89,637,872**	**148,705,923**

185 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	The Group					
	As at 31 December 2017					
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets						
Cash and deposits with central bank	2,828,064	133,235,581	-	-	-	136,063,645
Deposits and placements with banks and other financial institutions	1,260,144	59,852,539	73,878,075	975,787	-	135,966,545
Financial assets held under resale agreements	-	24,179,929	1,628,922	-	-	25,808,851
Loans and advances to customers (Note i)	-	471,531,387	125,796,278	44,637,255	1,226,404	643,191,324
Investments (Note ii)	210,575,161	121,074,901	115,627,958	255,356,483	130,568,801	833,203,304
Other financial assets	10,889,803	-	-	-	-	10,889,803
Total financial assets	**225,553,172**	**809,874,337**	**316,931,233**	**300,969,525**	**131,795,205**	**1,785,123,472**
Financial liabilities						
Borrowings from central bank	-	(22,035,000)	(59,570,000)	-	-	(81,605,000)
Deposits and placements from banks and other financial institutions	-	(280,403,378)	(100,051,979)	-	-	(380,455,357)
Financial assets sold under repurchase agreements	-	(73,857,988)	(4,715,181)	-	-	(78,573,169)
Deposits from customers	-	(614,546,199)	(202,529,843)	(106,509,282)	-	(923,585,324)
Debt securities issued	-	(145,122,253)	(7,841,175)	(2,695,184)	(12,489,466)	(168,148,078)
Other financial liabilities	(20,190,482)	-	-	(52,209)	-	(20,242,691)
Total financial liabilities	**(20,190,482)**	**(1,135,964,818)**	**(374,708,178)**	**(109,256,675)**	**(12,489,466)**	**(1,652,609,619)**
Total	**205,362,690**	**(326,090,481)**	**(57,776,945)**	**191,712,850**	**119,305,739**	**132,513,853**

(i) For loans and advances to customers, the category "Within three months" includes overdue amounts (net of provision for impairment losses) of RMB6,909 million as at 31 December 2018 (31 December 2017: RMB2,315 million). Overdue loans are loans and advances to customers, of which the whole or part of the principal or interest was overdue for one day or more.

(ii) Investments comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investment securities classified as receivables. These investments that are mature within three month include RMB1,777 million overdue (net of provision for impairment losses) as at 31 December 2018 (31 December 2017: RMB34 million).

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the effect on the Group's net interest income and equity from possible and reasonable interest rate fluctuations with an assumption that all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the year and whose interest rate are expected to reprice within one year. The effect on the equity refers to the effect of fair value changes arising from revaluation of fixed rate available for sale financial assets held at year end on equity as a result of changes in interest rates.

	The Group	
	As at 31 December 2018	As at 31 December 2017
Sensitivity of net interest income		
Change in interest rate (basis points)		
+100	(1,392,848)	(1,929,359)
- 100	1,392,848	1,929,359
Sensitivity of equity		
Change in interest rate (basis points)		
+100	(476,558)	(506,440)
- 100	494,983	520,428

This sensitivity analysis is based on a static interest rate risk profile of the assets and liabilities. The analysis measures only the impact of changes in interest rates within a year, as reflected by effect on annualised net interest income and equity from the repricing of the Group's assets and liabilities within a year. The analysis is based on the following assumptions:

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 186

(i) changes in business after balance sheet date is not taken into account, the analysis is based on the static gap at the balance sheet date;

(ii) all assets and liabilities that reprice or are due within one year will reprice or are due at the beginning of the respective periods;

(iii) the interest rates of deposits with central bank and demand deposits from customers remain unchanged;

(iv) there is a parallel shift in the yield curve due to change in interest rates;

(v) there are no other changes to the assets or liabilities portfolio; and

(vi) impact from interest rate movement on customers' activities, market prices and off-balance sheet items are not considered.

(3) Foreign currency risk

The Group's business transactions are mainly denominated in RMB. Some transactions involve US dollars, HK dollars or Euros, as well as a few other currencies. The Group's exchange rate risk comprises risk arising from foreign currency exposures originated from daily treasury businesses and loans and advances to customers, balances with financial institutions, investments and deposits from customers held by the Group which are not denominated in RMB.

The exchange rate risk of the trading book includes the risks arising from foreign currency transactions on behalf of customers and the corresponding back-to-back transactions, as well as proprietary short-term foreign currency deals. The Group manages the exchange rate risk mainly by imposing limits on the transactions and sensitivity (including the exposure limit and stop loss limit). In addition, the Group evaluates the exchange rate risk of the trading book by conducting stress testing on a quarterly basis. Retail foreign currency businesses are operated on an automated trading system and the Group can monitor the exposures from retail foreign currency business on a real time basis. The Group's operating and risk management systems are able to measure and monitor currency position created by various types of transactions. Moreover, the Group manages its exchange rate risk through spot and forward foreign exchange transactions and matching foreign currency financial assets with liabilities in the same currency, and manages its foreign currency assets and liabilities portfolio and structured position using derivative instruments (mainly foreign exchange forward or swap transactions).

The Group's exchange rate exposures at balance sheet date are as follows:

	The Group			
	As at 31 December 2018			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets				
Cash and deposits with central bank	140,684,899	4,301,350	119,526	145,105,775
Deposits and placements with banks and other financial institutions	119,546,743	8,731,312	2,156,727	130,434,782
Financial assets held under resale agreements	36,368,624	-	-	36,368,624
Loans and advances to customers	745,768,308	61,797,937	10,793,951	818,360,196
Investments (Note i)	820,164,841	36,886,951	2,010,170	859,061,962
Other financial assets	15,536,037	1,089,491	174,828	16,800,356
Total financial assets	**1,878,069,452**	**112,807,041**	**15,255,202**	**2,006,131,695**
Financial liabilities				
Borrowings from central bank	(102,942,000)	-	-	(102,942,000)
Deposits and placements from banks and other financial institutions	(315,018,595)	(120,281,277)	(2,004,616)	(437,304,488)
Financial liabilities at fair value through profit or loss	-	(7,168)	-	(7,168)
Financial assets sold under repurchase agreements	(61,151,258)	-	-	(61,151,258)
Deposits from customers	(951,233,005)	(84,209,541)	(7,047,059)	(1,042,489,605)
Debt securities issued	(182,978,697)	(4,801,289)	(1,595,544)	(189,375,530)
Other financial liabilities	(21,894,231)	(2,044,872)	(216,620)	(24,155,723)
Total financial liabilities	**(1,635,217,786)**	**(211,344,147)**	**(10,863,839)**	**(1,857,425,772)**
Net position	**242,851,666**	**(98,537,106)**	**4,391,363**	**148,705,923**
Credit commitments	**141,069,325**	**34,122,146**	**9,460,493**	**184,651,964**
Net notional amount of derivative financial instruments	**(104,570,532)**	**107,688,584**	**(1,887,098)**	**1,230,954**

187 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	The Group			
	As at 31 December 2017			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets				
Cash and deposits with central bank	132,600,962	3,196,284	266,399	136,063,645
Deposits and placements with banks and other financial institutions	125,799,246	8,464,290	1,703,009	135,966,545
Financial assets held under resale agreements	25,808,851	-	-	25,808,851
Loans and advances to customers	577,318,773	55,514,985	10,357,566	643,191,324
Investments (Note i)	801,261,333	31,290,520	651,451	833,203,304
Other financial assets	10,356,819	476,738	56,246	10,889,803
Total financial assets	**1,673,145,984**	**98,942,817**	**13,034,671**	**1,785,123,472**
Financial liabilities				
Borrowings from central bank	(81,605,000)	-	-	(81,605,000)
Deposits and placements from banks and other financial institutions	(263,256,413)	(116,100,545)	(1,098,399)	(380,455,357)
Financial assets sold under repurchase agreements	(78,573,169)	-	-	(78,573,169)
Deposits from customers	(850,707,318)	(69,269,639)	(3,608,367)	(923,585,324)
Debt securities issued	(165,625,190)	(2,522,888)	-	(168,148,078)
Other financial liabilities	(18,570,651)	(1,622,796)	(49,244)	(20,242,691)
Total financial liabilities	**(1,458,337,741)**	**(189,515,868)**	**(4,756,010)**	**(1,652,609,619)**
Net position	**214,808,243**	**(90,573,051)**	**8,278,661**	**132,513,853**
Credit commitments	**125,952,995**	**26,514,025**	**6,496,379**	**158,963,399**
Net notional amount of derivative financial instruments	**(97,838,201)**	**99,983,297**	**(6,236,898)**	**(4,091,802)**

(i) Investments comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investment securities classified as receivables.

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with an assumption that all other variables held constant.

	The Group	
	As at 31 December 2018	As at 31 December 2017
Sensitivity of net profit and equity		
Change in foreign currency exchange rate		
Appreciation against RMB by 100 bps	12,707	13,196
Depreciation against RMB by 100 bps	(12,707)	(13,196)

The sensitivity analysis is based on the following assumptions:

(i) changes in business after balance sheet date is not taken into account, the analysis is based on the static gap at the balance sheet date;

(ii) the foreign currency sensitivity is the gain or loss recognised as a result of a 100-basis point fluctuation in foreign currency exchange rates against RMBon balance sheet date.(middle price);

(iii) the fluctuation of exchange rates by 100 basis points is based on the assumption of exchange rates movement over the next 12 months;

(iv) due to the immaterial proportion of the Group's total assets and liabilities denominated in foreign currencies other than US dollars, when calculating the effect on net profit and equity, other foreign currencies are converted into US dollars for this sensitivity analysis purpose;

(v) when calculating the foreign exchange exposures, exposures from foreign currency spot, forward and swap transactions are included;

(vi) other variables (including interest rates) remain unchanged; and

(vii) impact from foreign exchange rate change on customers' activities and market prices are not considered.

The above sensitivity analysis is based on the static structure of the assets and liabilities in respect of foreign exchange risk. It has not taken into account the potential efforts from the Group and the Bank to mitigate the negative effects on net profit and equity from foreign currency positions. Therefore, the estimation of the above may be different with the actual situation.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 188

3. Liquidity risk

Liquidity risk is the risk that the Group fail to meet the demands associated with its payables due, new loans and reasonable financing activities, or encounter difficulties in meeting these demands with reasonable costs.

The Group adopts a top-down and hierarchical liquidity management approach. At the Head Office level, liquidity is managed by the Assets and Liabilities Management Committee, which is responsible for formulation of liquidity policies and supervision of the liquidity risk ratio on a monthly basis. The Planning and Finance Department monitors liquidity in accordance with the specified liquidity risk indicators determined by the Assets and Liabilities Management Committee on a monthly basis. The Financial Markets Department is responsible for the execution of the day-to-day liquidity management activities through appropriate assets and liabilities matching and money market transactions to ensure the liquidity of the Group. The Risk Management Department takes the overall responsibility for liquidity risk management, including formulation of risk management strategies, policies, procedures and indicators.

The major liquidity management approaches of the Group include projecting the fund inflows and outflows according to the market trend to maintain an adequate funding base for the Bank; monitoring the liquidity ratio at the Head Office level and the branch level and the structure change of cash and other interest-generating assets to meet liquidity demands; establishing multi-layer liquidity safeguarding measures; enhancing the foundation of liability business, increasing the proportion of core deposits to maintain sound financing capability; establishing the liquidity risk early warning system and business continuity plan; performing periodic liquidity stress tests to identify indicators which may lead to any liquidity risk at the earliest stage.

(1) Maturity analysis

The following tables provide an analysis of the financial assets and liabilities of the Group based on the remaining periods to repayment on balance sheet date

	The Group							
	As at 31 December 2018							
	Indefinite	Overdue / repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets:								
Cash and deposits with central bank	118,698,942	26,406,833	-	-	-	-	-	145,105,775
Deposits and placements with banks and other financial institutions	-	13,085,430	24,138,529	18,645,000	52,933,898	21,631,925	-	130,434,782
Financial assets held under resale agreements	-	-	22,405,116	13,963,508	-	-	-	36,368,624
Loans and advances to customers	-	6,908,528	75,807,030	70,213,365	295,964,383	264,107,953	105,358,937	818,360,196
Investments (Note i)	179,189,592	19,651,044	29,099,525	79,925,366	140,754,061	307,458,177	102,984,197	859,061,962
Other financial assets	-	5,828,145	1,557,963	2,286,021	5,509,730	1,233,606	384,891	16,800,356
Total financial assets	**297,888,534**	**71,879,980**	**153,008,163**	**185,033,260**	**495,162,072**	**594,431,661**	**208,728,025**	**2,006,131,695**
Financial liabilities:								
Borrowings from central bank	-	-	(15,500,000)	(2,000,000)	(85,442,000)	-	-	(102,942,000)
Deposits and placements from banks and other financial institutions	-	(85,193,916)	(170,694,431)	(70,634,573)	(110,506,388)	-	(275,180)	(437,304,488)
Financial liabilities at fair value through profit or loss	-	(7,168)	-	-	-	-	-	(7,168)
Financial assets sold under repurchase agreements	-	-	(52,550,312)	(6,872,389)	(1,728,557)	-	-	(61,151,258)
Deposits from customers	-	(416,284,545)	(97,313,369)	(110,009,899)	(235,759,241)	(177,622,551)	(5,500,000)	(1,042,489,605)
Debt securities issued	-	-	(63,503,357)	(55,543,962)	(51,704,107)	(6,131,368)	(12,492,736)	(189,375,530)
Other financial liabilities	-	(10,976,887)	(2,651,339)	(2,384,702)	(5,864,246)	(2,202,724)	(75,825)	(24,155,723)
Total financial liabilities	**-**	**(512,462,516)**	**(402,212,808)**	**(247,445,525)**	**(491,004,539)**	**(185,956,643)**	**(18,343,741)**	**(1,857,425,772)**
Net position	**297,888,534**	**(440,582,536)**	**(249,204,645)**	**(62,412,265)**	**4,157,533**	**408,475,018**	**190,384,284**	**148,705,923**
Notional amount of derivative financial instruments	**-**	**-**	**269,173,375**	**165,325,492**	**733,742,751**	**498,937,701**	**1,800,000**	**1,668,979,319**

189 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	The Group							
	As at 31 December 2017							
	Indefinite	Overdue / repayable on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total
Financial assets:								
Cash and deposits with central bank	123,601,427	12,462,218	-	-	-	-	-	136,063,645
Deposits and placements with banks and other financial institutions	-	14,812,695	30,325,186	15,974,802	73,878,075	975,787	-	135,966,545
Financial assets held under resale agreements	-	-	23,695,961	483,968	1,628,922	-	-	25,808,851
Loans and advances to customers	-	2,314,696	85,209,140	59,224,503	200,357,951	220,560,645	75,524,389	643,191,324
Investments (Note i)	210,114,051	11,588,536	24,892,031	92,544,674	109,345,719	254,261,044	130,457,249	833,203,304
Other financial assets	-	2,714,378	1,385,088	2,087,728	3,806,643	823,541	72,425	10,889,803
Total financial assets	**333,715,478**	**43,892,523**	**165,507,406**	**170,315,675**	**389,017,310**	**476,621,017**	**206,054,063**	**1,785,123,472**
Financial liabilities:								
Borrowings from central bank	-	-	(15,000,000)	(7,035,000)	(59,570,000)	-	-	(81,605,000)
Deposits and placements from banks and other financial institutions	-	(73,307,831)	(160,861,248)	(46,234,299)	(99,950,567)	-	(101,412)	(380,455,357)
Financial assets sold under repurchase agreements	-	-	(60,032,811)	(13,825,177)	(4,715,181)	-	-	(78,573,169)
Deposits from customers	-	(393,791,203)	(104,210,729)	(116,544,267)	(202,529,843)	(106,509,282)	-	(923,585,324)
Debt securities issued	-	-	(88,506,653)	(56,615,600)	(7,841,175)	(2,695,184)	(12,489,466)	(168,148,078)
Other financial liabilities	-	(2,260,581)	(4,281,096)	(3,855,336)	(7,247,335)	(2,596,047)	(2,296)	(20,242,691)
Total financial liabilities	**-**	**(469,359,615)**	**(432,892,537)**	**(244,109,679)**	**(381,854,101)**	**(111,800,513)**	**(12,593,174)**	**(1,652,609,619)**
Net position	**333,715,478**	**(425,467,092)**	**(267,385,131)**	**(73,794,004)**	**7,163,209**	**364,820,504**	**193,460,889**	**132,513,853**
Notional amount of derivative financial instruments	**-**	**-**	**202,057,843**	**352,179,325**	**1,079,399,744**	**346,973,915**	**1,180,000**	**1,981,790,827**

(i) Investments comprise financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investment securities classified as receivables.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 190

(2) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities of the Group at the end of balance sheet date. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	The Group								
	As at 31 December 2018								
	Carrying amount	Gross nominal inflow / (outflow)	Indefinite	Overdue / repayment on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Non-derivative financial liabilities									
Borrowings from central bank	(102,942,000)	(106,325,648)	-	-	(16,003,750)	(2,065,356)	(88,256,542)	-	-
Deposits and placements from banks and other financial institutions	(437,304,488)	(442,168,983)	-	(85,193,916)	(171,579,686)	(71,428,164)	(113,654,052)	(36,737)	(276,428)
Financial liabilities at fair value through profit or loss	(7,168)	(7,168)	-	(7,168)	-	-	-	-	-
Financial assets sold under repurchase agreements	(61,151,258)	(61,367,324)	-	-	(52,664,978)	(6,942,013)	(1,760,333)	-	-
Deposits from customers	(1,042,489,605)	(1,069,830,835)	-	(427,235,628)	(99,804,359)	(112,847,697)	(241,954,857)	(182,320,801)	(5,667,493)
Debt securities issued	(189,375,530)	(196,702,686)	-	-	(63,653,746)	(55,867,998)	(53,319,923)	(9,324,019)	(14,537,000)
Other financial liabilities	(5,942,956)	(5,942,956)	-	(5,909,476)	-	-	(33,480)	-	-
Total non-derivative financial liabilities	**(1,839,213,005)**	**(1,882,345,600)**	**-**	**(518,346,188)**	**(403,706,519)**	**(249,151,228)**	**(498,979,187)**	**(191,681,557)**	**(20,480,921)**
Derivative financial instruments									
settled on gross basis of which									
- Total inflow		417,313,965	-	-	183,061,085	60,276,122	166,483,384	7,493,374	-
- Total outflow		(415,935,936)	-	-	(182,674,199)	(60,226,437)	(165,797,301)	(7,237,999)	-
Derivative financial instruments settled on net basis		250,121	-	-	3,501	23,759	110,460	111,966	435
Total derivative financial instruments		**1,628,150**	**-**	**-**	**390,387**	**73,444**	**796,543**	**367,341**	**435**
Credit commitments		**184,651,964**	**-**	**39,773,286**	**8,954,631**	**20,604,014**	**37,848,299**	**65,258,606**	**12,213,128**

191 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	The Group								
	As at 31 December 2017								
	Carrying amount	Gross nominal inflow / (outflow)	Indefinite	Overdue / repayment on demand	Within 1 month	Between 1 month and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years
Non-derivative financial liabilities									
Borrowings from central bank	(81,605,000)	(84,187,772)	-	-	(15,457,000)	(7,252,960)	(61,477,812)	-	-
Deposits and placements from banks and other financial institutions	(380,455,357)	(384,686,487)	-	(73,307,831)	(161,836,492)	(46,827,728)	(102,597,711)	-	(116,725)
Financial assets sold under repurchase agreements	(78,573,169)	(79,336,147)	-	-	(60,302,455)	(14,134,480)	(4,899,212)	-	-
Deposits from customers	(923,585,324)	(942,698,451)	-	(402,007,948)	(106,294,544)	(118,938,522)	(206,715,251)	(108,742,186)	-
Debt securities issued	(168,148,078)	(175,870,669)	-	-	(88,640,000)	(57,092,263)	(8,826,222)	(5,829,184)	(15,483,000)
Other financial liabilities	(2,312,790)	(2,312,790)	-	(2,260,581)	-	-	-	(52,209)	-
Total non-derivative financial liabilities	(1,634,679,718)	(1,669,092,316)	-	(477,576,360)	(432,530,491)	(244,245,953)	(384,516,208)	(114,623,579)	(15,599,725)
Derivative financial instruments									
settled on gross basis of which									
- Total inflow		384,545,945	-	-	86,575,535	75,694,926	212,622,934	9,652,550	-
- Total outflow		(388,013,107)	-	-	(87,386,408)	(76,397,182)	(214,792,543)	(9,436,974)	-
Derivative financial instruments settled on net basis		260,468	-	-	26,090	50,268	121,521	62,408	181
Total derivative financial instruments		**(3,206,694)**	**-**	**-**	**(784,783)**	**(651,988)**	**(2,048,088)**	**277,984**	**181**
Credit commitments		**158,963,399**	**-**	**38,295,734**	**9,134,585**	**20,452,755**	**44,594,861**	**37,454,074**	**9,031,390**

4. Operational risk

Operational risk refers to the risks resulting from inadequate or failed internal control procedures, from human or information system related factors and from external events.

The operational risk faces the Group primarily includes, among others, internal fraud, external fraud, damages to property, disruptions to operations or information technology systems and issues associated with transaction execution and settlement as well as business processes. Based on the "three lines of defense" operational risk management system, the Group uses management tools such as operational risk and control self-assessment (RCSA), key risk indicators of operational risk (KRI), and operational risk loss data collection (LDC), to identify, assess, measure, monitor, control / mitigate and report operational risks.

The Group uses flow analysis, based on the historical data and operational experience, to identify operational risks, possible areas with operational risk, possible risk factors and signals, and control important risk elements.

The Group has established a bottom-up operational risk reporting system, for timely reporting on significant operational risks with branches or departments. The operational risk reporting system can be used to collect loss data and identify loss distribution, to identify deficiencies in operational risk control, and to verify the results of RCSA and assess the quality of RCSA.

The Group also improves operational risk management by enhancing staff management. The Group provides various training to employees, including orientation training for new comers and ongoing operating compliance training for all employees, and conducts regular assessment. The Group's staff manual and internal policies involve provisions for avoiding financial losses and maintaining reputation. The Group has also developed mandatory rotation policies for certain key positions.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to each business unit. The operational risk management is supplemented by relevant guidelines formulated by the Group on the following areas:

- requirements for appropriate segregation of duties, including independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- effective risk mitigation measures, including insurance.

XIV. Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management. The group's capital management and distribution policies are reviewed regularly by the Board.

The Group commenced the computation of its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" and other relevant regulations promulgated by the CBRC. The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For systemically important banks, CBRC requires minimum core tier one capital adequacy ratio, tier one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. The Group has complied in full with all its externally imposed capital requirements at 31 December 2018 and 31 December 2017.

Capital adequacy ratio management is the core of the capital management of the Group. The capital adequacy ratio reflects the Group's operations and risk management capabilities. The Group considers its strategic development plans, business expansion plans and risk variable trends when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio for maintaining a solid capital base and supporting business healthy development as well as meeting regulatory requirements continuously.

The capital replenishment will mainly be drawn from accumulation within the group. And the group enhances the capital strength, broadens the channels of capital supplement, optimizes the capital structure and improve the quality of capital through the rational use of various types of capital replenishment tools.

Capital allocation

The Group determines the allocation of its capital to businesses or activities with the objective of maximizing the return on risk-adjusted capital. The amount of capital allocated to each business or activity is primarily determined based on regulatory requirements. However, in certain cases, regulatory requirements may not accurately address the varying degree of risks associated with different activities. In such cases, capital may be adjusted to an appropriate level to reflect the risk profiles.

The Group calculates the following core tier one capital adequacy ratio, tier one capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements promulgated by the CBRC as below:

193 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

	As at 31 December 2018	As at 31 December 2017
Core tier one capital adequacy ratio	**9.83%**	**10.69%**
Tier one capital adequacy ratio	**11.22%**	**12.37%**
Capital adequacy ratio	**13.00%**	**14.33%**
Capital composition		
Core tier one capital:		
- Paid-in capital	10,928,099	7,805,785
- Qualified portion of capital	25,717,981	27,833,570
- Surplus reserve	30,969,554	26,435,300
- General reserve	25,804,758	25,780,256
- Retained earnings	47,658,150	39,125,759
- Qualified portion of non-controlling interests	89,082	85,511
- Others (Note i)	240,837	47,296
Total core tier one capital	**141,408,461**	**127,113,477**
Core tier one capital deduction:		
- Goodwill (net of related deferred tax liabilities)	(1,579)	(1,579)
- Other intangible assets other than land use right (net of related deferred tax liability)	(346,312)	(314,321)
- Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(6,528)	(16,471)
Net core tier one capital	**141,054,042**	**126,781,106**
Other tier one capital		
- Other tier one capital instruments and related premium	19,957,170	19,957,170
- Qualified portion of non-controlling interests	11,878	11,401
Net tier one capital	161,023,090	146,749,677
Tier two capital:		
- Tier two capital instruments and related premium	9,000,000	10,000,000
- Qualified portion of surplus provision for loan impairment	16,632,336	13,186,788
- Qualified portion of non-controlling interests	23,755	22,803
Net capital	**186,679,181**	**169,959,268**
Total risk-weighted assets	**1,435,652,196**	**1,185,925,725**

(i) Others are the translation reserve for the Group in accordance with Administrative Measures on Capital of Commercial Banks (For Trial Implementation) issued by the CBRC.

XV. Fair value of financial instruments

1. Fair value measurement

(1) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring basis. As at 31 December 2018, the Group's assets and liabilities which are not measured at fair value on a recurring basis were not significant. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 194

The table below analyses financial instruments, measured at fair value at the end of the balance sheet date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Recurring fair value measurement	The Group			
	As at 31 December 2018			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt instruments	-	17,492,097	-	17,492,097
- Equity instruments	357,248	5,013	-	362,261
-Debt instruments at fair value through profit or loss	-	-	20,003	20,003
Derivative financial assets	-	1,237,616	-	1,237,616
Available-for-sale financial assets				
- Debt instruments	-	47,715,246	174,874,683	222,589,929
- Equity instruments	133,517,002	44,845,149	727,853	179,090,004
Total assets measured at fair value on a recurring basis	**133,874,250**	**111,295,121**	**175,622,539**	**420,791,910**
Liabilities				
Financial liabilities at fair value through profit or loss	-	(829,640)	-	(829,640)
Derivative financial liabilities	(7,168)	-	-	(7,168)
Total liabilities measured at fair value on a recurring basis	**(7,168)**	**(829,640)**	**-**	**(836,808)**

Recurring fair value measurement	The Group			
	As at 31 December 2017			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Assets				
Financial assets at fair value through profit or loss				
- Debt instruments	-	11,083,337	-	11,083,337
- Equity instruments	460,617	493	-	461,110
-Debt instruments at fair value through profit or loss	-	9,790	-	9,790
Derivative financial assets	-	839,088	-	839,088
Available-for-sale financial assets				
- Debt instruments	-	50,862,334	159,708,428	210,570,762
- Equity instruments	170,404,583	39,129,678	485,463	210,019,724
Total assets measured at fair value on a recurring basis	**170,865,200**	**101,924,720**	**160,193,891**	**432,983,811**
Liabilities				
Derivative financial liabilities	-	(1,359,342)	-	(1,359,342)
Total liabilities measured at fair value on a recurring basis	**-**	**(1,359,342)**	**-**	**(1,359,342)**

(2) Level 1 fair value measurement

If there is a reliable active market quote (such as an authorised stock exchange or active open-ended fund manager), the closing price or redemption price of the last trading day prior to the balance sheet date is used as fair value.

(3) Level 2 fair value measurement

Debt instruments included in financial assets at fair value through profit or loss and Bonds, negotiable certificate of deposits and part of asset-backed securities included in available-for-sale financial assets are determined based on the quotes provided by the valuation system of securities clearing institutions. Observable inputs that reflect market conditions are used by quotation institutions when preparing the quotation.

195 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

Equity investment included in financial assets at fair value through profit or loss is mainly stocks. The value of stocks which doesn't have active fair value can refer to the recent market price. The measure method can adopt the valuation technique which all significant valuation parameters are observed using market information.

Debt instruments included in financial assets at fair value through profit or loss are credit-linked notes. The fair value of these debt instruments is measured by the discounted expected cash flow in the future periods, and all significant valuation parameters involved are from observable market information.

The fair value of foreign exchange forwards and swaps, currency interest rate swaps, interest rate swaps, and commodity forward and swap included in the derivative financial instruments is determined by discounting the expected receivable and payable of future contracts and calculating the net present value of the contracts. The discount rate used is the market rate curve of respective currency. System quotations provided by exchanges relevant markets are used for exchange rates and commodity prices. Observable inputs that reflect market conditions are used by quotation institutions when preparing the quotation.

The Black-Scholes option pricing model is used to determine the fair value of foreign exchange options. Interest rate consists with market interest rate curve for the corresponding currency; exchange rates and volatility consist with quotations of related foreign exchange trading system. Observable inputs reflecting market conditions are used by related quotation agencies to offer a quote.

Equity investments included in the available for sale financial assets are mainly assets management plans, whose fair value is determined based on the adjusted fair value of financial assets or liabilities held by relevant structured subject. When there is no current quotation for the financial assets or liabilities, their fair value should be determined based on the adjusted market quotations for recent transactions. The valuation is based on a technique for which all significant inputs are observable market data.

(4) Level 3 fair value measurement

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value.

Quantitative information of level 3 fair value measurement is as follows:

	Fair value as at 31 December 2018	Valuation technique	Unobservable inputs	Range (weighted average)
Debt investment plan	25,109,386	Discounted cash price method	Risk-adjusted discount rate	[4.20%, 6.91%]
Wealth management product	149,765,297	Discounted cash price method	Risk-adjusted discount rate	[4.30%, 5.36%]
Unlisted available-for-sale equity instrument	517,826	Comparison of listed companies	Discounted liquidity	20%
Unlisted convertible corporate bonds	210,027	Discounted cash price method	Risk-adjusted discount rate	[8.43%, 8.86%]
Unlisted RMB bills	20,003	Discounted cash price method	Risk-adjusted discount rate	6.5%

	Fair value as at 31 December 2017	Valuation technique	Unobservable inputs	Range (weighted average)
Debt investment plan	26,771,549	Discounted cash price method	Risk-adjusted discount rate	[4.30%, 7.50%]
Wealth management product	132,936,879	Discounted cash price method	Risk-adjusted discount rate	[4.80%, 5.62%]
Unlisted available-for-sale equity instrument	485,463	Comparison of listed companies	Discounted liquidity	20%

The group uses the valuation technique which include unobserved market data for part of debt investment plan, wealth management product, unlisted convertible loans and unlisted RMB bills. The valuation technique for the above assets is discounted cash price method, of which the unobservable inputs include risk-adjusted discount rate, etc.

The Group uses the price-to-book ratio of comparable listed companies to determine the fair value of the unlisted available for sale equity instruments, and makes adjustments by discounting its liquidity. The liquidity discounts in the above models are unobservable inputs.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 196

As at 31 December 2018 and 31 December 2017, the impact of replacing existing unobservable assumptions with other reasonable assumptions on the fair value measurement result is not significant.

The above assumptions and methods provide a consistent basis for the Group to calculate the fair value of its assets and liabilities. Other entities, however, may use different assumptions and methods, and therefore the fair value disclosed by other financial institutions may not be entirely comparable.

Reconciliation of the opening and closing balance for assets of level 3 fair value on a recurring basis is as follows:

	The Group						
	2018						
	As at 1 January	Total gains or losses during the year (Note)		Additions and settlements		As at 31 December	For asset held and Liabilities assumed at end of year, unrealised gains or losses during the year recognised in profit or loss
		Recognised in profit or loss	Recognised in Other comprehensive income	Additions	Settlement		
Assets							
Financial assets at fair value through profit or loss							
- Debt instruments designated at fair value through profit or loss	-	3	-	20,000	-	20,003	3
Available-for-sale financial assets							
- Investment in debt instruments	159,708,428	5,572,258	-	238,550,000	(228,956,003)	174,874,683	(282,374)
- Investment in equity instruments	485,463	87,968	(55,605)	210,027	-	727,853	87,968
Total	**160,193,891**	**5,660,229**	**(55,605)**	**238,780,027**	**(228,956,003)**	**175,622,539**	**(194,403)**

	The Group						
	2017						
	As at 1 January	Total gains or losses during the year (Note)		Additions and settlements		As at 31 December	For asset held and Liabilities assumed at end of year, unrealised gains or losses during the year recognised in profit or loss
		Recognised in profit or loss	Recognised in Other comprehensive income	Additions	Settlement		
Assets							
Available-for-sale financial assets							
- Investment in debt instruments	210,382,027	3,693,241	(37,430)	138,392,378	(192,721,788)	159,708,428	72,831
- Investment in equity instruments	19,091,027	356,303	133,685	-	(19,095,552)	485,463	(83,648)
Total	**229,473,054**	**4,049,544**	**96,255**	**138,392,378**	**(211,817,340)**	**160,193,891**	**(10,817)**

197 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

Note: Details of the above gains or losses charged to profit or loss or other comprehensive income recognised by the Group at 31 December 2018 and at 31 December 2017 are as follows:

	2018	
	Item	Amount
Realised gains or losses recognised in profit or loss during the year	Interest income	5,854,632
Unrealised gains or losses recognised in profit or loss during the year	Financial assets at fair value through profit or loss Gain / (loss) on changes in fair value	3
	Impairment losses	(194,406)
Total		**(194,403)**
Gains or losses recognised in other comprehensive income	Gain / (loss) on changes in fair value of available-for-sale financial assets	(55,605)

	2017	
	Item	Amount
Realised gains or losses recognised in profit or loss during the year	Interest income	3,477,853
	Investment income	582,508
Total		**4,060,361**
Unrealised gains or losses recognised in profit or loss during the year	Impairment losses	(10,817)
Gains or losses recognised in other comprehensive income	Gain / (loss) on changes in fair value of available-for-sale financial assets	96,225

Analysis of level 3 fair value measurement items on a recurring basis and sensitivity of unobservable inputs is as follows:

The fair value of some of the group's debt investment plans, wealth management products,unlisted convertible loans and unlisted RMB bills is determined by discounting related expected cash flow of mentioned assets through the risk adjusted discount rate. The discount rate used has been adjusted according to counterparty credit risk. There is a negative correlation between fair value measurement and risk adjusted discount rate.

The Group uses the price-to-book ratio of comparable listed companies to determine the fair value of the unlisted available for sale equity instruments, and makes adjustments by discounting its liquidity discount. Fair value measurement and liquidity are negatively correlated. As at 31 December 2018, when all other variables remain constant, an increase or decrease of 5% in liquidity discount will result in an decrease or increase of RMB24.34 million in the Group's other comprehensive income (31 December 2017: decrease or increase of RMB27.03 million).

2. Change of items measured at fair value between different levels

During the Relevant Periods, the Group's assets and liabilities measured at fair value have not been changed significantly between different levels.

3. Change of valuation techniques and the reasons

During the Relevant Periods, valuation techniques used by the Group for fair value measurement were not changed significantly.

4. Fair value of financial assets and liabilities not measured at fair value

In addition to the following items, there was no significant difference between the carrying amount and the fair value of the Group's other financial assets and liabilities as at 31 December 2018 and 31 December 2017.

	As at 31 December 2018			
	Level 2	Level 3	Fair value	Carrying amount
Financial assets				
Held-to-maturity investment	311,928,482	-	311,928,482	310,643,240
Investment securities classified as receivables	8,006,481	120,656,902	128,663,383	128,764,840
Total	**319,934,963**	**120,656,902**	**440,591,865**	**439,408,080**
Financial liabilities				
Debt securities issued	185,432,695	4,592,391	190,025,086	189,375,530

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 198

	As at 31 December 2017			
	Level 2	Level 3	Fair value	Carrying amount
Financial assets				
Held-to-maturity investment	254,348,922	-	254,348,922	264,262,868
Investment securities classified as receivables	8,532,869	127,730,446	136,263,315	136,701,386
Total	**262,881,791**	**127,730,446**	**390,612,237**	**400,964,254**
Financial liabilities				
Debt securities issued	164,265,862	2,522,889	166,788,751	168,148,078

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

(1) Fair value of held-to-maturity financial assets, part of bond investment under investment securities classified as receivables, and financial liabilities of subordinated debt securities, tier 2 capital bonds, negotiable certificates of deposit and unlisted US dollar note instruments issued is based on the quotes provided by the valuation system of securities clearing institutions. Observable inputs that reflect market conditions are used by quotation institutions when preparing the quotation.

(2) There is no quotation for part of the bonds, asset management plans and structured notes and wealth management products of commercial banks in investment classified as receivables and certificate of deposit and unlisted US dollar note instruments included in the financial liabilities for debit securities issued on the active market. As a result, the Group estimates the fair value of these investment classified as receivables and these financial liabilities for debit securities issued by applying the discounted cash flow method. The discount rate used is the yield curve adjusted to the credit risk of the investment classified as receivables and the financial liabilities for debit securities issued at the end of reporting period.

XVI. Subsequent events

1. The Board of Directors approved on 19 April 2019 the profit appropriations for the year ended 31 December 2018. The proposal is subject to approval by the shareholder's general meeting.

2. Accounting standards issued but not yet effective and the potential impact:

As of the report date, the MOF issued the following revised accounting standards and interpretations. The Group has not implemented these standards as at 31 December 2018. The revised accounting standards would be relevant to the Group's financial statements in future periods.

- CAS No.14 - Revenue (Revised) ("new revenue standard")

- CAS No.22 - Financial Instruments: Recognition and Measurement (Revised), CAS No.23 - Transfer of Financial Assets (Revised), CAS No.24 - Hedge Accounting (Revised) and CAS No.37 - Presentation and Disclosures of Financial Instruments (Revised) (collectively "new financial instruments standards")

- CAS No.21 – Leases (Revised) ("new leases standard")

The Group plans to apply the new financial instruments standards from 1 January 2019. As required by MOF, except entities which are listed on both domestic and overseas markets or listed on overseas market, other listed entities on domestic markets preparing financial statements in accordance with IFRS or CAS shall adopt the new revenue standard and the new leases standard from 1 January 2020 and 1 January 2021 respectively.

The Group is assessing the expected impact of the new financial instrument standards on the first adoption period. As assessed by the Group by now, some aspects of the amendments to the new financial instruments standards may materially impact the financial statements. The assessments are based on the available information so far, hence the actual impact of the first adoption of the new standards may vary. The Group may identify further impacts and may change the accounting policy before the first adoption. The expected impact of the new financial instrument standards is as below.

The new financial instruments standard introduces new requirements for the classification and measurement of financial assets, including new requirements for the measurement of impairment of financial instruments. On the other hand, the new financial instrument standards retain the requirements for the classification and measurement of financial liabilities.

The new financial instruments standard require entities to make retroactive adjustments on the first adoption date and reflect the relevant adjustment in retained earnings or other comprehensive income in the first adoption reporting year.

The expected impact of the new financial instrument standard on the Group's financial statements is as follows:

(1) Classification and measurement

The new financial instruments standards classify financial assets into three principal categories: financial assets measured at amortised cost, financial assets held at fair value through other comprehensive income ("FVTOCI") and financial assets held at fair value through profit or loss ("FVTPL").

• The classification of debt investments is generally dependent on the business model in which a financial asset is managed and its contractual cash flow characteristics. If classified as FVTOCI, the interest income, impairment losses and gains / (losses) from disposals would be recognised as the profit or loss in current period.

• Regardless of the business model adopted, equity investments are generally classified as FVTPL. The only exception is when the security is not held for the transaction, and the entity irrevocably chooses to designate the security as FVTOCI. If an equity investment is designated as FVTOCI, only the dividend income arised by the investment can be recognised as profit or loss in current period. The gains / (losses) from disposals of the securities are reflected in other comprehensive income and can not be transferred to the profit or loss in current period.

The Group will classify financial assets held in accordance with the relevant requirements of the new financial instrument standards.

(2) Impairment

The new financial instruments standards replace the “incurred loss” model in the current financial instruments standards with the expected credit loss model (the “ECL model”). According to the ECL model, the company will not have to wait for the occurance of the events which may cause losses before the recognition of impairment losses. Instead, entities should confirm and measure the expected credit losses over the next 12 months or the entire lifetime based on the assets’ categories and the relevant facts and circumstances. The Group expects that the application of the ECL model will result in earlier recognition of credit losses.

The Group retrospectively adjusts the classification and measurement (including impairment) of financial instruments that have not been derecognised by the first adoption date of the new financial instrument standards in accordance with the convergence rules. The Group has not adjusted the comparative financial statement data. The difference between the carrying amounts of the financial instruments on the first adoption date under the new financial instrument standard and current financial instrument standard is included in the retained earnings or other comprehensive income in the first adoption reporting year.

XVII. Comparative figures

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures.

(Expressed in thousands of Renminbi,unless otherwise stated) Notes to the financial statements 200

Bank of Shanghai Company Limited Supplementary Financial Information

1. Extraordinary gains and losses

Extraordinary gains and losses listed below are presented in accordance with Interpretive Pronouncement on the Preparation of Information Disclosure of Companies Issuing Public Shares No.1 – Extraordinary Gains and Losses:

	Note	2018	2017
Income from bank card overdue fee		91,043	71,318
Income from the compensation of litigation and breach of contract		62,509	6,035
Government grants		42,998	29,105
Income from clean up the suspense account		42	2,944
Net income from disposal of repossessed assets		-	613
Net (losses) / gains from disposal of fixed assets		(6,867)	9,292
Net losses from disposal of other assets		(8,958)	(87)
Donation expenditure		(12,412)	(15,206)
Other profit and loss		35,329	31,735
Net amount of extraordinary gains and losses	(1)	**203,684**	**135,749**
Tax effect	(2)	(55,742)	(38,473)
Total		**147,942**	**97,276**
Including:			
Net amount of extraordinary gains and losses affecting the net profit of the Bank's shareholders		146,833	92,990
Net amount of extraordinary gains and losses affecting the net profit of the Group's minority shareholders		1,109	4,286

Notes:

(1) The extraordinary gains and losses shall be accounted in other income, gains / (losses) from asset disposals and non-operating income or expenses.

Gains or losses on the financial assets which the Group entrusted to others for investing or management, reversal of loan loss provision from individually impairment test, possession and disposal of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets and custodian fee income received as entrustee are not presented as extraordinary gains and losses because the above gains and losses are generated from normal operation.

(2) According to Regulations for the Implementation of the PRC Enterprise Income Tax Law and relevant regulations, net losses on disposal of fixed assets, non-public donations, compensations, liquidated damages and fines included in other prodit or loss cannot be deducted before taxation.

2. Earnings per share

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) (The Rules for the Information Disclosure and Reporting No.9) issued by the CSRC and relevant accounting standards, the Group's earnings per share are calculated as follows:

	2018	2017
Weighted average number of ordinary shares outstanding (in thousand shares)	10,928,099	7,805,785
Weighted average number of ordinary shares outstanding after adjustment (in thousand shares)	10,928,099	10,928,099
Earnings per share before deducting extraordinary gains and losses		
- Net profit attributable to equity holders of the Bank	16,994,040	15,328,499
- Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)	1.56	1.40
Earnings per share after deducting extraordinary gains and losses		
- Net profit attributable to equity holders of the Bank after deducting extraordinary gains and losses	16,847,207	15,235,509
- Basic and diluted earnings per share attributable to equity holders of the Bank after deducting extraordinary gains and losses	1.54	1.39

201 Notes to the financial statements (Expressed in thousands of Renminbi,unless otherwise stated)

According to the resolution of the 2017 annual general meeting of shareholders approved by the Bank on June 22, 2018, the number of total shares issued before the implementation of the plan was 7,805,785,000. The Bank converted capital reserve to share capital on the basis of 0.4 shares for every share offered to all the registered shareholders on the record of date. Upon the completion of such conversion, the total share capital was increased to 10,928,099,000. According to the Rules for the Information Disclosure and Reporting No.9, the weighted average number of ordinary shares outstanding and earnings per share indicators during each comparative period were recalculated based on the number of shares after conversion.

There was no difference between basic and diluted earnings per share as there were no ordinary shares that are not dilutive during the year ended 31 December 2018 and 2017.

3. Return on net assets

In accordance with "The Rules for the Information Disclosure and Reporting No.9" issued by the CSRC and relevant accounting standards, the Group's return on net assets are calculated as follows:

	2018	2017
Net asset attributable to equity holders of the Bank	141,319,379	127,027,966
Weighted net asset attributable to equity holders of the Bank	134,172,935	121,398,595
Before deducting extraordinary gains and losses		
- Net profit attributable to equity holders of the Bank	16,994,040	15,328,499
- Weighted average of return on net assets	12.67%	12.63%
After deducting extraordinary gains and losses		
- Net profit attributable to equity holders of the Bank	16,847,207	15,235,509
- Weighted average of return on net assets	12.56%	12.55%

4. Leverage ratio

For more detailed information about leverage ratios, please refer to the column on investor relations-regulatory capital at the Bank's website: www.bosc.cn.

5. Regulatory capital

For more information about regulatory capital, please refer to the column on investor relations-regulatory capital at the Bank's website: www.bosc.cn.

上海银行
Bank of Shanghai

Add: No. 168, Middle Yincheng Road, Pudong New District, Shanghai, China
Postal code: 200120
Telephone: 86-21- 68476988
Facsimile: 86-21- 68476215
Website: http: //www.bosc.cn