2019

ANNUAL REPORT

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

Content

Important Notice

1 The Board of Directors, Board of Supervisors and the directors, supervisors and senior management of the Company undertake that the contents of this annual report is true, accurate and complete without any false record, misrepresentation or material omission and are severally and jointly liable in this respect.

2 The Resolution regarding the 2019 Annual Report and Summary of Bank of Shanghai Co., Ltd. was considered and approved at the fourteenth meeting of the fifth session of the Board of Directors of the Company on 24 April 2020. 18 directors were supposed to attend the meeting and 17 of them actually attended the meeting. Director Gu Jinshan appointed Director Ye Jun to attend and vote on his behalf. 4 supervisors of the Company were present at the meeting.

3 The proposal on distribution of profit in the reporting period which has been considered and approved by the Board of Directors: Distribute RMB4.00 (tax inclusive) of cash dividend per 10 shares to ordinary shareholders on a basis of 14,206,528,700 ordinary shares, totaling RMB5,682,611,480. This proposal is subject to consideration at the 2019 annual general meeting of the Company.

4 The 2019 financial statements of the Group prepared under the Accounting Standards for Business Enterprises of the PRC has been audited according to the Auditing Standards for CPAs in the PRC by KPMG Huazhen (Special General Partnership), which had issued a standard unqualified audit report.

5 The financial data and indicators set out in this annual report are prepared on a consolidated basis in accordance with PRC GAAP and expressed in Renminbi, unless otherwise stated. "The Group" refers to Bank of Shanghai Co., Ltd. and its subsidiaries.

6 The Company's Chairman Jin Yu, President Hu Youlian, and Vice President and Chief Financial Officer Shi Hongmin guarantee that the financial report in this annual report is true, accurate and complete.

7 Risk disclosure of forward-looking statements: the forward-looking statements such as future plans and development strategies involved in this annual report do not constitute a substantial commitment of the Company to the investors. Investors and relevant persons should have sufficient risk awareness and understand the difference of plans and forecasts from commitments.

8 Material risk warning: the Company does not have foreseeable material risks. The risks faced by the Company in its operations mainly include credit risk, market risk, liquidity risk and operational risk. The Company has taken various measures to effectively manage and control various types of operational risks. Please refer to the Chapter "Discussion and Analysis of Operation" for details.

Definitions

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

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

Chairman

The year 2019 marks the 70th anniversary of the founding of the People's Republic of China. The whole country celebrated the great journey and remarkable achievements over the years, which greatly inspired us and unleashed our confidence. We faced the complex and challenging operating environment head-on, made continuous efforts in building a boutique bank, quickened headway towards transformation and unwaveringly promoted high-quality development. Throughout the year, the business structure was continuously optimized, operating income and net profit continued to grow rapidly, asset quality remained stable, and the foundation of operation and management was further consolidated.

Looking back, our path toward transformation was full of challenges. Being in an increasingly fierce competition, we insisted on self-examination, maintained our strategic foothold, and focused on improving our operation management capabilities to build stable and sustainable competitiveness.

We sped up strategic alignment, strengthened strategies implementation, and promoted the in-depth integration with the real economy. If the real economy are forging ahead, surely will the financial sector thrive. In supporting the symbiotic development of real economy, we rode the wave to improve the top-level design, forward-looking layout and implementation of strategies. Fully leveraging our regional advantages, actively aligning with national regional development strategies and the national strategies of building the China (Shanghai) Pilot Free Trade Zone Lin'gang New Area , Science and Technology Innovation Center, etc., we successively established business promotion committees of service integration for Yangtze River Delta, Greater Bay Area, New Area of the Free Trade Zone and technology and innovation financing service, and made full use of the resources of the Group to realize synergetic advancement. We participated in the establishment of the G60 Science and Technology Corridor Fund of funds, established a free trade joint innovation center together with strategic shareholders, set up a technology and innovation financing laboratory, built an ecosphere of technology and innovation financing service, and established a service center for listing on the science and technology innovation board to grow together with technology enterprises. We furthered the awareness of the role of consumption in driving economic growth. Grasping the public's desire for a better life and the trend of consumption upgrade, we gave priority to our retail finance business and continued to foster and upgrade our featured businesses including consumer finance, wealth management and pension finance. In 2019, with a 3.65 percentage points increase, the operating income from retail finance business continued to make great contribution to our income.

We pushed forward organizational reforms and built a professional service system in accordance with the market. Since the implementation of the boutique bank strategy, we have carried out a series of business management system reforms, gradually enhancing our professional service capability in strategic and featured businesses. In recent years, as called for by changes in internal and external environment, we have insisted on reinventing ourselves, implemented organizational reforms, strengthened factors integration, and continuously enhanced the light and efficient professional service system. We established the supply-chain finance department to build a "cooperative, open and win-win" supply-chain financial service system and provided professional solutions in light of industry chain features and customer needs, resulting in a 58.93% increase in loans for supply-chain finance throughout the year. We initially established a professional operation system for interbank customers by implementing the reform of interbank and custody business systems, resulting in a significant increase in key customers, product penetration rate and service efficiency, with constantly improved business structure. We actively deepened the integration of online channels and businesses, and built online products and service systems to improve service efficiency and promote online end-to-end quality service experience.

We deepened customer management, served common value creation and improved customer services. We practiced the customer-centered philosophy, customer management model were upgraded to promote the realization of customer value and effective customer acquisition and management, expand customer scale, and improve service capability. We boosted efforts to advance the "online + offline" channel operation of corporate business, built a customer acquisition model that is based on shared and collaborative scenarios, and enriched comprehensive financial services, which brought a continuous increase in the number of effective customers and featured business customers. Keeping up with changes in customer behaviors, we further matched core products of consumer finance with scenarios, driving rapid growth in retail customers. We gave full play to the competitive strengths of pension financial services, and strengthened product innovation and value-added services, as a result of which, the number of newly acquired pension finance customers increased by 15.84% year-on-year, reaching a record high in five years. We focused on optimizing the wealth allocation structure, and built a hierarchical and classified customer management system, resulting in a rapid growth in wealth management and private banking customers. We integrated the lifestyle and consumption experiences of customers, and promoted transaction-driven customer acquisition, as a result of which, the number of credit cards issued on a cumulative basis increased by 23.92% over the end of the previous year. Practicing the development concept of an open bank, we enhanced construction of an integrated ecosphere to achieve synergistic development with self-operated ecosystem, as a result of which, additional 119,500 type I accounts were converted from type II and III accounts this year on a cumulative basis as compared with the previous year.

We strengthened risk management and consolidated the foundation for steady development. As an enterprise facing operational risks, we abide by bottom-line thinking, strengthened our risk awareness, built a healthy risk culture, improved the three lines of defense for risk management, and continued to strengthen the comprehensive risk management system. We adhered to stable risk appetite, improved credit policy, strengthened access management, optimized credit structure and improved asset quality management and control mechanism, and succeeded in maintaining excellent asset quality in the industry through a combination of measures including strategic guidance, assessments and incentives, real-time monitoring and flexible asset management. We strengthened compliance construction and deepened internal control to build an internal control compliance closed-loop optimization mechanism. We strengthened targeted management and control over large deal, expanded the scope of systematic management and control over on- and off-balance sheet assets, group customers, etc., and stepped up rigid management including withdrawal. We enhanced the intelligence of risk control system by building a new risk management model featuring "quantitative management + early warning mechanical control + process mechanical control" to promote effective and forward-looking risk early warning, making further progress in the improvement of the effectiveness of risk decision-making and quantitative management.

We draw new momentum from digital transformation and promoted innovative practices to pursue continuous growth. Digital technology is promoting the restructuring of corporate strategic management, organizational structure, product services, corporate culture and other areas, leading to profound changes in operation model and competitive landscape and bolstered efficiency greatly. In the path of innovative development, we took digital transformation as a crucial practice. We sped up the application of digital technology, explored in depth the integration of technologies, strategies and businesses, and improved the accuracy of management and operation. We worked actively to build a digital open financial platform to connect various scenarios and ecologies, steadily innovating financial products and services, enhanced customer experience, and provided high-quality and convenient inclusive financial services; strengthened data association and management application, improved strategic assessment and marketing management, enhanced risk prevention and control and empowered sophisticated management; implemented automated operation processes including operation and audit and continued to advance smart operation by leveraging RPA, OCR, face recognition and other technologies. We will make sustained efforts to improve the requirements, methods and paths of strategic management and business management restructuring in the digital age, increase investment in scientific and technological resources, and energize innovation to enhance core competitiveness.

We emphasized corporate governance and gave full scope to governance mechanism as the main actor of providing a systematic guarantee for sustainable development. We took corporate governance as a long-term insurance for our steady and resilient development, made sustained efforts to advance corporate governance structure, deepened the integration between party building and corporate governance, enhanced the building of operation mechanism and the fulfilling of governance entities' respective duties and improved the market-oriented incentive and restrictive mechanism, in order to enhance the corporate governance efficiency. Directors performed duties diligently and gave full play to their professional skills to ensure scientific decision making and efficient operation of the Board of Directors. We enhanced information disclosure and investor relations management, improved information transparency, established a proactive feedback and response mechanism for market concerns, integrated investor perspective in our strategies, enhanced market constraint and made constant efforts to continuously improve the return on investment and protect the interests of stakeholders.

In 2019, Mr. Huang Xubin and Mr. Chen Xuyuan successively resigned as non-executive directors of the Bank due to job change. I, on behalf of the Board of Directors, express sincere thanks to them for their contributions to the Bank and warmly welcome Ms. Du Juan and Mr. Gu Jinshan to join the Board of Directors of the Bank.

The year of 2020 marks the end of China's building a moderately prosperous society in all respects and the "13th Five-Year Plan" as well as the end of the three-year development plan (2018-2020) and the start of a new round of plan of the Bank. The outbreak of COVID-19 epidemic brought challenges to economic development like never before. As a financial institution, Bank of Shanghai will make concerted efforts, actively play the role of an important force in supporting epidemic prevention and control, and promoting economic development, take the initiative to live up to our responsibilities, push forward innovation, efficiency and transformation, step up efforts to build a boutique bank and strive to open up a new prospect for development.

President

In the past year, we focused on the boutique bank strategy, insisted on integrating self-development with real economy, promoted structural adjustment and deepened reform and innovation, so as to improve our service capalility. In 2019, our operating income amounted to RMB49,800 million, representing a year-on-year growth of 13.47%. In particular, the operating income from retail financial service contributed more to our growth, and recorded a year-on-year growth of 30.45%. The net profit attributable to the shareholders of the parent company exceeded RMB20,000 million, representing a year-on-year growth of 12.55%. Our total assets came to RMB2,240,000 million and the balance of deposits and loans increased by 13.77% and 14.32% as compared with the end of the previous year, respectively. We maintained sound asset quality in the banking industry. The Bank has been firmly and steadily promoting transformation and development.

In 2019, we remained true to our original aspiration and promoted structural adjustment in the process of supporting real economy. We took the initiative to serve national strategies and deeply participated in integrated development of the Yangtze River Economic Zone, the Beijing-Tianjin-Hebei Economic Region, and Guangdong-Hong Kong-Macao Greater Bay Area, involving a total credit amounting to over RMB60,000 million. We actively explored the new mode of inclusive finance, set up the online "BOSC e-chain" supply-chain financial services system and promoted innovation of inclusive finance offline as well. Relevant loans increased by 39.58% and the number of accounts almost doubled as compared with the end of the previous year. We deeply integrated into regional economy and local social development and energetically supported such areas as house renovation, healthcare and education. Loans for livelihood increased by 59.93% as compared with the end of the previous year. We provided attentive services to meet residents' financial needs, strived to create warm and intelligent services and refined the layered and classified retail operation system. We hit a new high in recent years in the number of customers of pension, wealth services and asset growth.

In 2019, we made efforts to activate our operation while deepening reform and innovation in line with the development trend. We took the initiative to embrace the tide of scientific and technological development, increased resources input, deepened digital transformation, and promoted the orderly application of Fintech in all areas of operation and management, enabling us to better serve the real economy and achieve sustainable development. We reformed the mechanism, reshaped the positioning of custody business, optimized the professional management system for clients in the institutional banking business, bringing the custody size to over RMB1,000,000 million. We integrated online business resources to form online advantages with an online customers base exceeding 30 million. We improved the organizaiton setup and positioning of branches and of subbranches, so as to strengthen and expand the businesses of them, laying a solid foundation for their sustainable development.

In 2019, we strictly kept to the bottom line and steadily enhanced the overall risk control. We always attached great importance to risks related to the changing business environment, took intiative to take proactive response in advance. We laid emphasis on risk management while expanding operation, constantly improved the comprehensive risk management system centred on "three lines of defence" and based on quantitative management and maintained sound asset quality and risk coverage ability among banks.

The progress of the Bank is inseparable from the trust and cooperation of all sectors of society. We sincerely appreciate the support from our customers and partners. The positive cooperation between us is the driving force for our constant progress in the implementation of the boutique bank strategy.

The future is coming, and changes remain ahead. The worldwide COVID-19 epidemic starting in early 2020 once again confirmed the conclusion that there are unprecedented changes in the century, and revealed the trend of restructuring of the relationship among customers, products and channels in the banking industry. The changes from customers remains the biggest uncertainty. Standing at the critical crossroads of China's Fintech roadmap, we feel the changes in the banks' development logic more than ever. The efficiency, structure and quality have already replaced scale, and become the decisive factors for winning the battle in the market. The industrial upgrading, market reformation and technological development are continuously prompting the banks to shift to their unfamiliar realms from familiar ones. Customer needs continue to change, shifting from account transactions to scene-based and ecological experience. Banks have undergone rapid changes in the customer acquisition model, product iteration and service channels. With the rapid integration of finance and technology, the application of artificial intelligence, big data, Internet of Things, blockchain and other technologies have made digitalization a core strategy for the banking industry. In the future, only by speeding up innovation and intensifying transformation can we continue to cultivate advantages and enhance value in a changing era.

Focusing on customers, we sped up the transformation of service modes. The customers are the starting point of all business logic and the ending point to inspect management. We insisted on growing with our customers with considerate services. To provide customers with excellent experiences and create values for them, we adjusted and improved the service process to form closed-loop management covering the entire lifespan of products and services, adding values to our customers. Relying on BOSC Express, BOSC Inclusive Finance, BOSC e-chain and other products and services, we established an ecological service system that integrated online and offline services in various scenes. We are committed to serving the overall interests of the community and achieving common development. Only by following the general trend of industrial upgrading and economic reform can the banks improve service capability and promote their own structural adjustment. We worked actively on supporting the national strategies, serving local economy and intensifying the development of key areas of inclusive finance and technology and innovation financing in a more targeted way. We vigorously expanded livelihood finance, improved the "Smart Health" service system, formed the pension finance brand of “Good Life”, and innovated the "culture and innovation financing" service model, etc.

Focusing on professionalism, we sped up the transformation of operating modes. Given increasingly clear divergence in development, only the well-positioned and professional banks can cultivate their advantages in the future. We kept upgrading our operating modes for traditional businesses to improve customer experience on a sustained basis. More importantly, focusing on strategic priorities such as industrial upgrading, consumption upgrading and economic restructuring, we cultivated business characteristics by innovation and withstood market tests with professionalism. Meanwhile, we strengthened our internal competence, and enhanced professional operation guidance across the Bank in light of resource constraints, assessment guidance and technological empowerment. Focusing on industry segments and specific fields, we continued to explore effective integration of customers, products and channels to achieve a more effective service synergy. We cooperated with professional social institutions to establish an innovative laboratory for technology and innovation，an innovative free trade center, in an effort to accelerate professional development and achieve transformational breakthrough at a higher starting point.

Focusing on technology, we sped up the transformation of driving modes. From optimizing the system of science and technology, to strengthening the information infrastructure, and to promoting the digital transformation, we are committed on the road of the deep integration of finance and technology. The current competition pattern between banks and Internet companies is undergoing new changes, focusing more on strengthening cooperation and bringing their complementary advantage into full play. In this context, we will focus on the pain points of partners and customers, enhance service capability in investment banking, consulting service and technology docking, and build an open bank with an open digital platform to gain insights into the market in a wider perspective and expand customer base. We will foster a team integrating technology and business, and create the culture and atmosphere encouraging innovation across the Bank. We will go wider and deeper to promote the application of artificial intelligence, blockchain and other technologies to form a business model that is closer to customers and the market. By accelerating the integration of finance and technology, we will find a way of digital transformation in line with the positioning of boutique bank.

We sped up the transformation of working modes in pursuit of efficiency. Efficiency is the competitiveness, and for new demands, new models and new technologies, the ultimate goal is to improve operating efficiency, and the internal support rests with efficient management. We will drive improvement in operating service efficiency by enhancing management efficiency and continue to improve our executive ability by translating general directions into specific matters and further into detailed steps. Efficiency is also the vitality. With an asset size over RMB2 trillion, the Bank’s span of management and business volume have expanded continuously, which requires great efficiency to improve and support future development. Therefore, we will actively promote a series of innovations, including the upgrading of branch capacity and the deepening of business operation reform. We will support the rapid coordination and interaction across departments, sectors and levels, so as to constantly enhance synergy and stimulate the momentum of sustainable development.

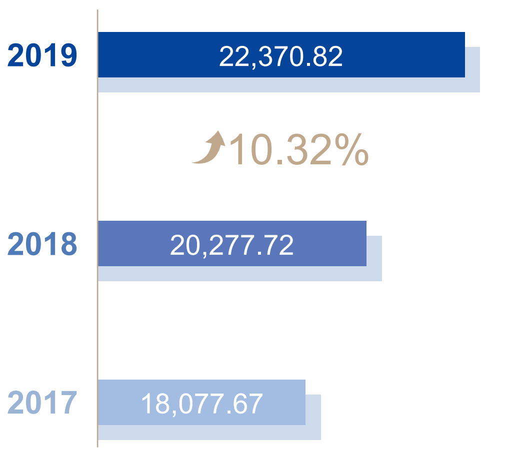
In the process of speeding up innovation and deepening transformation, we are well aware that effective risk management is the premise for all the development. We will remain cautious about risks with the bottom-line thinking, explore ways to understand risks with digital thinking, control risks with rigid management, and move forward steadily while consolidating the foundation of risk management.

The road ahead, though undoubtedly challenging, is leading to a bright future. While facing with a complex environment, the outbreak of COVID-19 epidemic brought us more uncertainties and challenges ahead. Meanwhile, the fight against the epidemic demonstrated the confidence and power of China. This year is the decisive year for China’s implementation of the “13th Five-year Plan” and building of a moderately well-off society in an all-round way and the final year of our current three-year development plan. In the process of supporting social and economic development and serving the customers, we will take the initiative to meet challenges and seize opportunities, and forge ahead on the road of building a boutique bank.

Operation Highlights

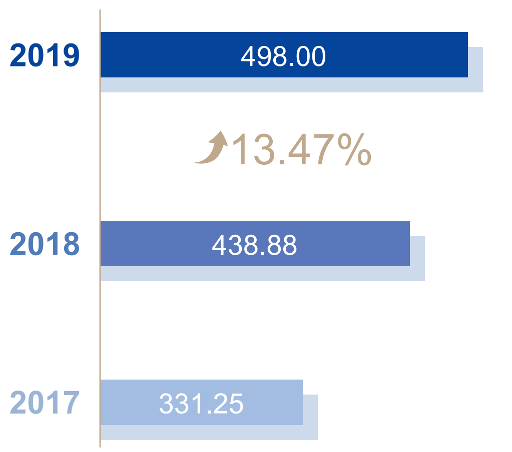
Total Asset

Unit: RMB 100million



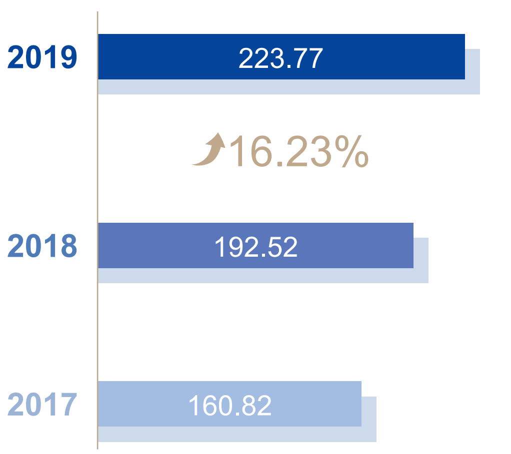
Operating Income

Unit: RMB 100million



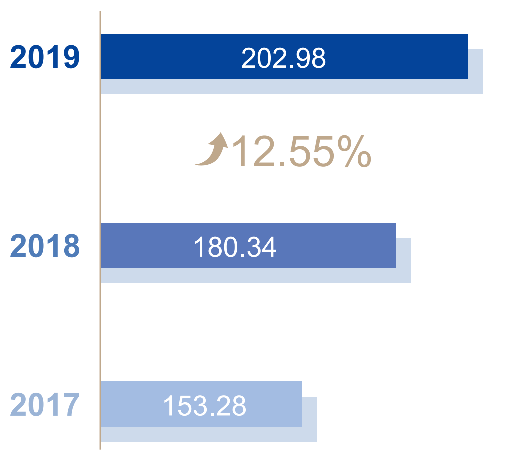
Total Profit

Unit: RMB 100million



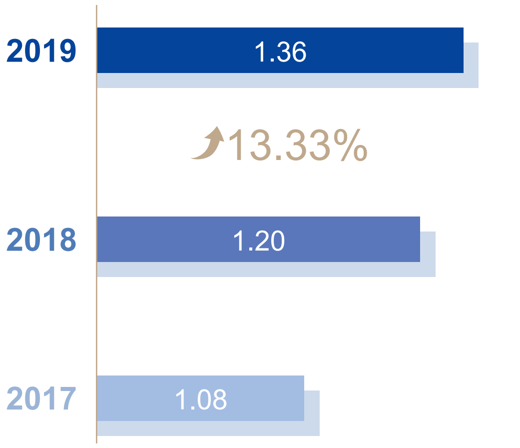
Net Profit Attributable to Shareholders of the Bank

Unit: RMB 100million

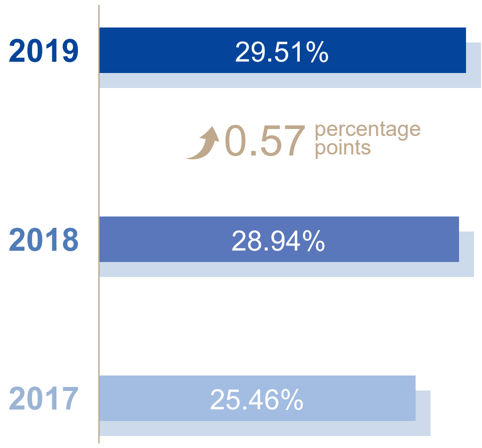


Basic Earning Per Share

Unit: RMB



Cash Dividend Rate



Ranking

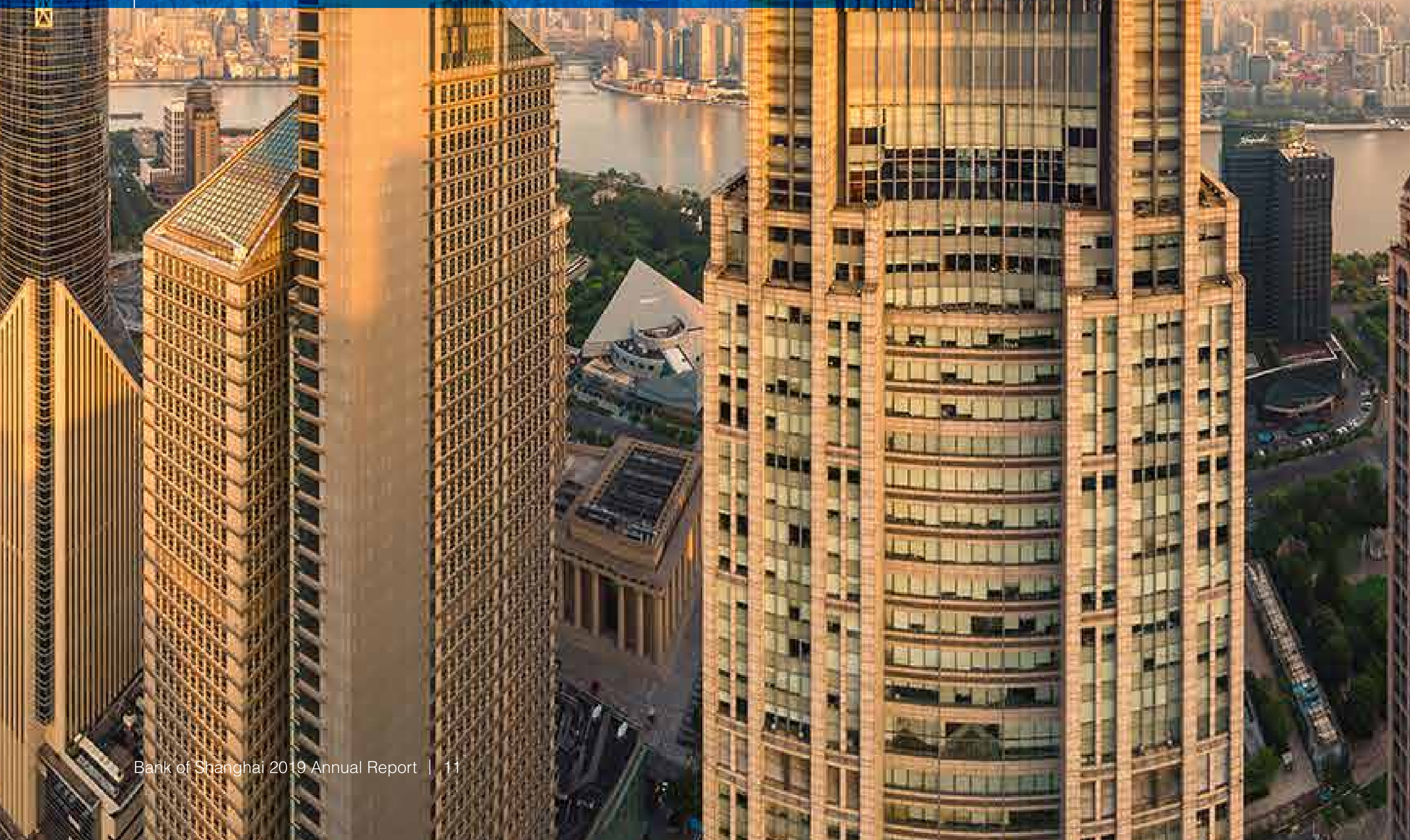
The Banker

In 2019, the Bank was ranked 68th among the "Top 1000 World Banks" in terms of tier-1 capital by The Banker, up by 8 places from the previous year; ranked 86th in terms of total asset, up by 2 places from the previous year.

Tier-1 Capital

Total Asset

Chapter I Company Profile



I. Company Information

(I) Legal Chinese name: 上海银行股份有限公司（hereinafter referred to as: 上海银行）

Legal English name: Bank of Shanghai Co., Ltd.（hereinafter referred to as: Bank of Shanghai, abbreviation: BOSC）

(II) Legal representative: Jin Yu

(III) Board secretary: Li Xiaohong

Representative of securities affairs: Du Jinchao

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

Tel: 8621-68476988

Fax: 8621-68476215

Email: ir@bosc.cn

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

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

Postcode: 200120

Website: http://www.bosc.cn

Email: webmaster@bosc.cn

Switchboard: 8621-68475888

Fax: 8621-68476111

Service hotline: 95594

(V) Name of the designated media for information disclosure:

China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Website designated by China Securities Regulatory Commission for publishing the Annual Report:

Website of Shanghai Stock Exchange (http://www.sse.com.cn)

Place where the Annual Report is prepared and placed:

Office of the Board of Directors of the company, Shanghai Stock Exchange

(VI) Type of shares: Ordinary shares (A shares)

Stock exchange with which the shares are listed: Shanghai Stock Exchange

Stock abbreviation: BOSC

Stock code: 601229

Type of shares: Preference shares

Stock exchange with which the shares are listed: Shanghai Stock Exchange

Stock abbreviation: Shang Yin You 1（上银优1）

Stock code: 360029

（VII）**Date of initial registration:** 30 January 1996

Date of change of registration: 20 September 2019

Registration authority: Market Supervision Administration of Shanghai Municipality

Unified social credit code of the business license of enterprise as legal person: 91310000132257510M

（VIII）**Other relevant information**

Name of the accounting firm engaged by the Company: KPMG Huazhen (Special General Partnership)

Office address: 8/F, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China

Name of the signature accountants: Jin Naiwen and Zhang Chenchen

Name of the sponsor engaged by the Company to perform the responsibility of continuous supervision during the reporting period: Guotai Junan Securities Co., Ltd.

Office address: 36/F, One Museum Place, 669 Xinzha Road, Jing'an Dsitrict, Shanghai, China

Name of the signature sponsor representatives: Xu Lan and Zeng Dacheng

Period of continuous supervision:12 January 2018 – 31 December 2019 (preference shares)

Custody institution of the Company's ordinary shares and preference shares:

Shanghai Branch of China Securities Depository and Clearing Corporated Limited

Office address: 3/F, China Insurance Mansion, No.166 Lu Jia Zui East Road, Pudong New District, Shanghai, China

II. Major Business and Operation Model

Incorporated on 30 January 1996, the Bank is headquartered in Shanghai and was listed on the main board of the Shanghai Stock Exchange in November 2016 (stock code: 601229).

Adhering to the strategic vision of becoming a "boutique bank" based on the core value of "attaching great importance to sincerity, while developing the Bank based on a good faith", the Bank promotes professional operation and sophisticated management to provide corporate customers with all-round integrated financial services, including supply-chain finance, inclusive finance, technology and innovation financing, livelihood finance, cross-border finance, investment banking and financial market transactions and provide individual customers with consumer finance, wealth management, pension finance, credit card and other online and offline financial services. In recent years, the Bank has continuously met the increasingly diverse needs for financial services of corporate and individual customers with more intellectual and professional services, in line with the development of fin-tech.

During the reporting period, the Bank made a proactive response to the changes in domestic and foreign economic situation, actively supported the national strategies, and accelerated its transformation and development to further the vision of "boutique bank" with professional service and excellent quality. The Bank proactively dovetailed with the national strategies and the building of "three tasks and one platform" of Shanghai, and forged synergy to improve its regional service level. The Bank deepened its ability to service the real economy, increased the extension of micro-credit, launched online inclusive finance, and formed a supply-chain financial system with "BOSC e-chain" as the core. The Bank made the retail business "top priority" and built a retail operational system covering customer operation, basic support and ecological construction. The Bank carried out digital transformation to promote the in-depth integration of technology and business with end-to-end mentality, whole customer journey concept and disruptive innovative thinking. Adhering to steady and well-regulated operation and management, the Bank strove to strengthen its ability of risk management.

III. Overview, Development and Trend of the Industry

During the reporting period, the domestic economy remained stable overall, but downward pressure on economy grew. The state deepened supply-side structural reform, improved the financial supply system and operation mechanism; the central bank adopted a prudent monetary policy, and strengthened counter-cyclical regulation to maintain a reasonable growth of credit supply;

regulatory agencies continued to promote the prevention and defusion of financial risks, and moved forward the reform of key areas of key institutions. During the reporting period, the banking industry saw steady growth in the scale of assets and liabilities, basically stable profits, sufficient risk offsetting capacity, and robust liquidity. In active response to policies, the Bank increased investment in credit and other financial resources in the real economy, especially for private, micro and small enterprises, major national strategies and emerging industries. Meanwhile, with wider application of fintech, the steps of banking transformation was accelerated, and more simplified and intelligent financial services through platforms were developed, constantly improving service efficiency.

IV. 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 internet financial service provider with advantage of traditional banking services.

Development strategies

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

Fostered 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 regions 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 works to create a unique online comprehensive finance service platform with apparent advantage.

Investment value and core competitive strengths

Mature system for managing strategies. Bearing in mind the strategic vision of "boutique bank", the Bank further advanced the major retail banking strategy and carried out exploration of digital transformation; established a comprehensive strategic plan that outlines the strategies of the Head Office, branches and subsidiaries; adhered to strategic guidance, and built a complete strategic closed-loop management system and professional operation system to effectively promote the implementation of the strategies.

Continuously enhanced comprehensive strength.The Bank recorded steady growth in asset scale (exceeding RMB2 trillion) and profit (net profit exceeding RMB20 billion), and held a leading position among its peers in per capita profit creation and asset quality index, with capital strength continuously increasing. The Bank ranked 68th and 86th among the Top 1000 World Banks in terms of tier-1 capital and total assets by The Banker (British magazine), an advancement of 8 and 2 places, respectively, as compared with the previous year.

Outstanding regional advantages. With a deeply rooted foundation in Shanghai, the Bank developed profound cooperation with the government and enterprises, and had solid foundation of customers and outlets, making it the market share leader for the major business in Shanghai. The Bank developed a business network covering major cities in Yangtze River Delta, Bohai Rim, Pearl River Delta and Central and Western China, in line with the regional development strategy of the state.

Comprehensive corporate financing service. The Bank developed "six major financial" service systems, including supply-chain finance, inclusive finance, technology and innovation financing, livelihood finance, cross-border finance and investment banking; and improved its business layout in key areas like urban renewal, advanced manufacturing and IT industry in Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and the Beijing-Tianjin-Hebei region.

Specialized retail finance service. The Bank kept building specialized consumer finance and focused on the development of self-operating retail loans, with business structure optimized continuously. By building its professionalism in wealth management, the number of core customers and growth of customer assets grew at the fastest in 4 years. Based on its accumulated extensive experience in professional pension financial service over the years, it took the lead in the market share in Shanghai in respect of pension customers.

Rapidly developed Internet finance service system. The Bank accelerated ecological integration of its internet finance and launched products covering five innovative business areas, namely new payment, settlement and cash management, wealth management, loan and cross-border business, and takes the lead in the industry in respect of the size of online customers.

Complete and synergic group-based business structure.The business of Bank of Shanghai (Hong Kong), BOSC International and BOSC Asset grow soundly, with increased profit contribution; and the development of ShangCheng Consumer Finance is smooth, with strengthened resources integration within the Group. The Bank has built a comprehensive service platform for cross-border business based on its subsidiary in Hong Kong, the cooperation of “Bank of Shanghai” in Shanghai, Hong Kong and Taiwan and Banco Santander S.A. and the Free Trade Zone Branch.

Continuously enhanced abilities in digital transformation. The Bank completed the top-level design for digital transformation, cultivated and implanted digital thinking and invested more in scientific and technological resources. While speeding up scientific and technological development and establishing innovative organization models, the Bank kept promoting the application of such new technologies as artificial intelligence and big data in customer marketing and service, risk control and featured businesses.

Solid foundation of quantitative risk management. The Bank continued to optimize 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 completed with more extensive application of big data analysis to improve the ability of early warning of risks.

V. Business Plan for 2020

In 2020, the slower growth in global economy and spread of COVID-19 epidemic suppressed all economic activities to a certain degree, which further increased the downward pressure on economy. While strengthening countercyclical adjustments, the People’s Bank of China further promoted the reform on Loan Prime Rate (LPR) and cleared the conduction mechanism of monetary policy to drop the financing costs of real enterprises. In general, while external economic and financial environment posted higher requirements for the financial service level and risk management ability of commercial banks, banking industry will face greater pressure on operating incomes, profits and asset quality.

According to the Three-Year Development Plan (2018-2020) and its target positioning, the Group will comply with the national macro control policy, pay attention to the changes and trend of external market and regulatory policies and dynamically optimize operation strategies. The Group will speed up the business transformation and structural adjustment, focus on main responsibilities and main businesses and actively serve real economy. Focusing on quality customer resources in such key areas as the Yangtze River Delta, Guangdong-Hong Kong-MacauMacao Greater Bay Area and Beijing-Tianjin-Hebei region, the Group will consolidate supply-chain finance, inclusive finance, technology and innovation financing, cash management, online platform for cross-border business and other featured businesses to improve its professional operation level, further strengthen its risk management and capital constraint and enhance its differential competitive ability and sustainable development ability. In general, in 2020, the total assets and liabilities of the Bank are expected to expand soundly with continuously optimized structure, the profitability will remain stable and asset quality will be kept at a higher level.

VI. Potential Risks

Affected by the complex and changing international economic situation, more rapidly changing global economic order, the trend to low global economic growth and COVID-19 epidemic, domestic economic development will face various challenges, commercial banks are exposed to more complicated risks and greater pressure on potential credit risk arising from implicit liabilities of small and medium property enterprises and financing platforms, default on corporate debenture bonds and excessive loans for individual consumption. New regulations on asset management may crystallize risks of off-balance sheet financing and increase periodic liquidity risk pressure, which may lead to compliance risk and reputation risk. Domestic economy will face short-term pressure, but the continuous growth and long-term upward trend will remain unchanged. Commercial banks will make efforts to prevent and dissolve risk related to shadow banking, asset management and Internet finance. With an overall steady financial system, asset quality will be under control in the whole.

VII. Ratings and Awards

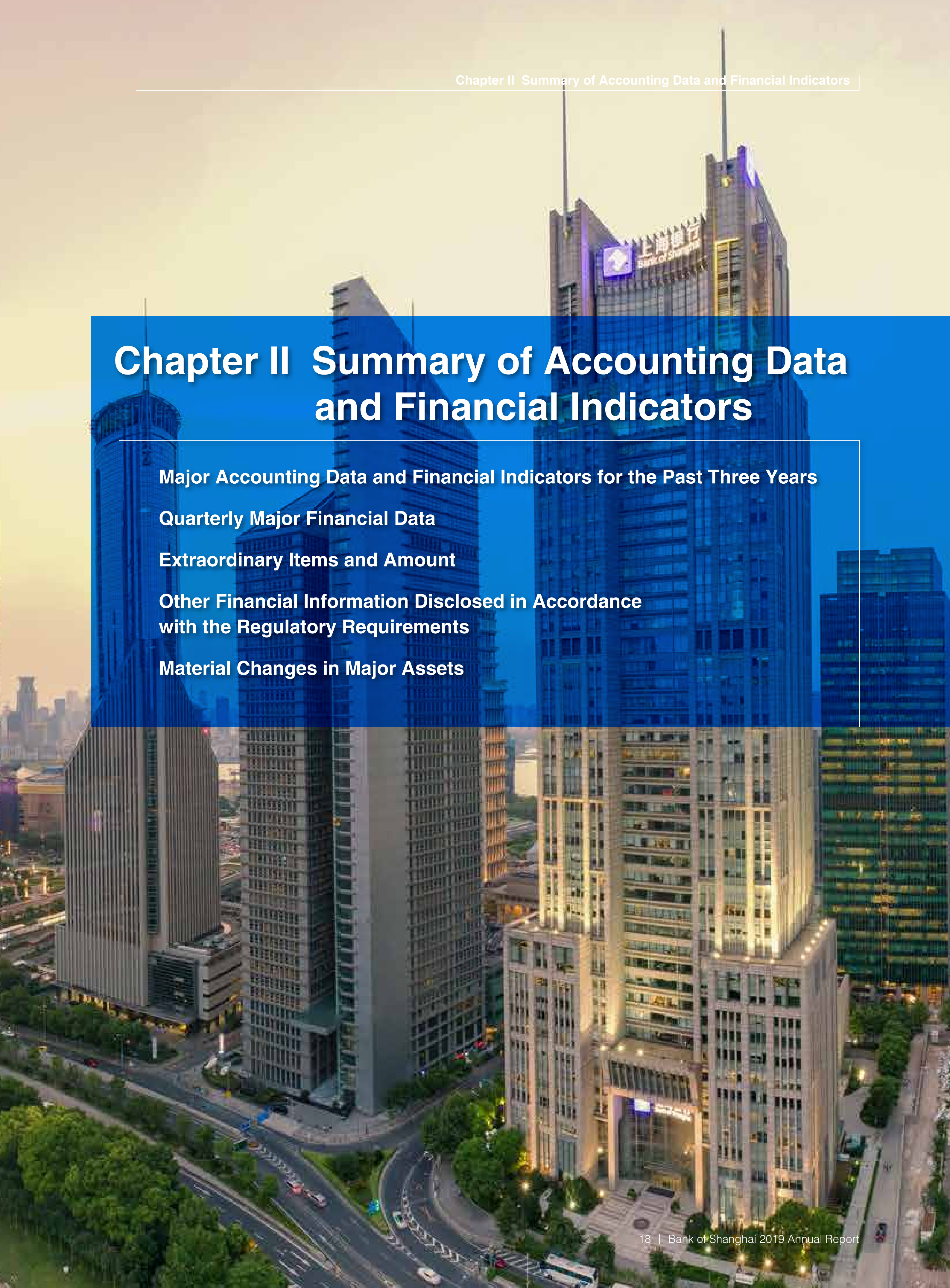
(I) Ratings

Moody's Investors Service, Inc. granted the Bank "Baa2" long-term issuer rating and long-term deposit rating and "Prime-2" short-term issuer rating and short-term deposit rating, and the rating outlook is stable.

(II) Awards

Awards	Awarding Institution
Announced commendation at the sixth meeting of the State Council's Joint Conference on Combating Currency Counterfeit	The State Council's Joint Conference on Combating Currency Counterfeit
2018 Anti-fraud Excellent Practice Award of Bank Card Security Cooperation Committee	Economic Crime Investigation Bureau of the Ministry of Public Security and China Unionpay
"Distinguished Contribution Award" for Works Related to City Commercial Bank	China Banking Association
Best Wealth Management Bank in China	
2019 Best Development Prize Award, Best Project Award and Leading Bank of Syndicated Loan Business	
3rd Prize and Excellence Prize of Outstanding Achievement Award of 2019 Development Research of Banking Industry in China	
Five-star Outlets of Civilized and Standardized Service in Banking Industry in 2019 (3 outlets)	
2018 Best Targeted Poverty Alleviation Contribution Award in the Evaluation of Top 100 CSR Banks in China Banking Industry	
219th among Top 500 Enterprises of China in 2019 and 85th among Top 500 Enterprises in Service Industry of China in 2019	China Enterprise Confederation and China Entrepreneur Association
Gold Award of the Best Mobile Banking Award of Regional Commercial Bank for 2019 by CFCA	China Financial Certification Authority
1st Prize for Theoretical Research of Internal Audit in 2019	China Institute of Internal Audit
2019 Advanced Company for Cyber Security in Shanghai	Office of the Cyberspace Affairs Commission of Shanghai Municipal Committee of the CPC
2018 Advanced Collective Award for Combating Currency Counterfeit in Shanghai	Office of the Joint Conference on Combating Currency Counterfeit of Shanghai Municipal People's Government
2019 "Outstanding Performance Award" of Credit Fund for Small and Micro Enterprises in Pudong New District of Shanghai	Financial Services Bureau of Pudong, Shanghai
"2019 Shanghai Banking Institutional Contribution Award" in Shanghai Banking Industry Annual Award	Shanghai Banking Association
"2019 Innovative Inclusive Financial Services in Shanghai" in Shanghai Banking Industry Annual Award	
"2019 Outstanding Contribution Award for Inclusive Financial Services in Shanghai" in Shanghai Banking Industry Annual Award	
"2019 Best Syndicated Loan Business in Shanghai" in Shanghai Banking Industry Annual Award	
"2019 Best Project Prize and Leading Bank of Syndicated Loan Business in Shanghai" in Shanghai Banking Industry Annual Award	
Excellent Member in 2018	The Listed Companies Association of Shanghai

Awards	Awarding Institution
24th among Top 100 Enterprises in Shanghai in 2019 13th among Top 100 Enterprises in Service Industry in Shanghai in 2019	Shanghai Enterprise Confederation, Shanghai Federation of Economic Organization and Jiefang Daily
Outstanding Science and Technology Institution of 2018	Shanghai Commercial Paper Exchange Corporation
Top 10 Leading Underwriter of Debt Financing Plans for 2019	Beijing Financial Assets Exchange
Best Private Wealth Philanthropic Services Award in China (2019)	The Asian Banker
Best Private Bank in China (City Commercial Bank Group)	Asian Private Banker
Great Listed Company of China in 2019	Jiemian News • Cai Lian Press
Bank with Outstanding Brand Force of China in 2019	The Economic Observer
Top 100 Innovative Financial Institutions in 2019	China Economy Net
Bank with Outstanding Competitiveness in Brand Building in 2019 and Top 10 Banks with Outstanding Competitiveness of the Year of 2019	Chinese Business Journal
Advanced Bank for Financial Poverty Alleviation in 2019	Cnfol.com
Junding Award of Asset Management Brand of City Commercial Bank in China of 2019	Securities Times
Tianji Prize for City Commercial Bank of 2019 Tianji Prize for Bank Brand Building of 2019 Tianji Prize for Pension Financial Service Bank of 2019	
Bank with the Best Supply Chain Service in 2019	China Business Network
Best CSR Bank in 2019 and Most Promising Network Bank in 2019	Eastmoney.com
The China Golden Orange Award in 2019 – Financial Institution with Risk Control of the Year	The Time Weekly
Outstanding Contribution to Fintech Innovation Award in 2019 – Operation and Maintenance Innovation Contribution Award	Financial Electronics
Excellent Wealth Management Bank of 2019	National Business Daily
"The Award for the Best CSR Listed Companies" on the Ninth Session of Reputation List of China Listed Companies 2019	
The Prize for Innovative Credit Card Brand of 2019	China Times
"Excellent City Commercial Bank in Wealth Management of the Year" in the 2019 Golden Wealth Management "Yi Jing Ling" product won the Excellence Awards for Net Value Type Wealth Management Products of 2019	Shanghai Securities News
Trustworthy Bank of 2019	Investor China
City Commercial Bank of the Year in 2019	The Paper
Best Employer in Shanghai in 2019	Zhaopin.com



Chapter II Summary of Accounting Data and Financial Indicators

Major Accounting Data and Financial Indicators for the Past Three Years

Quarterly Major Financial Data

Extraordinary Items and Amount

Other Financial Information Disclosed in Accordance with the Regulatory Requirements

Material Changes in Major Assets

I. Major Accounting Data and Financial Indicators for the Past Three Years

(1) Major accounting data

Unit: RMB'000

Operating results	2019	2018	Change	2017
Net interest income	30,320,609	29,936,829	1.28%	19,117,309
Net fee and commission income	6,567,199	5,979,539	9.83%	6,255,786
Other operating income	12,912,484	7,971,454	61.98%	7,751,900
Operating income	49,800,292	43,887,822	13.47%	33,124,995
General and administrative expenses	9,948,556	9,006,391	10.46%	8,105,358
Impairment losses on credit	17,149,101	N/A	N/A	N/A
Impairment losses on assets	N/A	15,331,901	N/A	8,671,315
Operating profit	22,230,413	19,084,319	16.49%	15,985,723
Total profit	22,377,089	19,251,872	16.23%	16,082,462
Net profit	20,332,859	18,067,835	12.54%	15,336,793
Net profit attributable to shareholders of the Bank	20,297,588	18,034,040	12.55%	15,328,499
Net profit attributable to shareholders of the Bank after extraordinary items	20,159,407	17,887,207	12.70%	15,235,509
Net cash flow from operating activities	-7,932,395	-21,732,994	N/A	-60,767,289
Assets and liabilities	**31 December 2019**	**31 December 2018**	**Change**	**31 December 2017**
Total assets	2,237,081,943	2,027,772,399	10.32%	1,807,766,938
Total loans and advances to customers	972,504,678	850,695,655	14.32%	664,021,617
Corporate loans and advances	583,798,130	534,269,554	9.27%	446,591,730
Individual loans and advances	321,778,839	276,821,216	16.24%	174,051,049
Discounted bills	66,927,709	39,604,885	68.99%	43,378,838
Accrued interest on loan	3,706,345	N/A	N/A	N/A
Provision for doubtful debts	-34,990,396	-32,335,459	N/A	-20,830,293
Total liabilities	2,059,855,312	1,866,003,791	10.39%	1,660,325,535
Total deposits	1,186,071,412	1,042,489,605	13.77%	923,585,324
Corporate deposits	806,722,523	729,895,206	10.53%	651,550,674
Individual deposits	291,738,376	230,307,308	26.67%	205,267,648
Pledged deposits	87,610,513	82,287,091	6.47%	66,767,002
Accrued interest on deposit	17,480,140	N/A	N/A	N/A
Shareholders' equity	177,226,631	161,768,608	9.56%	147,441,403
Net assets attributable to shareholders of the Bank	176,708,612	161,276,549	9.57%	146,985,136
Net assets attributable to holders of ordinary shares of the Bank	156,751,442	141,319,379	10.92%	127,027,966
Share capital	14,206,529	10,928,099	30.00%	7,805,785
Net capital	219,243,258	186,679,181	17.44%	169,959,268
Risk-weighted assets	1,584,413,590	1,435,652,196	10.36%	1,185,925,725
Per share (RMB/share)				
Basic earnings per share	1.36	1.20	13.33%	1.08
Diluted earnings per share	1.36	1.20	13.33%	1.08
Basic earnings per share after extraordinary items	1.35	1.19	13.45%	1.07
Net cash flow from operating activities per share	-0.56	-1.53	N/A	-4.28
Net assets per share attributable to holders of ordinary shares of the Bank	11.03	9.95	10.85%	8.94

Notes: 1. From 1 January 2019 onwards, the Group has prepared financial statements using the revised format of financial statements of financial enterprises in accordance with the Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018 (Cai Kuai [2018] No.36) issued by the Ministry of Finance, without restating previous comparable data;

2. From 1 January 2019 onwards, the Group has implemented the new accounting standards for financial instruments including the Accounting Standards for Business ses No.22 - Recognition and Measurement of Financial Instruments issued upon revision by the Ministry of Finance in 2017. Please refer to Note III. 29 to the financial statements ific changes in accounting policies;

3. Earnings per share and return on weighted average 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 2019, the Bank implemented profit distribution plan for 2018 and plan of capital reserve capitalization, pursuant to which, based on the total number of ordinary shares of 10,928,099,000 shares as at the end of 2018, the Bank capitalized the capital reserve in a proportion of 0.3 share for every share. The total number of shares to be issued by capitalization of the capital reserve was 3,278,429,700 shares. After the completion of capital reserve capitalization, the total number of ordinary shares of the Bank was 14,206,528,700 shares. Indicators per share for the reporting period and each period under comparison were calculated based on the adjusted number of shares. The Bank completed the private placing of non-cumulative preference shares with a par value of RMB20 billion in December 2017 and distributed dividends on preference shares of RMB1,040 million in December 2019. Therefore, in calculation of earnings per share, net assets per share and return on weighted average net assets, dividends on preference shares were deducted from “net profit attributable to holders of ordinary shares of the Bank” and preference shares were deducted from “net assets attributable to holders of ordinary shares of the Bank” and “average net assets attributable to holders of ordinary shares of the Bank”.

（2）Major financial indicators

Profitability	2019	2018	Change (percentage points)	2017
Return on average assets	0.95%	0.94%	0.01	0.86%
Return on weighted average net assets attributable to holders of ordinary shares of the Bank	12.94%	12.67%	0.27	12.63%
Return on weighted average net assets after extraordinary items	12.84%	12.56%	0.28	12.55%
Net interest margin	1.93%	1.81%	0.12	1.38%
Net interest spread	1.71%	1.76%	-0.05	1.25%
Return on risk-weighted assets	1.34%	1.38%	-0.04	1.38%
Percentage of net interest income to operating income	60.88%	68.21%	-7.33	57.71%
Percentage of net non-interest income to operating income	39.12%	31.79%	7.33	42.29%
Cost-to-income ratio	19.98%	20.52%	-0.54	24.47%
Capital adequacy	**31 December 2019**	**31 December 2018**	**Change (percentage points)**	**31 December 2017**
Core tier-1 capital adequacy ratio	9.66%	9.83%	-0.17	10.69%
Tier-1 capital adequacy ratio	10.92%	11.22%	-0.30	12.37%
Capital adequacy ratio	13.84%	13.00%	0.84	14.33%
Asset quality	**31 December 2019**	**31 December 2018**	**Change (percentage points)**	**31 December 2017**
Non-performing loans ratio	1.16%	1.14%	0.02	1.15%
Allowance to non-performing loans	337.15%	332.95%	4.20	272.52%
Allowance to total loans ratio	3.90%	3.80%	0.10	3.14%

II. Quarterly Major Financial Data

Unit: RMB'000

Item	First quarter (January to March)	Second quarter (April to June)	Third quarter (July to September)	Fourth quarter (October to December)
Operating income	13,015,439	12,135,146	12,730,712	11,918,995
Net profit attributable to sharehold-ers of the Bank	5,019,498	5,694,069	5,645,593	3,938,428
Net profit attributable to sharehold-ers of the Bank after extraordinary items	5,001,779	5,646,075	5,577,390	3,934,163
Net cash flow from operating activities	3,225,393	47,803,115	-63,575,836	4,614,933

III. Extraordinary Items and Amount

Unit: RMB'000

Extraordinary items	2019	2018	2017
Bank card surcharge	110,817	91,043	71,318
Income from the compensation of litigation and breach of contract	96,338	62,509	6,035
Subsidy income	66,764	42,998	29,105
Settlement of receivables	68	42	2,944
Net income from disposal of repossessed assets	-	-	613
Net expenses from disposal of other assets	-7,756	-8,958	-87
Net (losses)/ gains from disposal of fixed assets	-8,485	-6,867	9,292
Donation expenses	-34,432	-12,412	-15,206
Other gains and losses	-18,359	35,329	31,735
Tax effects of the above items	-64,340	-55,742	-38,473
Net extraordinary items	140,615	147,942	97,276

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).

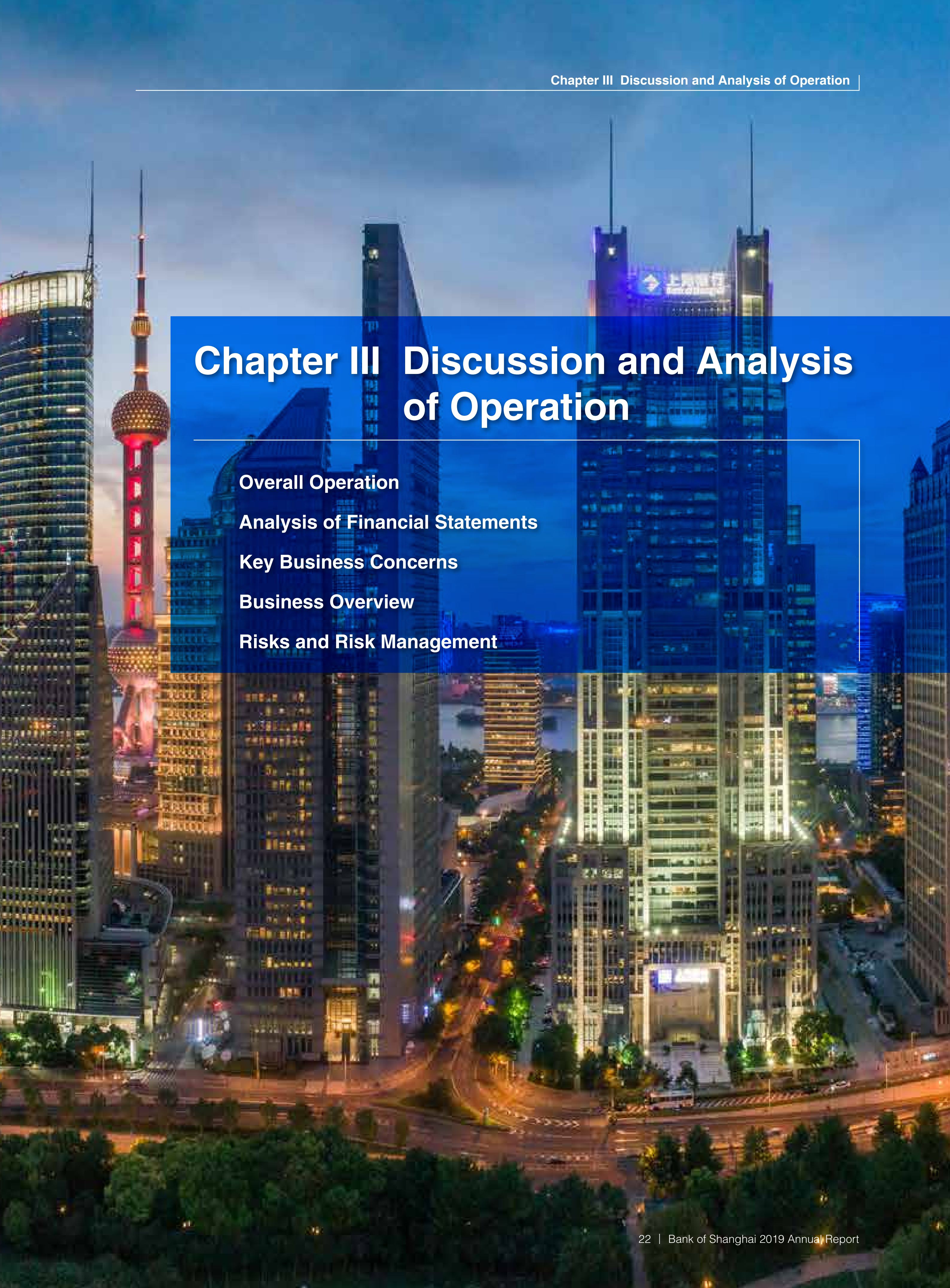
IV. Other Financial Information Disclosed in Accordance with the Regulatory Requirements

Item	Benchmark	31 December 2019	31 December 2018	31 December 2017
Liquidity ratio	⩾25%	61.59%	44.17%	41.71%
Loan to deposit ratio		81.89%	81.61%	71.90%
Loans to the largest single borrower	⩽10%	8.56%	7.84%	4.93%
Loans to the top 10 borrowers	⩽50%	32.38%	31.76%	27.99%

Note: Loans to the largest single borrower = balance of loans to the largest single borrower/net capital, and loans to the top 10 borrowers = total balance of loans to the top 10 borrowers/net capital.

V. 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”.



Chapter III Discussion and Analysis of Operation

I. Overall Operation

During the reporting period, in face of complicated and severe economic and financial conditions, the Group, adhering to strategic guidance, forcefully promoted the implementation of the Three-year Development Plan (2018-2020). Centring on serving national strategies and regional development directions and focusing on main responsibilities and businesses, the Group intensified efforts for serving the real economy, accelerated transformational development and structural adjustment, further promoted professional operation and development of strategic and featured businesses, strictly stuck to the bottom line of risk, and strengthened risk management, as a result of which, its operating results continued to grow rapidly and asset quality remained stable.

（I）A new height was attained in terms of profit with continuously improved core operational indicators

During the reporting period, the Group logged a net profit attributable to shareholders of the Bank of RMB20.298 billion, representing a year-on-year increase of 12.55%, and an operating income of RMB49.8 billion, representing a year-on-year increase of 13.47%, primarily attributable to the growth in the scale of assets and liabilities, structure optimization and increase in interest spread, as well as growth in net fee and commission income driven by agency insurance, bond underwriting, bank cards, e-banking, etc.

During the reporting period, basic earnings per share was RMB1.36, representing a year-on-year increase of 13.33%; return on average assets was 0.95%, representing a year-on-year increase of 0.01 percentage points; return on weighted average net assets was 12.94%, representing a year-on-year increase of 0.27 percentage points. As at the end of the reporting period, net assets per share attributable to holders of ordinary shares of the Bank amounted to RMB11.03, representing an increase of 10.85% as compared with the end of the previous year.

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

As at the end of the reporting period, total assets of the Group reached RMB2,237.082 billion, representing an increase of 10.32% as compared with the end of the previous year. The Group kept strengthening main businesses operation, pushing higher the proportion of deposit and loan businesses and further improving its asset and liability structure; took the initiative to serve national and regional strategies, supported the development of real economy and sped up the extension of high-quality corporate projects and retail loan. As at the end of the reporting period, total loans and advances to customers amounted to RMB972.505 billion, representing an increase of 14.32% as compared with the end of the previous year, and accounted for 43.47% of total assets, representing an increase of 1.52 percentage points as compared with the end of the previous year. The Group focused on developing core deposits and strengthened in-depth integration of products, channels and customer marketing, achieving steady growth in deposits. As at the end of the reporting period, total deposits amounted to RMB1,186.071 billion, representing an increase of 13.77% as compared with the end of the previous year, and accounted for 57.58% of total liabilities, representing an increase of 1.71 percentage points as compared with the end of the previous year.

(III) Asset quality remained stable with higher risk coverage

As at the end of the reporting period, non-performing loans ratio of the Group was 1.16%, representing an increase of 0.02 percentage points as compared with the end of the previous year. Allowance to non-performing loans was 337.15%, representing an increase of 4.20 percentage points as compared with the end of the previous year. Allowance to total loans ratio was 3.90%, representing an increase of 0.10 percentage points as compared with the end of the previous year. The Group continued to maintain outstanding asset quality in the industry.

(IV) Capital management and capital replenishment were enhanced with sufficient capital at all levels

During the reporting period, the Group continued to strengthen capital management, enhanced incentives and constraints, optimized business structure, and improved capital efficiency; reinforced forward-looking forecasting analysis and planning, actively promoted capital replenishment, and issued RMB20 billion of tier-2 capital bonds. As at the end of the reporting period, the capital adequacy ratio of the Group was 13.84%, the tier-1 capital adequacy ratio was 10.92% and the core tier-1 capital adequacy ratio was 9.66%.

II. Analysis of Financial Statements

(I) Analysis of income statement

During the reporting period, net profit of the Group amounted to RMB20.333 billion, representing an increase of RMB2.265 billion, or 12.54%, as compared with the previous year. The table below sets out the change in major items of the income statement of the Group.

Unit: RMB'000

Item	2019	2018	Change
Net interest income	30,320,609	29,936,829	1.28%
Net non-interest income	19,479,683	13,950,993	39.63%
Operating income	49,800,292	43,887,822	13.47%
Less: Operating expenses	27,569,879	24,803,503	11.15%
Including: Taxes and surcharges	470,956	446,728	5.42%
General and administrative expenses	9,948,556	9,006,391	10.46%
Impairment losses on credit	17,149,101	N/A	N/A
Impairment losses on assets	N/A	15,331,901	N/A
Other operating costs	1,266	18,483	-93.15%
Operating profit	22,230,413	19,084,319	16.49%
Add: Net non-operating income and expense	146,676	167,553	-12.46%
Total profit	22,377,089	19,251,872	16.23%
Less: Income tax expenses	2,044,230	1,184,037	72.65%
Net profit	20,332,859	18,067,835	12.54%
Including: Net profit attributable to shareholders of the Bank	20,297,588	18,034,040	12.55%
Minority interests	35,271	33,795	4.37%

The amount, percentage and change of the main items of the Group's operating income are as follows:

Unit: RMB'000

Item	2019		2018		Change
	Amount	Percentage	Amount	Percentage	
Net interest income	30,320,609	60.88%	29,936,829	68.21%	1.28%
Interest income from loans and advances to customers	48,240,078	61.37%	39,918,346	52.61%	20.85%
Interest income from investment in debt instruments	21,490,170	27.33%	25,860,958	34.08%	-16.90%
Interest income from placements with banks and other financial institutions	5,643,127	7.18%	5,583,690	7.36%	1.06%
Interest income from deposits with central bank	1,939,006	2.47%	2,049,359	2.70%	-5.38%
Interest income from financial assets held under resale agreement	935,345	1.19%	1,542,899	2.03%	-39.38%
Interest income from deposits with banks and other financial institutions	236,295	0.30%	774,946	1.02%	-69.51%
Other interest income	127,074	0.16%	146,862	0.20%	-13.47%
Sub-total of interest income	78,611,095	100.00%	75,877,060	100.00%	3.60%
Interest expenses on deposits from customers	24,381,445	50.49%	19,475,849	42.39%	25.19%
Interest expenses on deposits from banks and other financial institutions	11,243,188	23.28%	10,359,384	22.55%	8.53%
Interest expenses on debt securities issued	5,723,275	11.85%	8,129,648	17.70%	-29.60%
Interest expenses on borrowings from central bank	2,966,704	6.14%	3,035,941	6.61%	-2.28%
Interest expenses on placements from banks and other financial institutions	2,327,250	4.82%	3,202,327	6.97%	-27.33%
Interest expenses on financial assets sold under repurchase agreements	1,621,494	3.36%	1,731,349	3.77%	-6.35%
Other interest expenses	27,130	0.06%	5,733	0.01%	373.23%
Sub-total of interest expenses	48,290,486	100.00%	45,940,231	100.00%	5.12%
Net fee and commission income	6,567,199	13.19%	5,979,539	13.63%	9.83%
Other net non-interest income	12,912,484	25.93%	7,971,454	18.16%	61.98%
Total	49,800,292	100.00%	43,887,822	100.00%	13.47%

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 of the Group increased by 0.12 percentage points to 1.93% and net interest spread reduced by 0.05 percentage points to 1.71%. The Group adopted the new accounting standards for financial instruments for the first time during the reporting period. Some interest-earning assets were treated as financial assets at fair value through profit or loss under the new standards and its revenue is stated as return on investment instead of as net interest spread. Compared with the same period of last year, the Group's net interest spread increased by 0.12 percentage points to 1.88% during the reporting period; for detailed analysis, see "About Net Interest Spread" in special focuses in operation.

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

Unit: RMB'000

Item	2019			2018		
	Average balance	Interest income/ interest expenses	Average yield/ cost	Average balance	Interest income/ interest expenses	Average yield/ cost
Assets						
Loans and advances to customers	892,686,405	48,240,078	5.40%	756,215,907	39,918,346	5.28%
Corporate loans and advances	565,101,072	27,927,491	4.94%	511,140,275	24,633,460	4.82%
Individual loans and advances	272,794,843	18,470,897	6.77%	212,004,776	13,831,166	6.52%
Discounted bills	54,790,490	1,841,690	3.36%	33,070,856	1,453,720	4.40%
Investment in debt instruments	552,322,312	21,490,170	3.89%	621,407,011	25,860,958	4.16%
Deposits with central bank	132,920,904	1,939,006	1.46%	138,626,064	2,049,359	1.48%

Unit: RMB'000

Item	2019			2018		
	Average balance	Interest income/ interest expenses	Average yield/ cost	Average balance	Interest income/ interest expenses	Average yield/ cost
Assets						
Deposits and placements with banks and other financial institutions	158,459,847	5,879,422	3.71%	148,841,056	6,358,636	4.27%
Financial assets held under resale agreement	33,316,925	935,345	2.81%	39,092,190	1,542,899	3.95%
Others	-	127,074	-	-	146,862	-
Total interest-earning assets	1,769,706,393	78,611,095	4.44%	1,704,182,228	75,877,060	4.45%
Liabilities						
Deposits from customers	1,115,843,501	24,381,445	2.19%	970,075,247	19,475,849	2.01%
Corporate demand deposits	334,338,992	2,244,875	0.67%	321,682,688	2,127,006	0.66%
Corporate time deposits	431,329,278	13,884,878	3.22%	354,535,680	10,816,720	3.05%
Individual demand deposits	70,728,180	193,772	0.27%	62,568,274	189,020	0.30%
Individual time deposits	190,723,816	6,055,418	3.17%	154,364,536	4,572,654	2.96%
Margin deposits	88,723,235	2,002,502	2.26%	76,924,069	1,770,449	2.30%
Deposits and placements from banks and other financial institutions	476,224,048	13,570,438	2.85%	423,085,281	13,561,711	3.21%
Debt securities issued	179,566,457	5,723,275	3.19%	192,516,076	8,129,648	4.22%
Financial assets sold under repurchase agreements	65,015,811	1,621,494	2.49%	59,023,605	1,731,349	2.93%
Borrowings from central bank	88,986,068	2,966,704	3.33%	92,163,611	3,035,941	3.29%
Others	-	27,130	-	-	5,733	-
Total interest-bearing liabilities	1,925,635,885	48,290,486	2.51%	1,736,863,820	45,940,231	2.64%
Net interest income	-	30,320,609	-	-	29,936,829	-
Net interest margin	-	-	1.93%	-	-	1.81%
Net interest spread	-	-	1.71%	-	-	1.76%

During the reporting period, average yield of loans and advances to customers of the Group was 5.40%, representing a year-on-year increase of 0.12 percentage points. Specifically, the average yield of corporate loans and advances and individual loans and advances increased by 0.12 and 0.25 percentage points respectively; meanwhile, individual loans and advances accounted for a higher percentage in loans, contributing to a better loan structure and increased income from loans as a whole. Affected by downtrending market rates, the average yield of discounted bills decreased by 1.04 percentage points year-on-year.

From the perspective of loan term, for general loans (excluding discounted bills and credit cards), the average yield of medium- and short-term loans and medium - and long-term loans were 5.69% and 5.42%, respectively. The average yield of short-term loans was higher than that of medium - and long-term loans, mainly due to the higher yield of personal consumption loans.

During the reporting period, the average interest rate of deposits from customers of the Group was 2.19%, representing a year-on-year increase of 0.18 percentage points, mainly due to the succession of guaranteed wealth management products, balance between deposit size and interest rate, and expansion of certificate deposits and structured deposits to cope with market competition.

(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	7,374,759	946,973	8,321,732
Investment in debt instruments	-2,687,999	-1,682,789	-4,370,788
Deposits with central bank	-83,225	-27,128	-110,353
Deposits and placements with banks and other financial institutions	356,891	-836,105	-479,214
Financial assets held under resale agreement	-162,136	-445,418	-607,554
Others	-	-	-19,788
Changes in interest income	4,798,290	-2,044,467	2,734,035
Liabilities			
Deposits from customers	3,185,071	1,720,525	4,905,596
Deposits and placements from banks and other financial institutions	1,514,238	-1,505,511	8,727
Debt securities issued	-412,740	-1,993,633	-2,406,373
Financial assets sold under repurchase agreements	149,446	-259,301	-109,855
Borrowings from central bank	-105,936	36,699	-69,237
Others	-	-	21,397
Changes in interest expense	4,330,079	-2,001,221	2,350,255
Changes in net interest income	468,211	-43,246	383,780

2. Net non-interest income

(1) Net fee and commission income

During the reporting period, as a result of the increase in agency service fees from insurance agency and bond underwriting as well as in service charges from bank cards and e-banking, net fee and commission income of the Group amounted to RMB6.567 billion, representing an increase of 9.83% as compared with the previous year.

Unit: RMB'000

Item	2019	2018	Change
Agency service fees	2,252,967	1,531,473	47.11%
Bank card fees	1,972,339	1,802,351	9.43%
Advisory service fees	1,364,647	1,394,235	-2.12%
Custodian and other fiduciary service fees	689,953	904,570	-23.73%
Settlement and clearing fees	187,357	198,639	-5.68%
Electronic banking service fees	99,708	86,566	15.18%
Others	841,384	826,661	1.78%
Fee and commission income	7,408,355	6,744,495	9.84%
Fee and commission expense	841,156	764,956	9.96%
Net fee and commission income	6,567,199	5,979,539	9.83%

(2) Other net non-interest income

During the reporting period, other net non-interest income of the Group reached RMB12.912 billion, representing a year-on-year increase of RMB4.941 billion or 61.98%, mainly because the interest generated from financial assets at fair value through profit or loss was accounted for as "return on investment" instead of "interest income" under the new accounting standards for financial instruments.

According to the new format for financial statements of financial enterprises, gains and losses generated from foreign exchange derivative financial instruments were stated under item "Net foreign exchange (gains)/losses" instead of "Net gains from changes in fair value".

Unit: RMB'000

Item	2019	2018	Change
Other gains	66,764	42,998	55.27%
Net gain on investment	11,075,168	7,906,133	40.08%
Net gain from changes in fair value	1,363,173	4,652,482	-70.70%
Net foreign exchange gain/(loss)	306,655	-4,718,719	N/A
Other income	109,209	95,427	14.44%
Losses from asset disposals	-8,485	-6,867	N/A
Other net non-interest income	12,912,484	7,971,454	61.98%

3. Operating expenses

(1) General and administrative expenses

During the reporting period, general and administrative expenses of the Group amounted to RMB9.949 billion, representing an increase of RMB0.942 billion, or 10.46%, as compared with the previous year. The increase was mainly due to the increase in human resource costs and other office and administrative expenses. The cost-to-income ratio decreased by 0.54 percentage points to 19.98% 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	2019	2018	Change
Human resource costs	5,973,933	5,423,827	10.14%
Premises and equipment expenses	1,735,718	1,663,240	4.36%
Other office and administrative expenses	2,238,905	1,919,324	16.65%
General and administrative expenses	9,948,556	9,006,391	10.46%
Cost-to-income ratio	19.98%	20.52%	Decreased by 0.54 percentage points

(2) Impairment losses on credit/assets

During the reporting period, the impairment losses on credit of the Group amounted to RMB17.149 billion, representing an increase of RMB1.817 billion as compared with the previous year, mainly due to an increase in credit impairment losses of off-balance sheet items. The following table sets forth the principal components of impairment losses on credit/assets of the Group.

Unit: RMB'000

Item	2019	2018	Change
Loans and advances to customers at amortized cost	11,544,916	N/A	N/A
Off-balance-sheet items	3,661,234	N/A	N/A
Bond investment	1,395,504	N/A	N/A
Loans and advances to customers at fair value through profit or loss	1,324,056	N/A	N/A
Placements with banks and other financial institutions	114,627	9,424	1,116.33%
Deposit with banks and other financial institutions	22,261	N/A	N/A
Deposits with central bank	-3	N/A	N/A
Other bond investment	-29,308	N/A	N/A
Financial assets held under resale agreement	-1,050,137	N/A	N/A
Loans and advances to customers	N/A	15,302,201	N/A
Held-to-maturity investments	N/A	823,823	N/A
Available-for-sale financial assets	N/A	583,321	N/A
Investments classified as receivables	N/A	-1,495,438	N/A
Other assets	165,951	108,570	52.85%
Impairment losses on credit/assets	17,149,101	15,331,901	11.85%

4. Income tax expense

During the reporting period, the income tax expenses of the Group amounted to RMB2,044 million, representing an increase of RMB860 million 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	2019	2018	Change
Current income tax	6,223,774	3,653,111	70.37%
Deferred income tax	-3,711,156	-2,297,526	61.53%
Adjustment to income tax for final settlement	-468,388	-171,548	173.04%
Income tax expense	2,044,230	1,184,037	72.65%

(II) Analysis of balance sheet

1. Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB2,237.082 billion, representing an increase of RMB209.310 billion, or 10.32%, as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2019		31 December 2018	
	Amount	Percentage	Amount	Percentage
Total loans and advances to customers	972,504,678	43.47%	850,695,655	41.95%
Accrued interest on loans	3,706,345	0.16%	N/A	N/A
Less: provision for doubtful debts	-34,990,396	-1.56%	-32,335,459	-1.59%
Net loans and advances to customers	941,220,627	42.07%	818,360,196	40.36%
Financial investments Note 1	917,941,717	41.03%	859,061,962	42.36%
Cash and deposits with central bank	140,256,924	6.27%	145,105,775	7.16%
Deposits and placements with banks and other financial institutions (including financial assets held under resale agreements)	186,924,666	8.36%	166,803,406	8.23%
Interest receivable	N/A	N/A	9,760,277	0.48%
Long-term equity investments	422,778	0.02%	402,120	0.02%
Others Note 2	50,315,231	2.25%	28,278,663	1.39%
Total assets	2,237,081,943	100.00%	2,027,772,399	100.00%

Notes: 1. Including financial assets held for trading, bond investment, other bond investment and other equity instruments investments as at the end of this reporting period; and including financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables as at the end of the last reporting period.

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 total loans and advances to customers of the Group amounted to RMB972.505 billion, representing an increase of RMB121.809 billion or 14.32%, as compared with the end of the previous year. Specifically, the balance of corporate loans and advances amounted to RMB583.798 billion, representing an increase of 9.27% as compared with the end of the previous year. The balance of individual loans and advances amounted to RMB321.779 billion, representing an increase of 16.24% as compared with the end of the previous year. Total loans and advances to customers accounted for 43.47% of total assets, representing an increase of 1.52 percentage points from the end of the previous year.

In response to national and regional strategies and focusing on regional coordinated development and "six financial service systems" (namely, supply-chain finance, inclusive finance, technology and innovation financing, livelihood finance, cross-border finance and investment banking), the Group made greater efforts in reserving and investing in quality asset projects and strongly supported the development of real economy; grasping residents' aspiration for better life and the trend of consumption transformation and upgrading, the Group focused on increasing the innovation efficiency and marketing organization capabilities for such core products as Xinyidai while maintaining its competitive edge in featured businesses, sped up building whole-process risk management capacity, paid special attention to the prevention and control of co-debt risk, and strengthened monitoring of capital flow and management of capital use to achieve a good balance of size, income and quality.

See "Loan Quality Analysis" for details about the loans and advances to customers of the Group.

(2) Financial investments

At at the end of the reporting period, the balance of financial investments of the Group amounted to RMB917.942 billion, representing an increase of RMB58.88 billion or 6.85% as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2019		31 December 2018	
	Amount	Percentage	Amount	Percentage
Financial assets at fair value through profit or loss	N/A	N/A	17,874,361	2.08%
Financial assets held for trading	318,055,345	34.65%	N/A	N/A
Bond investment	560,309,534	61.04%	N/A	N/A
Other bond investment	39,061,464	4.25%	N/A	N/A
Other equity instruments investments	515,374	0.06%	N/A	N/A
Available-for-sale financial assets	N/A	N/A	401,779,521	46.77%
Held-to-maturity investments	N/A	N/A	310,643,240	36.16%
Investments classified as receivables	N/A	N/A	128,764,840	14.99%
Financial investments	917,941,717	100.00%	859,061,962	100.00%

(2.1) Composition of investment assets by nature of financial assets

Unit: RMB'000

Type	31 December 2019	31 December 2018
Bond investment	704,606,722	679,510,109
Equity instrument	213,334,995	179,551,853
Financial investment	917,941,717	859,061,962

(2.2) Composition of bond investments by the issuing entities

Unit: RMB'000

Type	31 December 2019
Government bonds	368,670,984
Bonds issued by policy banks	23,609,908
Bonds issued by commercial banks and bonds issued by non-bank financial institutions	40,306,476
Other institutions	60,923,417
Total bond investment	493,510,785

(2.3) Top ten financial bonds with the greatest nominal value held by the Bank

Unit: RMB'000

Name of the bonds	Nominal value	Annual interest rate	Maturity date	Provision for impairment
2016 policy financial bonds	5,040,000.00	2.96%	2021-7-27	-
2016 non-bank financial institutions bonds	2,646,810.00	3.25%	2021-11-29	2,993.96
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	-
2019 non-bank financial institutions bonds	2,000,000.00	3.65%	2020-5-28	761.53
2018 commercial bank bonds	1,500,000.00	4.80%	2028-1-22	727.84
2016 policy financial bonds	1,170,000.00	3.10%	2021-3-11	-
2016 commercial bank bonds	1,114,446.00	2.45%	2021-10-20	673.36
2018 non-bank financial institutions bonds	1,000,000.00	5.10%	2028-3-23	387.45
2018 commercial bank bonds	1,000,000.00	4.90%	2028-3-23	482.23

(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 RMB2,267 million, representing a decrease of RMB34,102 million, or 93.77%, as compared with the end of the previous year. Please refer to Note V. 6 to the financial statements.

(4) Investments

(4.1) Investment in associated companies

Investment in associated companies mainly represents investment in Shanghai ShangCheng Consumer Finance Corporation Limited and Shanghai Shangkang Yinchuang Investment Management Co., Ltd. Please refer to Note V. 16 to the financial statements.

(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%	421,047	30,864	Other equity instrument investments
China UnionPay Co., Ltd.	63,727	1.71%	63,727	7,500	
Clearing Center for City Commercial Banks	600	1.94%	600	-	
China Everbright Bank Co., Ltd.	18,000	0.03%	74,705	2,727	Tradable financial assets
Total	370,371	-	560,079	41,091	

(5) 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.

2. Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB2,059,855 million, representing an increase of RMB193,852 million, or 10.39%, as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2019		31 December 2018	
	Amount	Percentage of total	Amount	Percentage of total
Deposits from customers	1,203,551,552	58.43%	1,042,489,605	55.87%
Deposits from banks and other financial institutions	394,617,512	19.16%	368,968,350	19.77%
Borrowings from central bank	93,181,724	4.52%	102,942,000	5.52%
Placements from banks and other financial institutions	74,165,011	3.60%	68,336,138	3.66%
Tradable financial liabilities	400,427	0.02%	7,168	0.00%
Financial assets sold under repurchase agreements	63,349,665	3.07%	61,151,258	3.28%
Debt securities issued	190,712,382	9.26%	189,375,530	10.15%
Others	39,877,039	1.94%	32,733,742	1.75%
Total liabilities	2,059,855,312	100.00%	1,866,003,791	100.00%

(1) Deposits from customers

As at the end of the reporting period, the total deposits from customers of the Group amounted to RMB1,186,071 million, representing an increase of RMB143,582 million, or 13.77%, as compared with the end of the previous year. In particular, the balance of corporate deposits amounted to RMB806,723 million, representing an increase of 10.53% as compared with the end of the previous year; the balance of individual deposits amounted to RMB291,738 million, representing an increase of 26.67% as compared with the end of the previous year. The total deposits accounted for 57.58% of the total liabilities, representing an increase of 1.71 percentage points as compared with the end of the previous year.

The Group made full use of its advantages in regional resources, focused on quality customer resources in key areas such as Yangtze River Delta Region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Beijing-Tianjin-Hebei Region, and leveraged supply chain finance, cash management and other featured products to drive growth of low-cost and highly-viscous demand deposits for trading; actively adapted to market competition and customer demands and properly expanded structured deposits; strengthened marketing for key customers in pension and wealth businesses and sped up innovation of large-amount deposit certificates and other products, successfully boosting the growth of individual deposits, especially individual time deposits.

Unit: RMB'000

Item	31 December 2019		31 December 2018		31 December 2017	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Corporate deposits	806,722,523	67.03%	729,895,206	70.01%	651,550,674	70.55%
Demand deposits	368,772,704	30.64%	336,208,174	32.25%	323,092,112	34.98%
Time deposits	437,949,819	36.39%	393,687,032	37.76%	328,458,562	35.57%
Individual deposits	291,738,376	24.24%	230,307,308	22.09%	205,267,648	22.22%
Demand deposits	71,408,626	5.93%	63,933,594	6.13%	58,390,833	6.32%
Time deposits	220,329,750	18.31%	166,373,714	15.96%	146,876,815	15.90%
Pledged deposits	87,610,513	7.28%	82,287,091	7.89%	66,767,002	7.23%
Total deposits	1,186,071,412	98.55%	1,042,489,605	100.00%	923,585,324	100.00%
Accrued interest on deposit	17,480,140	1.45%	N/A	N/A	N/A	N/A
Deposits from customers	1,203,551,552	100.00%	1,042,489,605	100.00%	923,585,324	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

As at the end of the reporting period, the balance of deposits from banks and other financial institutions of the Group amounted to RMB394,618 million, representing an increase of RMB25,649 million or 6.95% as compared with the end of the previous year.

Unit: RMB'000

Counterparty	31 December 2019		31 December 20198	
	Balance	Percentage of total	Balance	Percentage of total
Mainland China	340,017,395	86.16%	319,321,729	86.54%
Banks	121,380,131	30.76%	100,731,341	27.30%
Other financial institutions	218,637,264	55.40%	218,590,388	59.24%
Outside mainland China	52,836,639	13.39%	49,646,621	13.46%
Banks	52,836,639	13.39%	49,646,621	13.46%
Accrued interest	1,763,478	0.45%	N/A	N/A
Total	394,617,512	100.00%	368,968,350	100.00%

(3) Financial assets sold under repurchase agreements

As at the end of the reporting period, the balance of financial assets sold under repurchase agreements amounted to RMB63,350 million, representing an increase of RMB2,198 million or 3.60% as compared with the end of the previous year.

Unit: RMB'000

Type of collateral	31 December 2019		31 December 2018	
	Balance	Percentage of total	Balance	Percentage of total
Securities	41,370,988	65.31%	44,557,940	72.87%
Commercial bills	21,950,385	34.65%	16,297,318	26.65%
Bank deposit certificate	0	0.00%	296,000	0.48%
Accrued interest	28,292	0.04%	N/A	N/A
Total	63,349,665	100.00%	61,151,258	100.00%

3. Equity of shareholders

As at the end of the reporting period, the equity of shareholders of the Group amounted to RMB177,227 million, representing an increase of RMB15,458 million, or 9.56%, as compared with the end of the previous year, mainly due to the realization of net profit and profit distribution in the reporting period.

Unit: RMB'000

Item	31 December 2019	31 December 2018	Change
Share capital	14,206,529	10,928,099	30.00%
Other equity instruments	19,957,170	19,957,170	0.00%
Capital reserve	22,052,934	25,331,364	-12.94%
Other comprehensive income	3,849,918	627,454	513.58%
Surplus reserve	36,273,686	30,969,554	17.13%
General reserve	28,434,363	25,804,758	10.19%
Retained earnings	51,934,012	47,658,150	8.97%
Total equity attributable to shareholders of the Bank	176,708,612	161,276,549	9.57%
Minority equity	518,019	492,059	5.28%
Total equity of shareholders	177,226,631	161,768,608	9.56%

（III）Analysis of Cash Flow Statement

During the reporting period, net cash flow from activities of the Group was RMB-7,932 million, which was mainly because the cash used for issuance of loans and placements with financial institutions was higher than the cash flow from deposits from customers.

Net cash flow from investing activities was RMB-19,536 million, mainly due to the decrease in proceeds from disposal of investments.

Net cash flow from financing activities was RMB-10,775 million, mainly due to the decrease 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	31 December 2019/ 2019	31 December 2018/ 2018	Changes as compared with the end of the previous year/the previous year	Major reasons
Placements with banks and other financial institutions	170,099,068	115,344,352	47.47%	Increase in placements with banks and other financial institutions
Derivative financial assets	16,443,915	1,237,616	1,228.68%	Effect of changes in size and valuation of derivative financial instruments
Financial assets held under resale agreements	2,267,055	36,368,624	-93.77%	Decrease in financial assets held under resale agreements
Intangible assets	743,640	536,143	38.70%	Increase in intangible assets arising from upgrading of core system
Deferred income tax assets	13,537,590	9,690,070	39.71%	Increase in book-tax difference arising from asset provision
Tradable financial liabilities	400,427	7,168	5,486.31%	Increase in balance of securities lending business
Derivative financial liabilities	16,690,672	829,640	1,911.80%	Effect of changes in size and valuation of derivative financial instruments
Share capital	14,206,529	10,928,099	30.00%	Conversion of capital reserve into share capital
Other comprehensive income	3,849,918	627,454	513.58%	Effect of adoption of the new financial instrument standards and failure to restate the data of the comparable financial statements of the previous period according to the standards

Unit: RMB'000

Item	31 December 2019/ 2019	31 December 2018/ 2018	Changes as compared with the end of the previous year/the previous year	Major reasons
Financial assets at fair value through profit or loss	N/A	17,874,361	N/A	Adoption of the new financial instrument standards, implementation of the format for financial statements of financial institutions newly revised by the Ministry of Finance and failure to restate the data of the comparable financial statements of the previous period according to the provisions
Tradable financial assets	318,055,345	N/A		
Bond investment	560,309,534	N/A		
Other bond investments	39,061,464	N/A		
Other equity instrument investment	515,374	N/A		
Available-for-sale financial assets	N/A	401,779,521		
Held-to-maturity investments	N/A	310,643,240		
Investments classified as receivables	N/A	128,764,840		
Interest receivable	N/A	9,760,277		
Interest payable	N/A	17,383,127		
Foreseeable liabilities	7,168,161	-		
Other income	66,764	42,998	55.27%	Increase in government subsidy
Net return on investment	11,075,168	7,906,133	40.08%	Adjustment of interest from financial assets at fair value through profit or loss from "interest income" to "investment income" after adoption of the new financial instrument standards and failure to restate the data of the comparable financial statements of the previous period according to the standards
Other business costs	1,266	18,483	-93.15%	Decrease in other business costs
Non-operating expense	93,784	31,484	197.88%	Increase in non-operating expenses including donations
Income tax expense	2,044,230	1,184,037	72.65%	Increase in taxable income
Net gains from changes in fair value	1,363,173	4,652,482	-70.70%	Implementation of the format for financial statements of financial institutions newly revised by the Ministry of Finance and failure to restate the data of the compara-ble financial statements of the previous period according to the provisions
Net foreign exchange gains/(losses)	306,655	-4,718,719	N/A	
Credit impairment loss	17,149,101	N/A	N/A	Adoption of the new financial instrument standards, implementation of the format for financial statements of financial institutions newly revised by the Ministry of Finance and failure to restate the data of the comparable financial statements of the previous period according to the provisions
Impairment losses	N/A	15,331,901		

（V）Loan Quality Analysis

The Group actively responded to the complicated and changeable economic situation, improved its professional operation and sophisticated management and credit policies, enhanced access management, optimized the credit structure and strengthened the asset quality control mechanism. Through various measures including strategic leading, assessments and incentives, real-time monitoring, regular inspections, alert and exit, risk control and flexible asset management, the Group continued to maintain excellent asset quality among banks.

1. Distribution of loans by the five-category classification

During the reporting period, the Group intensified efforts for mitigating risks and disposing of non-performing loans, so as to maintain stable asset quality on the whole. Meanwhile, the Group kept increasing provisions to constantly enhance its risk compensation capability. As at the end of the reporting period, the Group recorded a non-performing loans ratio of 1.16%, representing an increase of 0.02 percentage point as compared with the end of the previous year; and an allowance to non-performing loans of 337.15%, representing an increase of 4.20 percentage points as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2019		31 December 2018		Change as compared with the end of the previous year	31 December 2017	
	Amount	Percentage	Amount	Percentage		Amount	Percentage
Normal loans	961,251,527	98.84%	840,983,958	98.86%	120,267,569	656,378,113	98.85%
Normal	942,971,903	96.96%	825,151,433	97.00%	117,820,470	642,570,897	96.77%
Special mention	18,279,624	1.88%	15,832,525	1.86%	2,447,099	13,807,216	2.08%
Non-performing loans	11,253,151	1.16%	9,711,697	1.14%	1,541,454	7,643,505	1.15%
Substandard	3,169,614	0.33%	3,984,305	0.47%	-814,691	3,063,912	0.46%
Doubtful	7,287,294	0.75%	4,879,587	0.57%	2,407,707	3,276,530	0.49%
Loss	796,243	0.08%	847,805	0.10%	-51,562	1,303,062	0.20%
Total loans and advances to customers	972,504,678	100.00%	850,695,655	100.00%	121,809,023	664,021,617	100.00%
Non-performing loans ratio		1.16%		1.14%	Increased by 0.02 percentage point		1.15%
Allowance to non-performing loans		337.15%		332.95%	Increased by 4.20 percentage points		272.52%

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

The Group continued to improve the corporate credit structure, enhance risk control for large-amount credit extension, prevent new risks and step up efforts for disposing of non-performing loans, so as to steadily improve the asset quality. As at the end of the reporting period, the balance of corporate loans and advances of the Group amounted to RMB583,798 million, representing an increase of 9.27% as compared with the end of the previous year; the non-performing loans ratio was 1.44%, representing a decrease of 0.06 percentage point as compared with the end of the previous year.

The Group focused on customer quality control and established a whole-process control system from such aspects as credit access, channel structure, product threshold value, collection and disposal, linkage monitoring and partner selection, so as to ensure sound and orderly development of individua loans based on risk coverage by returns. As at the end of the reporting period, the balance of individual loans and advances of the Group amounted to RMB321,779 million, representing an increase of 16.24% as compared with the end of the previous year, and accounted for 33.09% of the total loans and advances to customers, representing an increase of 0.55 percentage point as compared with the end of the previous year; the non-performing loans ratio was 0.88%, representing an increase of 0.27 percentage point as compared with the end of the previous year. In particular, the ratio of non-performing property mortgage loans was 0.16%, representing a decrease of 0.05 percentage point as compared with the end of the previous year. The Group mainly supported the financing needs for rigid and improving house purchase in tier-1 and tier-2 cities and continued to maintain good asset quality; the ratio of non-performing personal business loans was 0.64%, representing a decrease of 0.66 percentage point as compared with the end of the previous year. The Group supported the development of inclusive finance and stepped up efforts on screening and access with regard to quality business loan customers to improve the quality of business loan assets at source; the ratio of non-performing personal consumption loans was 1.15%, representing an increase of 0.63 percentage point as compared with the end of the previous year, mainly because personal consumption credit products entered a cycle of becoming non-performing in 2019 after rapid growth in 2018 and the growth in non-performing personal consumption loans has stabilized for the moment; the ratio of non-performing credit card loans was 1.63%, representing a decrease of 0.03 percentage point as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2019				31 December 2018			
	Balance of loans	Percentage	Balance of non-performing loans	Non-performing loans ratio	Balance of loans	Percentage	Balance of non-performing loans	Non-performing loans ratio
Corporate loans and advances	583,798,130	60.03%	8,412,596	1.44%	534,269,554	62.80%	8,018,557	1.50%
Discounted bills	66,927,709	6.88%	23,157	0.03%	39,604,885	4.66%	0	0.00%
Individual loans and advances	321,778,839	33.09%	2,817,398	0.88%	276,821,216	32.54%	1,693,140	0.61%
Including: Personal consumption loans	175,058,957	18.00%	2,005,661	1.15%	157,475,662	18.51%	822,955	0.52%
Property mortgage loans	94,450,382	9.71%	146,621	0.16%	72,768,999	8.55%	154,798	0.21%
Personal business loans	18,747,397	1.93%	119,620	0.64%	15,623,530	1.84%	202,958	1.30%
Credit cards	33,522,102	3.45%	545,496	1.63%	30,953,025	3.64%	512,429	1.66%
Total loans and advances to customers	972,504,678	100.00%	11,253,151	1.16%	850,695,655	100.00%	9,711,697	1.14%

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

3. Distribution of loans and non-performing loans by industry

Adhering to the concept of high-quality development, the Group took the initiative to serve the supply-side structural reform, with a focus on serving the key areas and links of the real economy and supporting industries related to people's livelihood and conforming to the national industrial policy and restructuring and upgrading guidance. During the reporting period, loans were mainly extended to industries including as real estate, leasing and commercial services, manufacturing, public utilities and wholesale and retail, basically the same industries as invested in the previous year.

For real estate loans, the Bank, following the credit principle of "strict access on the whole and selection of the best from the good", executed strict access standards, conducted list management and continuously optimized the credit business structure. On a regional basis, loans were primarily directed at first-tier and high-quality second-tier cities featuring developed economy and continuous population inflow; from the perspective of project type, loans were mainly extended to residential development projects targeted at first-time homebuyers and upgraders, reflecting the Bank's adherence to the national real estate-related policy. The Group strengthened post-credit tracking and management, and the overall quality of credit assets extended to the real estate industry improved amid stability.

Manufacturing industry loans were mainly targeted at the real economy such as strategic emerging industries. For industries with overcapacity, the Bank implemented strict control and differentiated management, actively reduced credit exposure, and conducted close monitoring and early warning through classified management of existing customers. Efforts to mitigate and dispose of existing large non-performing loans contributed to a remarkable improvement in the overall quality of credit assets extended to the manufacturing industry. As at the end of the reporting period, the non-performing loans ratio was 1.70%, representing a decrease of 2.47 percentage points as compared with the end of the previous year.

Leasing and business service loans were mainly in support of people's livelihood projects, weak-links improving infrastructure projects and modern service industries.

Primarily under the influence of macro economy and individual large non-performing corporate loans, the non-performing loans ratios in relation to wholesale and retail, leasing and commercial services, culture, sports and entertainment and finance experienced slight fluctuations, and the Group has implemented differentiated control policies and strengthened risk mitigation and disposal, with the overall risk under control.

Unit: RMB'000

Industry	31 December 2019				31 December 2018			
	Balance of loans	Percentage	Balance of non-performing loans	Non-performing loans ratio	Balance of loans	Percentage	Balance of non-performing loans	Non-performing loans ratio
Corporate loans and advances	583,798,130	60.03%	8,412,596	1.44%	534,269,554	62.80%	8,018,557	1.50%
Real estate	154,391,365	15.88%	153,798	0.10%	128,229,633	15.07%	50,540	0.04%
Leasing and commercial services	139,439,435	14.34%	355,750	0.26%	122,709,591	14.42%	21,035	0.02%
Manufacturing	75,886,752	7.80%	1,286,312	1.70%	65,573,181	7.71%	2,735,346	4.17%
Public utilities	54,856,988	5.64%	9,851	0.02%	48,972,712	5.76%	59,094	0.12%
Wholesale and retail	51,370,308	5.28%	5,537,716	10.78%	51,152,970	6.01%	4,464,773	8.73%
Finance	21,951,036	2.26%	278,680	1.27%	23,517,516	2.76%	0	0.00%
Construction	21,500,402	2.21%	242,955	1.13%	25,368,172	2.98%	336,005	1.32%
Communication, software and IT services	17,736,281	1.82%	47,874	0.27%	16,646,874	1.96%	189,427	1.14%
Culture, sports and entertainment	12,398,525	1.27%	204,298	1.65%	11,225,369	1.32%	3,493	0.03%
Transportation, storage and postal services	10,104,445	1.04%	9,413	0.09%	15,249,265	1.79%	13,838	0.09%
Others	24,162,593	2.48%	285,949	1.18%	25,624,271	3.01%	145,006	0.57%
Discounted bills	66,927,709	6.88%	23,157	0.03%	39,604,885	4.66%	0	0.00%
Individual loans and advances	321,778,839	33.09%	2,817,398	0.88%	276,821,216	32.54%	1,693,140	0.61%
Total loans and advances to customers	972,504,678	100.00%	11,253,151	1.16%	850,695,655	100.00%	9,711,697	1.14%

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

4. Distribution of loans and non-performing loans by geographic 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 RMB462,774 million, RMB204,635 million and RMB173,808 million, respectively, representing 47.59%, 21.04% and 17.87% of the total balance of loans, respectively.

The Group was committed to serving the real economy and supporting regional economic development on a market-oriented basis. First, dedicated to developing Shanghai market, the Group, focusing on the construction of "five centres" in Shanghai, expanded support for quality state-owned enterprises, listed companies, subsector leaders in the city and districts. Second, the Group supported the implementation of major national strategic plans and focused on the synergistic development of key regions such as the "Belt and Road" region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Beijing-Tianjin-Hebei region. Third, the Group adhered to the principles of moderation, prudence and selection on merit, and strictly controlled out-of-area credit. At the same time, the Group continuously stepped up efforts to curb, mitigate and dispose of risks to ensure that regional credit risks are under control. At the end of the reporting period, the quality of assets in the Pearl River Delta (including Hong Kong) remained stable; the non-performing loans ratio in the Yangtze River Delta (excluding Shanghai), the Bohai Rim region, and the Central and Western China dropped significantly from the end of the previous year; under the influence of development span of personal consumption loans and individual large non-performing corporate loans, the non-performing loans ratio in Shanghai increased 0.85 percentage point as compared with the end of the previous year. Such changes will not have adverse impact on the subsequent operating and financial conditions as the Group has made full provision.

Unit: RMB'000

Item	31 December 2019				31 December 2018			
	Balance of loans	Percentage	Balance of non-performing loans	Non-performing loans ratio	Balance of loans	Percentage	Balance of non-performing loans	Non-performing loans ratio
Shanghai	462,774,073	47.59%	7,773,100	1.68%	423,022,897	49.73%	3,520,701	0.83%
Yangtze River Delta (excluding Shanghai)	204,635,016	21.04%	1,705,742	0.83%	158,915,211	18.68%	2,345,592	1.48%
Pearl River Delta (including Hong Kong)	173,808,324	17.87%	728,265	0.42%	143,944,535	16.92%	572,562	0.40%
Bohai Rim	100,241,154	10.31%	883,921	0.88%	97,434,522	11.45%	2,665,212	2.74%
Central and Western China	31,046,111	3.19%	162,124	0.52%	27,378,490	3.22%	607,630	2.22%
Total loans and advances to customers	972,504,678	100.00%	11,253,151	1.16%	850,695,655	100.00%	9,711,697	1.14%

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

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

Given different subject qualifications of customers, the Group introduced differentiated security mitigation measures to promote the continuous optimization of the structure of credit security. The quality of loans secured by monetary assets and loans secured by tangible assets continued to improve; the ratio of non-performing unsecured loans synced up due to the increase in non-performing loans resulting from the development span of personal consumption loans. The Group put the risk under control by strengthening full-process risk control.

Unit: RMB'000

Type of security	31 December 2019				31 December 2018			
	Balance of loans	Percentage	Balance of non-performing loans	Non-performing loans ratio	Balance of loans	Percentage	Balance of non-performing loans	Non-performing loans ratio
Unsecured loans	297,944,940	30.64%	2,681,745	0.90%	294,628,602	34.63%	1,225,949	0.42%
Guaranteed loans	183,535,200	18.87%	5,497,884	3.00%	159,186,326	18.71%	3,953,733	2.48%
Loans secured by monetary assets	180,716,122	18.58%	435,850	0.24%	121,305,152	14.26%	406,819	0.34%
Loans secured by tangible assets	310,308,416	31.91%	2,637,672	0.85%	275,575,575	32.39%	4,125,196	1.50%
Total loans and advances to customers	972,504,678	100.00%	11,253,151	1.16%	850,695,655	100.00%	9,711,697	1.14%

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

6. Loans to the top ten customers

As at the end of the reporting period, the balance of loans to the top ten customers amounted to RMB71.002 billion, accounting for 32.38% of the net capital and 7.30% of the total loans and advances to customers, which met the regulatory requirements.

The Group strengthened its unified credit management so as to manage customer concentration, improved the large risk exposure management mechanism and clarified the definition of large risk exposure, calculation rules, daily monitoring and risk prevention and the management responsibilities of various institutions. The Group set limit to manage loans extended to single non-interbank customers, a group of non-interbank connected customers, single interbank customers or group customers and central counterparties. The Group controlled large credit risks by hierarchy and class, conducted full-coverage visits and site management of key customers and implemented control strategies to achieve rapid and effective risk intervention.

Unit: RMB'000

Name of customer	Balance of loans as at 31 December 2019	As a percentage of the net capital	As a percentage of the total loans and advances to customers
Customer A	18,769,831	8.56%	1.93%
Customer B	9,890,715	4.51%	1.02%
Customer C	7,550,000	3.44%	0.78%
Customer D	7,038,000	3.21%	0.72%
Customer E	7,020,000	3.20%	0.72%
Customer F	6,641,406	3.03%	0.68%
Customer G	3,726,669	1.70%	0.38%
Customer H	3,553,690	1.62%	0.37%
Customer I	3,424,500	1.56%	0.35%
Customer J	3,387,050	1.54%	0.35%
Total	71,001,862	32.38%	7.30%

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

7. Overdue and restructured loans

The Group continuously controlled new overdue loans and advances to customers and reduced existing overdue loans and advances to customers. First, in respect of credit business, the Group strengthened active management of overdue loans, enhanced risk alert and active withdrawal, and strictly prevented unexpected risk exposure. Second, the Group stepped up reduction and disposal of existing overdue loans and advances to customers and settlement of relevant interests to control substantial default on credit business. Meanwhile, the Group maintained prudent and strict classification standards for overdue loans, with the asset quality keeping strengthening. As at the end of the reporting period, overdue loans and advances to customers accounted for 1.65% of the total loans and advances to customers, representing a decrease of 0.04 percentage point as compared with the end of the previous year; the ratio of the balance of loans overdue for more than 90 days to non-performing loans was 84.35%, and the ratio of the balance of loans overdue for more than 60 days to non-performing loans was 91.54%, both of which were at an optimum level in the industry.

The Group followed the principles of law compliance, strict control and steady reduction in restructuring loans. As at the end of the reporting period, the balance of restructured loans and advances to customers amounted to RMB880 million, representing a decrease of RMB282 million and a decrease of 0.05 percentage point of the total loans and advances to customers, as compared with the end of the previous year.

Unit: RMB'000

Item	31 December 2019		31 December 2018	
	Amount	Percentage	Amount	Percentage
Overdue for 1 day to 90 days (inclusive)	6,532,166	0.67%	6,673,079	0.78%
Overdue for 90 days to 1 year (inclusive)	4,459,376	0.46%	6,252,387	0.73%
Overdue for 1 year to 3 years (inclusive)	4,974,567	0.51%	1,243,928	0.15%
Overdue for more than 3 years	57,972	0.01%	179,129	0.02%
Overdue loans and advances to customers	16,024,081	1.65%	14,348,523	1.69%
Restructured loans and advances to customers	880,323	0.09%	1,161,948	0.14%
Total loans and advances to customers	972,504,678	-	850,695,655	-

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

8. Repossessed assets and provisions for impairment losses

As at the end of the reporting period, the Group's repossessed assets amounted to RMB365 million, primarily consisting of equity and trust beneficiary right. The Group began to implemented the new accounting standards for financial instruments on 1 January 2019, and the above repossessed assets were measured at fair value through profit or loss.

Unit: RMB'000

Item	31 December 2019		31 December 2018	
	Amount	Amount of provision for impairment losses	Amount	Amount of provision for impairment losses
Repossessed assets	365,440	0	105,310	98,335
Including: Equity	290,975	0	105,310	98,335
Trust beneficiary right	74,465	0	0	0

9. Change in the provisions for impairment losses on loans

The Group implemented the new accounting standards for financial instruments on 1 January 2019, established an expected credit loss model, fully assessed the credit exposure of loans and advances, and made provision for expected credit loss for the three stages divided according to the new accounting standards for financial instruments.

Adhering to the principle of prudence, the Group continuously stepped up the disposal and mitigation of non-performing loans, verified all loans which should be verified and made full provision 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 RMB37.94 billion, representing an increase of RMB5.494 billion as compared with the beginning of the period.

Unit: RMB'000

Item	2019	2018
Opening balance	32,446,204	20,830,293
(Reversal)/provisions for the period	12,868,972	15,302,201
Write-off during the period	-8,686,368	-4,236,986
Recovery of written-off loans and advances	1,403,439	539,200
Other change	-92,507	-99,249
Ending balance	37,939,740	32,335,459

Note: The opening balance for 2019 is the balance of provisions for impairment losses after the implementation of the new accounting standards for financial instruments on 1 January 2019. The opening balance for 2018 is the balance of provisions for impairment losses before the implementation of the new accounting standards for financial instruments on 31 December 2018.

10. Loan migration rate

The Group strictly identified the risk classification of credit business, released the risk pressure in advance, and continued to maintain asset quality, keeping the migration rates of loans at all levels within a reasonable range.

Item	31 December 2019	31 December 2018	31 December 2017
Migration rate for normal loans	2.08%	2.36%	1.56%
Migration rate for special mention loans	61.91%	57.02%	38.49%
Migration rate for substandard loans	96.90%	98.12%	99.65%
Migration rate for doubtful loans	14.64%	11.10%	22.78%

（VI）Capital adequacy ratio

Unit: RMB'000

Item	31 December 2019	31 December 2018	31 December 2017
Core tier-1 capital:	153,570,207	141,408,461	127,113,477
The portion of share capital which may be included	14,206,529	10,928,099	7,805,785
The portion of capital reserve which may be included	22,307,843	25,717,981	27,833,570
Surplus reserve	36,273,686	30,969,554	26,435,300
General risk reserve	28,434,363	25,804,758	25,780,256
Retained earnings	51,934,012	47,658,150	39,125,759
The portion of minority shareholders' capital which may be included	97,765	89,082	85,511
Others	316,009	240,837	47,296
Other tier-1 capital:	19,970,205	19,969,048	19,968,571
Other tier-1 capital instruments and related premium	19,957,170	19,957,170	19,957,170
The portion of minority shareholders' capital which may be included	13,035	11,878	11,401
Tier-2 capital:	46,262,390	25,656,091	23,209,591
Tier 2 capital instruments and related premium that may be included	28,000,000	9,000,000	10,000,000
Excess provision for doubtful debts	18,236,319	16,632,336	13,186,788
The portion of minority shareholders' capital which may be included	26,071	23,755	22,803
Total capital	219,802,802	187,033,600	170,291,639
Deductions:	-559,544	-354,419	-332,371
Deductible items of core tier-1 capital	-559,544	-354,419	-332,371

Unit: RMB'000

Item	31 December 2019	31 December 2018	31 December 2017
Net core tier-1 capital	153,010,663	141,054,042	126,781,106
Net tier-1 capital	172,980,868	161,023,090	146,749,677
Net capital	219,243,258	186,679,181	169,959,268
Risk-weighted assets	1,584,413,590	1,435,652,196	1,185,925,725
Credit risk-weighted assets	1,477,141,845	1,347,219,234	1,102,830,230
Market risk-weighted assets	28,150,428	18,529,771	20,203,935
Operational risk-weighted assets	79,121,318	69,903,192	62,891,560
Exposure value after mitigation for credit risk portfolios	2,192,428,061	1,949,637,789	1,686,041,746
Core tier-1 capital adequacy ratio	9.66%	9.83%	10.69%
Tier-1 capital adequacy ratio	10.92%	11.22%	12.37%
Capital adequacy ratio	13.84%	13.00%	14.33%

Notes: 1. According to the relevant requirements of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation), the Group measures credit risk-weighted assets by weighting method, market risk-weighted assets by standard approach and operational risk-weighted assets by basic indicator approach. For details of capital management, please refer to the Capital Adequacy Ratio Report 2019 of the Bank of Shanghai disclosed by the Bank on the website of Shanghai Stock Exchange (http://www.sse.com.cn).

2. The tail difference is caused by rounding.

（VII）Leverage ratio

Unit: RMB'000

Item	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Net tier-1 capital	172,980,868	170,076,114	164,641,847	164,384,948
The balance of assets	2,498,852,929	2,436,367,494	2,402,069,960	2,277,516,417
Leverage ratio	6.92%	6.98%	6.85%	7.22%

（VIII）Liquidity coverage ratio

Unit: RMB'000

Item	31 December 2019
Qualifying HQLA	246,026,319
Net cash outflow over the next 30 days	189,748,996
Liquidity coverage ratio	129.66%

（IX）Net stable funding ratio

Unit: RMB'000

Item	31 December 2019	30 September 2019
Available stable funds	1,203,363,335	1,138,058,946
Required stable funds	1,100,909,049	1,082,623,335
Net stable funding ratio	109.31%	105.12%

（X）Significant accounting estimates and judgments

In preparing the financial statements, the Group makes accounting judgments, estimates and assumptions based on historical experience and other factors, including reasonable expectations of future events, which judgments, estimates and assumptions may affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Future realities may differ from these judgments, estimates and assumptions. The Group evaluates these judgments, estimates and assumptions 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. 28 to the financial statements.

(XI) Off-balance sheet items that may materially affect financial situation and operating results

Unit: RMB'000

Item	31 December 2019	31 December 2018
Credit commitments	236,645,387	184,651,964
Among which: Available credit limit of credit cards	51,456,275	36,816,594
Irrevocable loan commitments	33,457,156	19,980,739
Financing guarantee	40,315,390	51,445,789
Non-financing guarantees	13,858,450	8,600,885
Bank acceptances	90,103,934	60,756,977
Sight letter of credit	1,790,293	2,546,039
Usance letter of credit	5,663,889	4,504,941
Operating lease commitments	1,604,586	1,448,434
Capital commitments	484,695	398,138

III. Key Business Concerns

(I) Net interest spread

During the reporting period, the Group's net interest margin and net interest spread increased by 0.12 percentage points to 1.93% and decreased by 0.05 percentage points to 1.71% year on year, respectively. The Group implemented the new financial instrument standards for the first time in the reporting period. Under the new standards, some of the original interest-bearing assets are regarded as financial assets at fair value through profit or loss, whose income is reflected as investment income and is no longer reflected in the net interest spread.

According to the same standards, in the reporting period, the Group's net interest spread is 1.88%, up 0.12 percentage points year on year. Among them, the average rate of return on interest-bearing assets was 4.42%, down by 0.03 percentage points year on year; the average rate of interest on interest-bearing liabilities was 2.51%, down by 0.13 percentage points year on year. From the perspective of driving factors, on the asset side, the Bank made greater efforts to serve the real economy, adhered to the major retail banking strategy, continuously optimized the asset structure, improved the proportion of total customer loans and advances in total assets and the proportion of individual loans and advances in total loans, and enhanced market interest rate sensitivity, strengthened pricing management, and priced new loans at a good level , basically offsetting the impact of the downward market interest rate on the overall return on assets; on the liability side, the Bank stroke a balance between the deposit scale and interest cost, moderately developed such businesses as certificate deposits and structured deposits, kept the average interest cost of deposits under control, and improved the debt structure. Meanwhile, the interest cost of interbank liabilities declined thanks to the downward trend in market interest rate.

Looking forward to 2020, in response to the downward pressure of the economy and the impact of the COVID-19, the central bank will further strengthen the counter-cyclical regulation to ensure abundant market liquidity, and the accelerating downturn in the market interest rate and loan interest rate will impact the net interest spread. The Group will continue to promote the restructuring of assets and liabilities, further accelerate the credit expansion, and promote the steady growth of deposits. While increasing the proportion of deposits and loans, the Group will improve the structure and pricing management of deposits and loans, keep pace with changes in the market, and decide the term and allocation of assets and liabilities, to try to keep net interest spread as stable as possible.

(II) Reform of Loan Prime Rate (LPR)

The people's Bank of China unveiled reform of LPR formation mechanism in August 2019 to steadily promote the application of LPR in the loan pricing, and further made an announcement on the conversion of the benchmark for pricing existing floating-rate loans in December, which is required to be completed before August 2020. The Bank actively implemented the LPR reform policy of the central bank. On the one hand, we accelerated the pricing application of LPR in the new RMB loan business, and the proportion of LPR applications has consistently met the central bank's guidance since September 2019; on the other hand, we implemented classified policies, developed various plans for the conversion of the benchmark for pricing existing floating-rate loans, and steadily advanced the conversion work from 1 March 2020.

LPR is playing an increasing role in guiding loan pricing with the continuous promotion of LPR reform, which will make the linkage between credit interest rate and market interest rate closer. In active response to the requirements of LPR reform, the Bank will keep improving the interest rate pricing management system, strengthen the analysis and prediction of macroeconomic situation and market interest rate trends, and improve its proactive pricing ability and interest rate risk management.

（III）Cost-to-income ratio

During the reporting period, the cost-to-income ratio was 19.98%, representing a decrease of 0.54 percentage points as compared with the previous year; general and administrative expenses tallied RMB9.949 billion, up 10.46% as compared with the previous year, in particular, the human resource costs increased 10.14% year on year, and other office and administrative expenses rose 16.65% year on year; driven by the improving net interest spread, scale growth and intermediary business, the operating revenue recorded year-on-year growth of 13.47%, 3.01 percentage points higher than the growth of general and administrative expenses.

Being value creation-oriented, the Bank focuses on the connotative operation and intensive development, with emphasis on strategic development. During the reporting period, while maintaining the continuity of investment of financial resources, the Bank strengthened the classified management of expenses and optimized the cost structure to improve the output efficiency; increased investment in key areas such as retail business, inclusive finance, technology and innovation financing, and information technology, and optimized the layout of physical outlets to improve the capacity of outlets; strengthened the centralized procurement management, launched business travel platform,introduced new technologies, and improved intensive management level to put related costs under reasonable control. In the future, the Bank will continue to invest more in strategic key businesses, key regions, Fintech, network construction and other aspects to promote sustainable development.

（IV）Deposit business

As at the end of the reporting period, the total deposits of the Bank amounted to RMB1,171,566 million, representing an increase of 13.63% as compared with the end of the previous year.

The balance of deposits of the Bank reached RMB793,813 million, representing an increase of 10.31% as compared with the end of the previous year. The Bank, leveraged on our geographical advantages, developed quality customers in Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and Beijing-Tianjin-Hebei Region, and launched featured products such as supply-chain finance and cash management to drive the growth of low-cost and highly sticky transactional demand deposits; actively adapted to market competition and customer demand, and moderately expanded structured deposits.

The balance of individual deposits was RMB290,760 million, up by 26.62% as compared with the end of the previous year. The Bank deepened the core role of "customer acquisition" in driving the retail liability business, sorted out the process of "scenario-based customer acquisition, transaction activation and optimal allocation", built a growth cycle management system covering customer card opening, activity, asset promotion and value creation, set up a solid system for attracting deposits from the three aspects of strategy guidance, product innovation and management of key customer groups, accelerated product innovation such as certificate deposits, and enhanced the marketing of key customers in pension and finance management to drive the growth of deposits.

In 2020, the Bank will, in light of the changes in the macroeconomic situation, further expand the source of deposits, accelerate product innovation, drive financing deposition, adjust the strategy for liability business amid the downturn of market interest rate, and strike a balance between the deposit scale and interest rate target. The Bank will focus on the customer experience in the public sector, use online supply chain, "BOSC Inclusive Finance" APP, liquidity management platform, online cross-border business platform and other featured products and efficient & convenient business services, and improve customer service capacity and customer coverage in key areas and regions, to further consolidate the customer base, and expand the stable sources of general deposits; in the retail sector, the Bank will focus on strengthening the infrastructure of products, channels, marketing, systems, etc., bringing forth new ideas in scenario application, customer relationship interaction and other featured products, accelerating the online process, using digital management and marketing tools to implement a refined hierarchical system for customer acquisition and operation, and supporting batch customer acquisition modes like pension transfers, pension finance, new social security card projects, and making greater efforts to expand retail liability business based on regional advantages.

（V）Loan business

At the end of the reporting period, the total loans and advances to customers amounted to RMB954,639 million, up by 14.86% as compared with the end of the previous year. The balance of loans and advances to customers amounted to RMB566,898 million, up by 9.93% as compared with the end of the previous year. In active response to national and regional strategies, the

Bank, focusing on regional coordinated development, increased the reserve of and investment in high-quality asset projects covering supply-chain finance, inclusive finance, technology and innovation financing, livelihood finance, cross-border finance and investment banking, to vigorously support the development of the real economy. The balance of individual loans amounted to RMB320,830 million, representing an increase of 16.31% as compared with the end of the previous year. Fully recognizing people' yearning for a better life and their demand for consumption transformation and upgrading, while maintaining the competitive advantage of characteristic services, the Bank put emphasis on improving the innovation efficiency and marketing organization ability of the core products such as Xinyidai, implemented policies to local conditions of cities to steadily develop the mortgage loan business, accelerated building of the whole-process risk management ability, focused on strengthening the prevention and control of co-debt risk, and intensified the monitoring of capital flows and management of their use, to achieve a good balance between scale, revenue and quality.

In 2020, the slowdown of global economic growth increased the uncertainty of the external environment, putting strain on the market demand for effective financing. The Bank will flexibly arrange for the frequency of releasing of credit assets in light of the macro policies such as monetary and fiscal policies. First, provide precise financial services for epidemic prevention and control, resumption of production and economic development, and set up special credit lines to fully support the resumption of business operation. Second, starting with supply-chain finance, inclusive finance, technology and innovation financing and other special businesses, improve the level of professional operation and the ability to acquire high-quality assets. Third, change from "holding assets" to "equal stress on holding assets + trading services", actively explore business opportunities in the stock economy, and improve the ability to serve flow trading. Forth, pay close attention to the transformation and upgrading of household consumption, accelerate the development of auto financing business by product upgrading, and speed up the breakthrough in the scale of fiduciary loan business through online service, and support residents' reasonable demand for housing on their own. Fifth, increase the application of digital technology in risk control, strengthen the independent ability of core risk control, and help the healthy, steady and sustainable development of the loan business.

(VI) Asset quality

During the reporting period, the Group actively responded to the complex and changing economic situation, continuously improved its risk management ability, built a fintech-supported platform for risk management and control, and promoted the digital transformation of risk management. It continuously improved the asset quality control mechanism, consolidated the basic management of credit, strengthened the risk prevention and control for large amount of credit and for key regions, key areas and key customers, prevented new risks from being exposed and intensified the disposal of non-performing loans. As a result, its asset quality was excellent on the whole among listed banks.

The Group strengthened the asset quality control mechanism, with the non-performing loan ratio declining by quarter since the first quarter of 2019, indicating the asset quality was improving continuously; stepped up efforts to control new loans and reduce existing overdue loans, and stepped forward to continuously consolidate asset quality, which effectively released the downward pressure of risk; increased the provision for loan impairment, and further improved the ability to offset risks, with provision coverage remaining robust. At the end of the reporting period, the Group's non-performing loan ratio was 1.16%, up by 0.02 percentage points as compared with the end of the previous year; the special mention loans accounted for 1.88%, up by 0.02 percentage points as compared with the end of the previous year; the overdue loans and advances to customers accounted for 1.65%, down by 0.04% as compared with the end of the previous year; the ratio of the balance of loans overdue for more than 90 days to non-performing loans was 84.35%, and the ratio of the balance of loans overdue for more than 60 days to non-performing loans was 91.54%; the provision coverage was 337.15%, up by 4.20 percentage points as compared with the end of the previous year; the loan provision ratio was 3.90%, up by 0.10 percentage points as compared with the end of the previous year.

(VII) Capital management and planning

During the reporting period, the Bank optimized the economic capital management system, improved the capital incentive and restraint mechanism, and improved the capital use efficiency according to the requirements of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) and 2017-2019 Capital Management Plan of the Bank of Shanghai; accelerated the construction of new capital agreement projects and application of achievements; strengthened the perspectiveness of capital supplement, continued to improve the capital supplement mechanism, and optimized the capital structure to maintain a sound level of capital adequacy. As at the end of the reporting period, the capital adequacy ratio of the Group was 13.84%, up by 0.84 percentage points from the end of the previous year. Among them, according to the capital plan and capital replenishment plan, the Bank issued RMB 20 billion tier-2 capital bonds in the national inter-bank bond market in November 2019, and all the proceeds were used to supplement the Bank's tier-2 capital bonds in accordance with the applicable laws and the approval of the regulatory authorities, which increased the capital adequacy ratio by 1.26 percentage points through static calculation.

During the reporting period, the Bank formulated and passed the 2020-2022 Capital Management Plan of Bank of Shanghai upon the deliberation and approval of the Board of Directors and the general meeting, which reasonably determined the goal of capital adequacy ratio and capital supplement plan for the next three years with corresponding management measures. The Board of Directors and the general meeting of the Bank have deliberated and passed relevant proposals on the plan of public offering of A-share convertible corporate bonds of no more than RMB20 billion (inclusive). The proceeds, after deducting the issuance costs, will be used to support the future business development of the Bank, and supplement the core tier-1 capital of the Bank in accordance with the relevant regulatory requirements after the convertible bonds are converted into shares. The plan for the public offering of A-share convertible corporate bonds shall not be implemented until it is approved by the China Banking and Insurance Regulatory Commission Shanghai Bureau, China Securities Regulatory Commission and other regulatory agencies, and the final plan approved by the regulatory agencies shall prevail.

（VIII）Fintech innovation and application

The Bank attaches great importance to the guidance of Fintech innovation, redefines finance with science and technology, takes fintech-driven innovation as the core idea, focuses on the technology and innovation financing strategy with "one body two wings" to improve the customer acquisition ability, operation ability and risk control ability, uses digital thinking to create an innovation environment for all staff, continuously deepens the Fintech innovation and application, and promotes the digital transformation and development of the industry; applies artificial intelligence, big data, micro services, OpenAPI, distributed architecture and other technologies to build an intelligent, digital, online financial service system, promote business transformation and development, and improve quality and efficiency.

Integrating into the ecology to enhance customer acquisition ability. The Bank rapidly expanded the Internet financial business through SDK (software development kit), H5 (web page technology), java applet, OpenAPI and other access ways, and accessed more than 150 Internet platforms in total. In November 2019, the Bank launched the "BOSC Inclusive Finance" APP to provide customers with universal and standardized online services. By the end of the reporting period, the Bank has served 1,857 small and micro enterprises in total. The Bank effectively supported online credit business for retail consumption based on the core of distributed retail credit, with daily peak transactions of consumer credit business reaching over one million. The Bank has built a dual core system of credit cards, formed a new pattern of independent service and cooperation to attract customers, and achieved approval of joint credit cards in seconds. During the reporting period, 951,000 credit cards were issued through cooperation with Internet platforms, with a year-on-year growth of 110.20%, accounting for 54.89% of the new credit card issued in the whole year.

Making precision marketing to improve sales efficiency. Based on big data, the Bank has made a portrait of retail customers, and, in combination of artificial intelligence modeling platform, built a digital system for precise customer marketing from the recommendation of deposits and financial products to behavior preference prediction, to achieve stable marketing effects. The Bank saw the balance of fixed-term deposits increased by RMB12,190 million through precise marketing of appropriate products to potential customers.

Adopting intelligent risk control to strengthen proactive warning. The Bank has built an intelligent risk operation management system based on big data and artificial intelligence technology. With the continuously enriching data sources and improving risk scoring model, the Bank's quantitative risk management level has been significantly improved, providing professional credit financing services for enterprise customers in a more forward-looking and effective manner. Thanks to the retail credit risk management and control system supported by big data and artificial intelligence, the Bank effectively prevented risks while supporting the rapid development of retail credit business, and blocked the occurrence of RMB1.505 billion of non-performing loans in advance. The Bank established a credit card anti-fraud prevention and control system, intercepted 884 suspected fraudulent transactions of credit cards with an amount of more than RMB12.9184 million.

Conducting smart operation to reduce operation costs. In 5 business scenarios, RPA (robot process automation) technology was used to realize 7×24 hour automation operations, and the processing time of financial business parameters was shortened by 67.21%. As for subsequent supervision, AI OCR (optical character recognition) was used to identify the original voucher information instead of manual input. After adopting electronic signature technology, 70.19% of the personal business on the counter realized paperless processing, reducing about 6.2 million paper vouchers. The Bank established a unified face image database and face recognition system for our customers. In the whole year, nearly 30 million face recognition comparisons have been used in various channels, and more than 200,000 identity comparisons have been conducted for high-risk business customers on the counter, greatly saving time and operating costs.

IV. Business Overview

(I) Wholesale financial business

During the reporting period, in close tandem with the strategic layout and regional economic development of China, the Bank actively practised the operation philosophy of serving real economy, made full use of its advantages in institutional resources, focused on Yangtze River Delta Region, especially Shanghai, the Guangdong-Hong Kong-Macao Greater Bay Area and the Beijing-Tianjin-Hebei Economic Belt and other key areas, built "six financial service systems" (namely, supply-chain finance, inclusive finance, technology and innovation financing, livelihood finance, cross-border finance and investment banking) and enriched the contents of comprehensive financial services; actively responded to the new regulatory requirements and market changes, deepened customer operation, optimized the business structure, improved the product system and enhanced risk control, so as to achieve steady business development.

The Bank's market share and competitiveness in corporate deposits and loans were further improved. As at the end of the reporting period, the balance of corporate deposits was RMB793,813 million, representing an increase of 10.31% as compared with the end of the previous year. In particular, the Bank maintained its top three position among Chinese-funded commercial banks in Shanghai in terms of balance of RMB corporate loans; the balance of corporate loans and advances amounted to RMB566,898 million, representing an increase of 9.93% as compared with the end of the previous year. The revenue from intermediate business of domestic and foreign currencies was RMB3,662 million, representing a year-on-year increase of 16.00%.

During the reporting period, the operating income from wholesale financial business was RMB35,281 million, representing a year-on-year increase of 7.44% and accounting for 70.85% of the Group's operating income. In particular, the net interest income was RMB18,945 million, accounting for 62.48% of the Group's net interest income and representing a year-on-year decrease of 11.31%, mainly because the interest arising in the period of holding of financial assets at fair value through profit or loss was adjusted from interest income to investment returns after adoption of the new financial instrument standards. Net fee and commission income amounted to RMB3,860 million, representing a year-on-year increase of 4.30% and accounting for 58.77% of the Group's net fee and commission income. Profit before taxation amounted to RMB17,029 million, representing a year-on-year increase of 15.39% and accounting for 76.10% of the Group's profit before taxation.

1. Corporate customers

The Bank deeply implemented the "customer-centred" operation philosophy, practised categorised management in an all-round way, improved its ability to cultivate featured customer groups centred on regional customer resource advantages and "six financial service systems" and built a customer acquisition model that is based on shared and collaborative scenarios, so as to constantly enhance its customer base. As at the end of the reporting period, there were a total of 225,200 corporate customers, including 104,300 effective customers, representing an increase of 4,359 customers or 4.30% as compared with the beginning of the period; 22,377 customers of inclusive finance loans (according to the CBIRC), representing an increase of 11,143 customers or 99.19% as compared with the end of the previous year; 1,069 customers of loans to IT enterprises, representing an increase of 247 customers or 23.11% as compared with the end of the previous year; and 9,000 corporate customers of cross-border business. There were a total of 6,615 FT accounts under FTU, representing an increase of 6.71% as compared with the end of the previous year.

2. Supply chain finance

Based on the customer-centred principle, the Bank aimed to serve small and medium enterprises, improve the contents of products and services and build a "cooperative, open and win-win" supply chain financial service system. The Bank set up the supply chain finance department, continuously increased investment in manpower, IT and credit resources and improved the professionalism of services from such aspects as customer marketing, product development and operation guarantee; deepened the industrial chain financial service, focused on key industries such as healthcare, home appliances, construction, insurance service and automobile, and provided industrial supply chain solutions for upstream and downstream small and medium enterprises of core enterprises according to the industry chain features and customer demands. The Bank established a supply chain service platform. First, it launched the "BOSC e-chain" supply-chain financial services platform to provide customers with universal and standard online services. Second, it conducted strategic cooperation with industry leaders such as Haier Group and Sinopharm Group and joined hands with technologically advanced financial technology enterprises to set up a customized service platform in line with customer demands of the ecosystem. Third, it cooperated with Banco Santander, S.A. in building a global supply chain service platform. The Bank sped up digital application, leveraged advanced technologies such as big data and artificial intelligence to deepen integration between technologies and products and provided "non-contact" online services for small and medium enterprises, with an effort to build an end-to-end open ecosystem. During the reporting period, the Bank was honored the "Best Supply Chain Financial Service Bank in 2019" by the Chinese Financial Innovation List of China Business Network.

During the reporting period, loans to the supply chain finance amounted to RMB83,415 million, representing a year-on-year increase of 58.93%. As at the end of the reporting period, the balance of loans to the supply chain finance was RMB35,735 million, representing an increase of RMB14,111 million or 65.26% as compared with the end of the previous year. In particular, the balance of inclusive finance loans boosted by online supply chain increased 296.77% as compared with the end of the previous year. Loans to supply chain finance were issued to solve the financing difficulty of small and medium enterprises. The Bank will leverage technology innovation to lead product innovation and build a supply-chain financial service system featuring online process, automatic management, standard mode and mobile channels, in order to deepen its brand features.

3. Inclusive finance

The Bank actively innovated products, upgraded offline standard products and sped up reformation of online and centralized process for products such as "Zhai Ji Dai", so as to respond to customer needs more rapidly. The Bank innovatively launched all-online inclusive finance products to provide small and medium enterprises with online financial services including "Zhengcaitong" and electronic letter of guarantee. It closely cooperated with the government departments and guarantee companies and innovated the "Jian Dai Ji Bao" cooperation mode to provide comprehensive financial services for small and micro enterprises, innovative and entrepreneurship enterprises and other customers of inclusive finance. It continued to maintain an industry leadership in the business scale of policy financing guarantee fund for medium, small and micro enterprises in Shanghai. During the reporting period, the Bank won the "2019 Outstanding Contribution Award for Inclusive Financial Services of Banking Industry in Shanghai" and "2019 Innovation Award for Inclusive Financial Services of Banking Industry in Shanghai" issued by Shanghai Banking Association and 2019 "Outstanding Performance Award" of Credit Fund for Small and Micro Enterprises in Pudong New District of Shanghai issued by the Financial Service Bureau of Pudong New Area of Shanghai.

During the reporting period, inclusive finance loans of RMB23,855 million were issued, representing a year-on-year increase of RMB9,213 million or 62.92%. As at the end of the reporting period, the balance of inclusive finance loans (according to the CBIRC) amounted to RMB23,730 million, representing an increase of RMB6,729 million or 39.58% as compared with the end of the previous year. The Bank will continue to enrich the "BOSC Inclusive Finance" product system, speed up digital transformation and build a light and convenient business process in an all-round way, so as to promote the development of inclusive finance business to a new level.

4. Technology and innovation financing

In response to the strategic requirements for speeding up establishment of Shanghai Technology Innovation Centre with global influence, the Bank established the technology and innovation financing promotion committee, explored a service mode covering the full lifecycle of technology and innovation enterprises, launched "Yan Fa Dai" and other innovative loan products, and actively participated in various product plans promoted under the leadership of the municipal government to become the first batch of cooperation banks for "Loans for Listing of Technology and Innovation Enterprises", "Loans for Hi-tech Enterprises" and "Technology and Innovation Loan" of Shanghai Guarantee Centre, so as to fully support the development of strategic emerging industries.

The Bank improved its professional ability through innovative services. First, the Bank joined hands with key real enterprises and research institutes in establishing the "laboratory for technology and innovation financing" to give play to their respective advantages to jointly cultivate growth-type IT enterprises in integrated circuit and other industry chains. Second, the Bank kept deepening the cooperation with hi-tech industry zones including Zhangjiang Hi-Tech Park, Caohejing Development Zone and Zhongguancun Science Park in order to build an ecosystem of technology and innovation financing services. Third, the Bank established the service centre for STAR market listing to support establishment of the STAR market and promotion of the registration-based IPO system and launched the specialized service plans for listed companies and to-be-listed companies, so as to provide services for over one fourth of the companies listed on the STAR market in its location. During the reporting period, the Bank won the "2019 Annual Innovation Award for Shanghai Banking Industry - Laboratory for Technology and Innovation Financing" from Shanghai Banking Association.

During the reporting period, the loans to technology enterprises amounted to RMB115,520 million, representing a year-on-year increase of 28.66%. As at the end of the reporting period, the balance of loans to technology enterprises amounted to RMB84,840 million, representing an increase of 28.79% as compared with the end of the previous year. The Bank will seize the strategic opportunities from emerging industries such as integrated circuit, biological medicine and artificial intelligence, innovate more extensive and in-depth cooperation modes with scientific research institutes and investment institutions, and set up a comprehensive online service platform for technology enterprises, so as to improve its service capability.

5. Livelihood finance

Based in Shanghai, the Bank sped up improving its operation ability in Yangtze River Delta Region and made efforts to build a "livelihood finance" service system covering key fields such as infrastructure, government affairs service, healthcare, education, pension, old property renovation. To dig deeper into the market of Shanghai, the Bank actively supported the major projects of Shanghai Municipal People's Government, market hotspots and major livelihood projects to improve its market share and brand influence, served as the deputy head leading bank for renovation projects of "city-district cooperation and government-enterprise cooperation" in Shanghai and took the initiative to issue syndicated loans. It upgraded the whole-process, online and intelligent "e-medical" service system covering over 50 large public hospitals in Shanghai. In particular, the biological recognition clinic of Huashan Hospital and inpatient service robot of Ruijin Hospital formed a demonstration effect in the industry. The Bank, together with the competent education department, jointly promoted open education and informationalized education. As a strategic cooperation bank for "Unified Online Government Service" of Shanghai, the Bank was the first in the industry to realize showing of "Electronic Certificate" by individual customers for handling business in bank outlets. It provided systematic management service of house maintenance funds for over 2,300 communities. During the reporting period, the Bank witnessed an increase of 51.49% in market share of custody business of maintenance funds and built the first platform for regulation of public revenue funds. To further serve the national strategy of integrated development of the Yangtze River Delta, the Bank established the business promotion committee of service integration in Yangtze River Delta, launched the measures for industrial transformation and upgrading related to the integrated development of the Yangtze River Delta, served the construction of such key areas as the demonstration area in the Yangtze River Delta on ecologically friendly development, New Area of the China (Shanghai) Pilot Free Trade Zone, Shanghai Hongqiao Central Business District, and turned its key management direction to the enhancement of the abilities to serve major projects for regional integration, regional industrial transformation and upgrading, regional interbank cooperation and other fields.

During the reporting period, RMB15,887 million was invested in the livelihood finance loan, representing a year-on-year increase of 78.01%; as at the end of the reporting period, the balance of the livelihood finance loan amounted to RMB29,152 million, representing an increase of 59.93% as compared with the end of the previous year.

6. Cross-border finance

Actively devoted to the construction of the China (Shanghai) Pilot Free Trade Zone and its New Area and the integrated development of the Yangtze River Delta, the Bank took advantage of the internal and external platform resources and made continuous efforts in such aspects as customer base expansion, product innovation and platform linkage to fully support customer base expansion and cross-border business. Firstly, continuously strengthening the cooperation with the government, SASAC, the Association of Taiwan Investment Enterprises on the Mainland, strategic shareholders and correspondent banks, the Bank had more than 9,000 corporate customers of cross-border business. Secondly, the Bank promoted featured products in an orderly manner. The Bank strongly supported the cross-border businesses under capital accounts of core corporate customers and vigorously developed bidirectional cross-border investment and financing products, bringing a virtuous circle of domestic and foreign currency businesses. During the reporting period, the cross-border business volume under capital account amounted to USD25,218 million, representing a year-on-year increase of 5.90%. Comprehensively promoting the online cross-border business, the Bank tallied a total of more than 900,000 online cross-border payments and receipts transactions, representing a year-on-year increase of more than 20%. Making full use of the policy advantages in Free Trade Zone, the Bank gave full play to the advantage of the unique investment cash pooling, and served the customers with professional products and services including FT cross-border cash pooling and comprehensive cross-border cash pooling. As at the end of the reporting period, the Bank had served nearly 300 corporate customers via the cross-border cash management platform in domestic and foreign currency. The Bank is about to integrate and launch the online international settlement system, by which the Bank could provide its customers with convenient and efficient one-stop cross-border services. Thirdly, the Bank realized closer platform linkage. The Bank kept strengthening the coordination and synergy with Bank of Shanghai (Hong Kong) and BOSC International in such aspects as bond underwriting, cross-border syndicated loan, financing in Hong Kong local market and client referral to boost the rapid development of cross-border business. In the overseas bond market, the Bank took advantage of the Group's institutions in Hong Kong and helped corporates to deeply participate in overseas capital market. During the reporting period, the Bank raised nearly ten billion dollars of overseas funds for its core customers, representing a year-on-year increase of 86.07%. With foreground, mid-ground and background multidimensional in-depth cooperation with Shanghai Commercial Bank in Hong Kong, the Shanghai Commercial and Savings Bank in Taiwan and Banco Santander S.A., the Bank cumulatively attracted 1,156 customers via client referral mechanism and provided customers coming to China via the China International Import Expo with localized and customized package financial services.

As at the end of the reporting period, corporate customers' average daily deposits in foreign currency amounted to USD12,464 million, representing a year-on-year increase of 18.19%. During the reporting period, the Bank recorded cross-border business fee income of RMB1,030 million, representing a year-on-year increase of 5.32%. International settlement amount reached USD149,036 million, representing a year-on-year increase of 23.66%.

7. Investment banking

The Bank provided quality corporate customers with professional investment banking services to create more value. In rapid response to market changes and customer demands, the Bank continued to promote innovations in bond business, and issued green perpetual bonds, MTN credit risk mitigation warrants and other new products in many places. During the reporting period, the underwriting size of debt financing plan business was RMB26,620 million, representing a year-on-year increase of 183.31% and ranking the fifth on the market. Making efforts to cultivate specialized asset securitization business in new economic sectors, the Bank successfully set up such key projects as the first tranche of CMBN-CRMW (commercial mortgage-backed notes and credit risk mitigation warrants) and the first tranche of financial leasing ABN (asset-backed notes) based on intellectual property rights. The Bank kept serving real economy and focused on quality listed companies, industrial leaders, state-owned enterprises and other core customers, leading to an increase of 25.82% in the size of industrial merger and acquisition business. With more cooperation platforms, the size and efficiency of syndicated business further expanded. The Bank also launched an integrated financial service plan for enterprises related to the STAR market before, in and after listing.

During the reporting period, the Bank underwrote more than one hundred billion, specifically, RMB117.101 billion of debt financing instruments in the year, representing a year-on-year increase of 33.40%. The Bank also underwrote ABN of RMB14,629 million, ranking the seventh on the market. The Bank won the "2019 Best Development Prize Award of Syndicated Loan Business" and "2019 Best Project Award and Leading Bank of Syndicated Loan Business" of China Banking Association and "Top 10 Lead Underwriter of Debt Financing Plans for 2019" of Beijing Financial Assets Exchange.

8. Financial market and interbank business

Focusing on enhancing two core abilities, namely "asset-liability management ability and core trading capability" based on the mainstream of "building a professional operation system for interbank customers", the Bank enhanced customer management, optimized business structure, seized market opportunities and sped up transformation to effectively deal with the changes in internal and external market environment; as a result, various businesses of the Bank developed steadily.

The Bank built a professional operation system for interbank customers to deepen integrated management of interbank customers. It actively promoted the reform on interbank business and completed the adjustment to and remodelling of the structure of various sectors. Upgraded as a first-level department of the headquarters, the financial institution department set up a professional customer service team to promote the transformation of interbank business from "centering on products" to "centering on customers". The Bank established a professional operation system featuring classified marketing and hierarchical operation for interbank customers of the Bank, subdivided interbank customer bases into eight categories, identified 100 key customers at the level of headquarters and branches and formulated “one policy for one customer” for key customers. The Bank strengthened comprehensive marketing for interbank customers through expansion of interbank assets, liabilities, custody and other major businesses, and kept optimizing customer and business structures. It tallied an average daily interbank demand deposit of RMB88,349 million, representing a year-on-year increase of 6.62%. The Bank also formed a digital marketing view for interbank customers by launching the interbank CRM system to enhance the whole-process and end-to-end interbank customer marketing management ability.

In active response to market changes, the Bank made efforts to enhance assets/liabilities management ability. The Bank improved the accuracy of strategies, sped up structural adjustments, strengthened the digital support for portfolio management and enhanced assets/liabilities operation level. Firstly, the Bank focused on the accuracy of allocation strategies. Against the downward interest rate pivot, the Bank took the high ground for interest rate of the first half of the year to allocate assets of RMB290 billion, and properly extended asset duration of new assets to an average of 1.93 years, 0.50 years longer than the previous year. Meanwhile, the Bank took the opportunities for staged allocation of interbank liabilities to effectively control the interest cost of interbank liabilities. Secondly, the Bank sped up the adjustment to the structure of interbank business. The Bank returned to the origin and supported real economy. It continuously reduced the size of interbank wealth management and investment, which led to a 44.36% decrease in the size of interbank wealth management and investment. Focusing on supply-chain finance, inclusive finance, technology and innovation financing and other featured fields, the Bank provided more investment and financing support for core customers in such key areas as the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Beijing-Tianjin-Hebei region. The size of bond financing for corporate customers amounted to RMB25,641 million, representing a year-on-year increase of 91.30%. The Bank also enhanced the cooperation with the local government in the area where it located, actively supported the issue of local government bonds and increased the distribution of local government bonds. During the reporting period, the Bank invested RMB84.3 billion in local government bonds, representing a year-on-year increase of 92.11%. Thirdly, the Bank strengthened the digital support for portfolio management. The Bank launched the new generation of capital transaction and risk management system integrating transaction input, quota control, online approval, risk evaluation, liquidation & settlement and financial accounting. It established the systems for bonds, foreign exchange, precious metals, notes and interbank businesses and a data mart to expand the dimensions of analysis on the size, maturity, interest rate and constraint conditions of assets and liabilities and improved the functions of the data application system. It leveraged the system to improve the management efficiency in the process of implementation, follow-up, evaluation and amendment of strategies, further empower the management of assets/liabilities allocation and provide digital support for portfolio management.

Focusing on the improvement and output of core trading capability, the Bank enhanced its market competitiveness and influence. By establishing a linkage mechanism for core trading, the Bank improved trading profitability and activity, further supported agency business and expanded the coverage of agency business to enhance customer acquisition ability. Firstly, the Bank deepened core trading capability. Adhering to strategy first and focusing on liquidity, credit, maturity and other key factors and bonds, foreign exchange, precious metals and other target products, the Bank further studied trading strategies from multiple dimensions, thereby forming a synergic strategy system. Focusing on the close-loop management mechanism for decision execution and correction feedback, the Bank strengthened the management over trading procedures, and built a team for core trading through internal cultivation and external introduction of professional traders. During the reporting period, the Bank’s annualized return on bond trading increased by 42 base points year on year, and profits from foreign exchange transactions increased by 89.45% year on year. Keeping maintaining its trading activity on bond, foreign exchange, precious metal, derivative and other major markets, the Bank tallied a bond turnover of RMB4.13 trillion, representing a year-on-year increase of 45%; a turnover of interest rate derivatives of RMB1.27 trillion, representing a year-on-year increase of 5%; a underwriting size of interest rate bonds of RMB111.78 billion, representing a year-on-year increase of 81%. The Bank secured a leading market ranking in core business, with the fifth place for interest rate swap business and the second place for standard bond forward business; it won a number of titles and awards including "core dealer", "excellent currency market dealer", “excellent bond market dealer” and “excellent derivatives market dealer” and “opening-up contribution award” in the interbank local currency market granted by the China Foreign Exchange Trade System. Second, the Bank strengthened the transaction support for the agency services, and continued to enhance the adaptation of core trading capabilities to agency services from three aspects of products, customers and marketing models. In terms of products, the Bank innovated five financial agency service products based on customer needs and trading strategies; on the customer side, the Bank refined and classified customer needs, made detailed customer views, and built the customer feature database; regarding marketing models, the Bank built mass marketing templates for six categories of products to assist sort-out of customer needs and effective implementation of businesses. During the reporting period, the Bank's agency services volume increased by 22.26% on a year-on-year basis, the number of agency services customers increased by 24.44% on a year-on-year basis, and income from intermediate business relating to agency services increased by 223.12% on a year-on-year basis.

9. Asset custody business

In response to changes in the market and regulatory environment, the Bank sped up returning to the main battlefield of interbank business and vigorously improved the operating ability of interbank custody business. Focusing on the transformation requirements for custody business, the Bank, based on market focus, enhanced business linkage, actively marketed custody business to interbank customers and achieved results in improving the coverage of key customers, optimizing products and customer structure, with the interbank custody business surpassing RMB1 trillion. By intensively developing key areas and key customers, the Bank made great efforts to develop the four key market segments, i.e. public funds, wealth management, insurance and asset securitization, and the custody business in relation to the four key segments recorded an increase of 182.77%, 196.18%, 78.47% and 121.05% as compared with the end of the previous year, respectively.

The Bank realized intensive operation, established a "1 + 2" operating system covering "Head Office, and Beijing and Shenzhen Branches", and formed a professional, standardized and efficient operating model. The Bank intensified system construction, started the construction of a new-generation custody system, comprehensively improved the degree of automation and the operation efficiency of custody business, and promoted the steady business growth.

As at the end of the reporting period, the Bank's asset custody business amounted to RMB1,787,801 million, with the growth rate higher than the industry average by 11 percentage points, and the income from asset custody business amounted to RMB590 million. The Bank will continue to promote transformation of interbank custody business, focus on developing key market segments by expanding scale with wealth management and insurance custody businesses, increasing revenue with fund custody business and creating distinction with asset securitization custody business, and continuously improve the operation capability and service level relating to custody business by optimizing business processes and launching a “new-generation custody system”.

10. Asset management business

In transforming the wealth management business, the Bank, centering on customer needs, sped up improving the product system, continuously optimized the asset structure, strengthened risk control, and promoted steady development of the wealth management business toward improving quality and increasing quantity. As at the end of the reporting period, the existing wealth management products amounted to RMB329,451 million. In particular, the existing non-guaranteed wealth management products amounted to RMB304,825 million, representing an increase of 20.61% as compared with the end of the previous year; the existing guaranteed wealth management products amounted to RMB24,626 million, representing a decrease of 25.12% as compared with the end of the previous year. The balance of net-worth products, which were filed with the China Banking Wealth Management Registration & Depository Center, was RMB190,731 million, representing an increase of 59.28% as compared with the end of the previous year. Its proportion in non-guaranteed wealth management products was 62.57%, representing an increase of 15.19 percentage points as compared with the end of the previous year. During the reporting period, the income from wealth management intermediate business amounted to RMB1,313 million, representing a year-on-year increase of 71.19%.

The Bank sped up improving the product system, diversified products and continuously improved the ability to serve retail customers. First, following the strategic layout for wealth management, the Bank, centering on customer needs, intensified customer hierarchy and classification and made efforts to develop a multi-level product system covering four product sequences: stable, balanced, growth and aggressive to further meet customers' diversified financial needs and drive constant growth in the number of the Bank’s retail customers and the scale of its wealth management business. As at the end of the reporting period, the number of retail wealth management customers increased 21.72% as compared with the end of the previous year; the wealth management products based on retail channels accounted for 90.07%, representing an increase of 5.06 percentage points as compared with the end of the previous year; the incremental contribution of the wealth management business to asset under management (“AUM”) of retail customers was 45.96%. Second, the Bank stepped up product innovation, continuously consolidated the "fixed income +" strategy, innovatively launched strategic products including short-medium-term bonds and stagging on STAR market, and gradually diversified medium/high-end products with high return. During the reporting period, the Bank was awarded the Excellent City Commercial Bank in Wealth Management of the Year in 2019 “Golden Wealth Management” by the Shanghai Securities News, and its product - “Yi Jing Ling” won the Excellence Awards for Net Value Type Wealth Management Products in the 2019 “Gold Wealth Management”, pointing to increasing recognition of the wealth management business in the market.

The Bank focused on the capability for allocation of general categories of assets and promoted the continuous optimization of the asset structure. The Bank strengthened the capability for allocation, investment and research of general categories of assets, and increased the support of wealth management asset investments to the comprehensive financial services for corporate customers. First, the Bank strengthened independent research on general categories of assets and fixed income, enriched the equity research framework, established and improved the investment manager system, systematically promoted the capability for allocation of general categories of assets, and continuously optimized the asset allocation structure. As at the end of the reporting period, bond investments under non-guaranteed wealth management products amounted to RMB214,984 million, with the proportion in wealth management assets increasing 18.21 percentage points as compared with the end of the previous year; non-standard debt investments accounted for 18.03% of the total non-guaranteed wealth management products, representing a decrease of 1.60 percentage points as compared with the end of the previous year; the proportion of non-standard debt investments conformed to regulatory requirements. Second, with the aim to serve the real economy, the Bank, focusing on supply chain finance, inclusive finance, technology and innovation financing and other featured fields, stepped up support for investment and financing by key customers in key regions including the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Beijing-Tianjin-Hebei region in fields of public utilities, construction, wholesale and retail, manufacturing and transportation. As at the end of the reporting period, the Bank's financing to corporate customers amounted to RMB89,790 million, representing an increase of 121.93% as compared with the end of the previous year. Thirdly, regarding equity assets, the Bank established the investment and research system for FOF (fund of funds) and actively developed the equity market in light of the characteristics of its wealth management customers, and the strategy of wealth management asset investment was developed effectively and extensively. As at the end of the reporting period, equity investment was RMB10,872 million, with the proportion in wealth management assets increasing nearly 1 percentage point as compared with the end of the previous year.

The Bank continued to improve the risk control system and strengthened the risk management capability. According to the market condition and the requirements for the transformation of wealth management business, the Bank constantly improved the pre-investment, mid-investment and post-investment risk management mechanisms suitable for various assets, timely revised the risk management rules, and further intensified the risk management system for wealth management business. First, the Bank clarified the risk appetite of wealth management business, and formulated detailed access standards for key industries and fields. Second, the Bank improved the capabilities for risk identification and monitoring, actively introduced and optimized risk management tools, improved the risk alert mechanism, and made management more targeted. Third, the Bank effectively prevented business operational risks and ensured the compliance of wealth management operations by improving the wealth management business system, optimizing the business process and earnestly implemented various systems.

In accordance with the regulatory requirement of “non-retroactivity”, the Bank effectively used the transition period and steadily promoted business transformation. First, the Bank made overall arrangements for adjusting product form and investment operation as appropriate, reduced guaranteed wealth management products in order, promoted the smooth transition from old products to new products, and steadily transformed non-guaranteed wealth management products toward net-worth products. Second, the Bank established and improved the product investment management system, strengthened standardized product operation and product information disclosure, and further improved the product risk control mechanism. Third, the Bank synergized non-standard debt investments with new and past product issuance plans and actively served the real economy. During the transition period, the Bank reasonably disposed of the existing long-term non-standard debt investments by a combination of methods including market transfer, negotiated exit and replacement with products meeting the requirements of the new regulations.

On 18 January 2019, the Resolution Regarding the Establishment of Wealth Management Subsidiaries was considered and approved at the ninth meeting of the fifth session of the Board of the Bank. The establishment of wealth management subsidiaries is beneficial to accelerating transformation for specialised operation of wealth management business, enhancing its competitiveness in wealth management market and optimising its strategic planning. The Bank has formulated plans for the transformation of existing wealth management products and actively promoted the transformation; according to the requirements for independent operations of wealth management subsidiaries, the Bank designed front-office, mid-office and back-office organizational structures, built up talent reserve for key posts including investment and research and risk management, promoted the building of risk control system, operation and management structure and information system suitable for company-based operations of wealth management business, and made corresponding preparations. The Bank promoted the application for establishment of wealth management subsidiaries in an orderly manner, pending the approval from the regulatory authorities.

（II）Retail finance

During the reporting period, grasping residents’ desire for a better life and leveraging its regional advantages of branch network, the Bank seized the new development opportunities brought by such national strategies as integrated development of the Yangtze River Economic Zone, the Beijing-Tianjin-Hebei Economic Integration and the establishment of the Guangdong-Hong Kong- Macao Greater Bay Area, gave priority to the development of retail finance business, made better use of technology to continuously improve and optimize the management system, product system, service system, channel system and risk management system with customer acquisition and business operation as the focus, and insisted on developing and upgrading the three strategic featured businesses –consumer finance, wealth management and pension finance, driving the continuous and high quality development of our businesses and making continuous contribution to our income.

As at the end of the reporting period, the number of retail customers was 15,568,400, representing an increase of 8.89% as compared with the end of the previous year; the AUM of retail customers amounted to RMB635.92 billion, representing an increase of 22.38% as compared with the end of the previous year; balance of individual deposits in RMB and foreign currencies amounted to RMB290.76 billion, representing an increase of 26.62% as compared with the end of the previous year, hitting a record high in both balance and growth rate; the balance of individual loans and advances amounted to RMB320.83 billion, representing an increase of 16.31% as compared with the end of the previous year and accounting for 33.61% of total loans; The yield of individual loans and advances was 6.93%, representing an increase of 0.79 percentage points from the end of the previous year; the NPL ratio of individual loans and advances was 0.88%, a slight increase from the previous year, mainly due to the fact that the Bank's individual consumption credit products moved into a stage of rapid development in 2018, entered a cycle of NPL generation in 2019, and has now stabilized in NPL generation. Through the thorough application of big data and risk control rule engine technology, the Bank continued to strengthen access management of new customers, prevention and control of co-debt risk, credit exposure management and cross-limit management. The Bank further enhanced risk management, ensured accurate risk identification and value mining, actively responded to risk challenges, improved risk monitoring, analysis, early warning and disposal mechanisms, and strengthened closed-loop management; in addition, the Bank made further efforts in data introduction and model application, enriched customer access, credit, and business evaluation, upgraded the application of credit policies, optimized the structure of new customers, proactively tightened up loan extension to high-risk businesses and high-risk customers, and curbed co-debt risk from existing customers.

During the reporting period, operating income from retail finance amounted to RMB13.947 billion, representing an increase of 30.45% year-on-year and accounting for 28.01% of the total operating income of the Group (up by 3.65 percentage points). Specifically, net interest income amounted to RMB11.369 billion, representing an increase of 32.49% year-on-year and accounting for 37.49% of the total net interest income of the Group (up by 8.83 percentage points as compared with the previous year); net fee and commission income amounted to RMB2.556 billion, representing an increase of 21.49% year-on-year and accounting for 38.92% of the total net fee and commission income of the Group (up by 3.87 percentage points as compared with the previous year); profit before tax amounted to RMB5.169 billion, representing an increase of 22.01% year-on-year and accounting for 23.10% of the total profit before tax of the Group (up by 1.09 percentage points as compared with the previous year).

1. Consumer finance

In response to national policies, the Bank actively seized the opportunity of residents' consumption transformation and upgrading, actively responded to the complex external environment, went with the trend to deepen its operations, focused on increasing the innovation efficiency and marketing organization capabilities for such core products as Xinyidai while maintaining its competitive edge in featured businesses, sped up building whole-process risk management capacity, paid special attention to the prevention and control of co-debt risk, promoted risk monitoring and unified credit management of retail credit customers and strengthened monitoring of capital flow and management of capital use. While growing steadily on the whole, the structure of retail credit business became more balanced and stable, making continuous contribution to our income and achieving a good balance of size, income and quality.

The Bank gave full play to the first-mover advantage of its Internet finance business, kept up with changes in customer behavior, strengthened cooperation with head institutions in fields relating to personal consumption scenarios, classified, rated and entered into in-depth and thorough cooperation with core partners while seeking new ones, fully connected its core product capabilities with relevant scenarios, and deepened the whitelist management of key customer groups.

The Bank launched the core "online" product - Xinyidai, made full use of the Internet and cutting-edge technology to pursue light-channel and scene-based operation, continuously increased the product variety which covers standard Xinyidai, exclusive agency products for customers and mini Xinyidai, diversified application channels to enable application through marketing QR code, mobile banking, WeChat bank, etc., and continued to optimize the application process to improve the efficiency of examination & approval and customer experience. In addition, the Bank improved its risk management capabilities, focused on customer rating and risk-based pricing, and improved differentiated pricing models for customers and products.

The Bank steadily developed mortgage loan business, resolutely implemented relevant national policies in relation to real estate, supported residents' house purchase needs for self-living, adjusted strategies based on local conditions, consolidated infrastructure construction, increased operational efficiency, continuously improved sales tools, and kept improving its comprehensive financial service capabilities.

As at the end of the reporting period, the balance of consumption loans amounted to RMB174.706 billion, accounting for 54.45% of individual loans and advances, down by 2.49 percentage points as compared with the end of the previous year; the balance of property mortgage loans amounted to RMB94.403 billion, representing an increase of 29.79% as compared with the end of the previous year and accounting for 29.42% of the balance of individual loans and advances (up by 3.05 percentage points as compared with the end of the previous year).

2. Wealth management

Following the trend of the return of public assets to the banking system and fully leveraging its regional advantages of branch network, the Bank went back to the origin of wealth management business and established a customer acquisition and business system consisting of "four pillars" of credit cards, agency, individual loans and wealth management businesses, which enhanced its brand value with different sub-classes of services under broad asset classes. The Bank increased service efficiency with digital technology, and capitalised on its expertise to provide guidance to customers for making rational investments in major assets.

Focusing on customer life cycle and optimizing allocation structure, the Bank sped up promoting the sales transformation of wealth management products, gradually encouraged investors to invest in net worth investment products, and selected excellent partner agencies and investment varieties to help customers realize diversified asset allocation. The Bank strengthened the building of a wealth management product manager team, capitalised on its expertise to continuously optimize the product risk management system, and ensured strict control over the potential risks under different life cycles.

Focusing on hierarchical management of customers, the Bank built a "card opening-active-asset enhancement-value creation" growth cycle management system. The Bank fully upgraded its agency brands and launched a brand-new "Xinfujia" agency brand. Focusing on expanding product coverage for offline customers, the Bank enhanced its capability of data application in outlets, and studied the structure and behavior of customers visiting the outlets to provide customers with convenient, personalized and precise services and products. The Bank built a product system comprising time deposit, Xinyicun and certificate deposits and provided tailored products differentiated by region, customer group, channel, etc. According to practical application scenarios, the Bank launched such functions as monthly interest payment and certificate deposit transfer to meet customers' needs for both profitability and liquidity. Actively implementing the national policy of serving people's livelihood, the Bank took the lead to provide "Electronic Certificate" service, opened the function of online payment of residents' medical insurance premium, and launched the debit card ETC service in city commercial banks.

Focusing on featured businesses, the Bank launched "Beyond Wealth" private banking service and "Better for You" wealth management service; with professional and heartwarming services, the Bank helped customers realize wealth growth and value enhancement, further building up the market reputation of "BOS Fortune". For core middle-class customers, the Bank launched Wealth Debit Card to build a complete customer hierarchical and classified system and provided exclusive financial products to meet the needs of customers with different preferences. For private banking customers, the Bank, adhering to a brand concept of "Beyond Wealth", provided family business, philanthropic services and other featured services to meet the spiritual needs of customers. As the first commercial bank in the industry to provide a series of solutions for philanthropic investment and consultancy, the Bank actively fulfilled its corporate social responsibilities, carried out the first project of collective donation by customers during the reporting period with the joint efforts of experts in the fields of finance, public welfare, law, etc. and relying on investment products, charitable trust, foundation and other tools, won the "Winner of Private Wealth Philanthropic Service in China"by The Asian Banker for three consecutive times, and was rated as the "Best Private Bank in China (City Commercial Bank)" by Asian Private Banker.

During the reporting period, the number of wealth management customers with average monthly AUM of RMB1 million or above on daily basis was 120,211, representing an increase of 37.84% as compared with the end of the previous year; the AUM of the abovementioned customers amounted to RMB291.422 billion, representing an increase of 32.57% as compared with the end of the previous year, hitting a new high in the recent four years. The number of private banking customers with average monthly AUM of RMB8 million or above on daily basis was 3,765, representing an increase of 21.73% as compared with the end of the previous year; the AUM of the abovementioned customers amounted to RMB64.837 billion, representing an increase of 16.51% as compared with the end of the previous year. The balance of personal non-guaranteed wealth management products was RMB277.525 billion, representing an increase of 29.80% as compared with the end of the previous year; agency sales of non-monetary public funds and agency sales of insurance increased by 171.32% and 103.07% respectively year-on-year.

3. Pension finance

Practicing a concept of providing pension finance services featuring "Peace and Fine Living", the Bank has always been committed to improving its pension finance service capabilities. It constantly used financial technology to improve its ability of big data analysis and system tool support, diversified the channel of customer acquisition while working on existing customers, made more efforts to innovate and optimize the procedure of exclusive pension financial products, and built a value-added service system closely aligned with customers to improve customer loyalty and satisfaction.

The Bank expanded customer acquisition channels, innovated and improved marketing-based customer acquisition tools and promoted efficient, intelligent and automated customer acquisition based on its system, resulting in an increase in the share of new customers in the market; enhanced customer conversion efficiency by leveraging the whole-process customer acquisition data tracking and process optimization and online and offline linkage marketing; explored and expanded customer acquisition channels, strengthened cooperation with communities and merchants, etc., and deeply integrated the everyday life scenarios of pension customers to achieve targeted customer acquisition.

The Bank improved operating efficiency. Based on the needs of pension customers for steady wealth appreciation, the Bank continuously improved the exclusive pension product system, expanded online channel operations, and launched a series of exclusive deposit products to meet the needs of different customers; had access to customers in a targeted manner by dint of big data marketing strategies and tools and intelligent marketing, contributing to precision marketing for pension customers.

The Bank enriched service modes, constantly upgraded the "full-range" exclusive value-added service system for customers of pension finance with "Finance + Life" services, selected high-quality merchants for cooperation, built an online equity system, and expanded the coverage of offline merchants centring on the themes of "recreational, leisure and entertainment life"; focused on holding elderly care activities and passed on the value proposition of "respecting and caring for elderly" to enhance customers' sense of identity.

The Bank strengthened brand building. Focusing on building the brand of "Good Life", the Bank deeply integrated pension finance services and non-financial services and continued to empower brand connotation to enhance brand building. In improvement of brand features and promotion, the Bank continuously stayed close to customers and converted customers' emotional viscosity into market reputation by dint of profound customer base and intimate services, continuing to enhance the recognition of pension finance. During the reporting period, the Bank won the "Tianji Prize for Pension Finance Service Bank of 2019 granted by Securities Times.

As at the end of the reporting period, the number of customers of pension finance of the Bank was 1,576,900, with the number of the existing customers of pension finance in Shanghai ranking first; the number of newly acquired customers of pension finance increased by 15.84% year-on-year, reaching a record high in nearly five years; the total assets from customers of pension finance were RMB287.678 billion, representing an increase of 26.42% as compared with the end of the previous year. The percentage in AUM of retail customers of the Bank was 45.24%, representing an increase of 1.45 percentage points as compared with the end of the previous year. During the reporting period, the Bank recorded over 22 million pension transfers on a cumulative basis.

4. Credit cards

Capitalizing on location advantages, the Bank actively served such national strategies as integration of Yangtze River Delta, synergistic development of the Beijing-Tianjin-Hebei region and the Guangdong-Hong Kong-Macao Greater Bay Area, focused on promoting effective accumulation and management of customers by shifting from customer acquisition-driven model to transaction-driven model, strengthened risk management and improved business structure, advancing steadily towards the strategic goal of "becoming the first city commercial bank that issues ten million or more credit cards".

Based on "effective customer acquisition", the Bank dug deeper into customer needs, innovated new models for acquiring customers in batches and cooperated with Meituan to issue Meituan co-branded cards, acquiring more than 500,000 new customers in five months, and making a new breakthrough in customer acquisition via alliance cooperation. The Bank accelerated the transformation and upgrading of the sales terminal and promoted the comprehensive product package of "credit card + instalment + preferential merchants + mobile banking + mobile payment" to further activate new accounts. During the reporting period, the Bank put on the market eight new products including Meituan co-branded cards, iQiyi co-branded cards, Lucky Cat themed cards, and Tokyo Olympic Games cards.

The Bank deepened customer management with a focus on "transaction-driven" customer acquisition. The Bank integrated customer lifestyles and consumption experiences, set up scenarios internally, expanded platforms externally, launched mobile banking 6.0 "Cool Card Times" credit cards and standard cards, upgraded the "Wonderful Navigation" credit card mobile terminal portal, conducted marketing focusing on "small amount and multi-frequency" life scenarios and deepened the connection with major mainstream mobile payment scenarios.

The Bank built the "urban life circle" in depth and vertically by taking root in the Yangtze River Delta and expanding its business to cities across the country where operating agencies are located. Focusing on "light meals, public transportation and landmark business districts", the Bank established partnerships with a number of industry giant brands such as Starbucks, Didi Chuxing and Joy City, keeping improving its brand influence. The Bank enriched channels to expand its layout and deepened customer maintenance to form a healthy and sustainable customer management model by introduction of the urban consumer life circles and mobile consumption scenarios and investment of marketing activities.

As at the end of the reporting period, the Bank accumulatively issued 8,975,500 credit cards, representing an increase of 23.92% as compared with the end of the previous year; the overdraft balance of credit cards amounted to RMB33.522 billion, representing an increase of 8.30% as compared with the end of the previous year; the non-performing loans ratio of credit cards was 1.63%, representing a decrease of 0.03 percentage points as compared with the end of the previous year. During the reporting period, credit card transactions amounted to RMB127.538 billion, representing a year-on-year increase of 17.31%.

During the reporting period, the Bank won such awards as the "Prize for Innovative Credit Card Brand of 2019" granted by China Times, "2019 Award for Rapid Growth in UnionPay Card Business", "2019 Excellence Award for UnionPay Card Cooperative Marketing", "2019 VISA Outstanding Partner Award", "2019 VISA Excellent Olympic Product Award", and "2019 Award for Outstanding Design in High-end MasterCard Products in China" granted by China UnionPay, and "2019 Outstanding Contribution Award for Customer Management" granted by JCB.

5. Digital-empowered business development

Attaching great importance to digital-empowered retail business, the Bank vigorously leveraged digital technology to transform customer acquisition means and business management models, and made progress in digital marketing, digital operation and management and digital risk management by centring on customers, based on products, and capitalizing on system platform, data and algorithm.

The Bank achieved data association to empower digital marketing. The Bank completed the first-phase construction of the data of "retail performance" and "customer tag" and achieved unified storage and interconnection of basic data by building a retail data mid-office, laying the underlying foundation for promoting a large-scale data-driven business decision-making mechanism. The Bank continued to improve hierarchical and classified customer portraits, optimized service processes and pushed products and activities in a targeted manner, to enhance customer transaction convenience, service trust and process experience by empowering precision marketing, professional competence, data management, and tool upgrades, etc. and based on customer needs.

The Bank innovated platform building to contribute to digital operation and management. The Bank continued to improve the intelligence of outlets by deploying new intelligent teller machines to provide integrated financial services including large cash deposits and withdrawals, card activation, wealth management sales, time deposit certificates, credit card activation via face verification, contract signing for transfer via mobile phone number and support such featured convenience services as social security card application and activation and real-time application for "Electronic Certificate" checking. The Bank continued to upgrade the intelligent marketing system by implementing the iterative, optimized and closed-loop omni-channel marketing strategy, deepening BI (business intelligence) marketing, and building multiple marketing models to develop differentiated marketing access solutions in different scenarios throughout the whole life cycle of customers, and leveraging big data analysis and pre-judgment to achieve targeted pushes under scenario marketing and create online and offline interactive full journey experience.

The Bank effectively improved core independent risk control capabilities by dint of big data and technologies. The Bank improved the retail risk database, iteratively upgraded self-developed models, vertically deepened the application of independent anti-fraud technology and biological checking technology in credit application to enhance its anti-fraud ability. The Bank further improved the retail credit risk monitoring system based on large retail credit data sharing and credit views.

（III）Internet finance business

During the reporting period, the Bank made further improvement in contribution and online customer value creation of the Internet finance business. The Bank kept innovating financial products and services by leveraging the digital open financial platform and connecting various fintech-empowered scenarios and ecologies. The Bank built a digital Internet finance business and product system and a featured self-operated ecosystem, and integrated external scenarios and ecologies to achieve rapid development of "one body and two wings" . As at the end of the reporting period, the number of online retail customers amounted to 30,009,300, representing an increase of 46.39% as compared with the end of the previous year, continuously ranking top among peers. The number of active customers for the year amounted to 8,189,700, representing an increase of 84.49% as compared with the end of the previous year. The balance of average daily deposits placed through Internet amounted to RMB31,446 million, representing an increase of 79.18% as compared with the end of the previous year. The balance of Internet-based loans to micro, small and medium-sized enterprises amounted to RM9,806 million, representing an increase of 197.96% as compared with the end of the previous year. During the reporting period, the total transactions conducted through Internet amounted to RMB3,331.155 billion, representing a year-on-year increase of 175.32%. The total number of transactions conducted through Internet amounted to 296 million, representing a year-on-year increase of 44.57%. The income from Internet-based intermediate business amounted to RMB1,199 million, representing a year-on-year increase of 25.68%.

The Bank kept innovating the online product and service system. Focusing on service innovation and convenience of the people via inclusive finance, the Bank enriched the connotation of an Internet finance service provider. The Bank made in-depth research on domestic payment by overseas customers, initiated the "domestic innovative mobile payment service for foreigners", and launched the TourPass in cooperation with Alipay during the second China International Import Expo. During the reporting period, the Bank served more than 76,000 overseas customers, who recharged for 212,800 times after card opening, with a total amount of RMB98,162,300 and an average of RMB461 each, and the number of consumptions cumulatively amounted to 921,700, with an average of RMB81 each. They mainly spent money on catering, shopping, transportation, etc. The business better met the needs of inbound tourists for all-round basic consumption payment. The Bank provided high-quality and convenient inclusive finance services for long-tail customer groups including micro, small and medium-sized enterprises based on digital platforms with a focus on promoting the development of online inclusive finance products. The Bank launched the "BOSC Inclusive Finance" APP to provide corporate customers with such functions as online authentication, inclusive finance account opening, financing, withdrawal and repayment, and wealth management, cumulatively serving 1,857 small and micro enterprises. Meanwhile, keeping practicing the concept of convenient online payment, the Bank provided one-stop payment management services covering education fee, party fee, water, electricity and gas fee and other payment scenarios on its e-payment platform; provided convenient welfare distribution and fund management services for trade unions and other institutions based on the multi-level online account system to promote the transformation and upgrading of the "Internet +" convenience scenario; innovated the truck ETC online application processing service.

Synergistic development was achieved between integrated ecosystem and self-operated ecosystem. Practicing the development concept of an open bank, the Bank enhanced construction of an integrated ecosphere. Through the cooperation model backed API, SDK, H5 and other technologies, the Bank empowered platforms featuring rich traffic and scenarios with unique financial products and services. During the reporting period, the Bank partnered with ecological scenarios such as the three major domestic operators, leading internet companies such as "BATJ" and large financial groups and achieved integrated development. At the same time, the Bank continued to promote the construction of featured self-operated ecosystem to provide electronic channel customers with "Finance + Life" featured services. The Bank's industry-leading interests center featuring internet audio and video life flexibly embedded users' offline catering, travel and shopping interests in electronic channels such as mobile banking and BOSC Express. Such innovative model integrating financial services and interests effectively delivered the products and services to all types of customers, promoting the Bank's ability to acquire and activate customers online. Integrated ecosystem operated circularly with self-operated ecosystem to achieve synergistic development. During the reporting period, remarkable results were achieved in mutual diversion between the two categories of customers, as a result of which, 328,000 category I accounts were converted from categories II and III accounts on a cumulative basis, representing an increase of 119,5000 accounts as compared with the previous year.

The Bank stepped up development of internet finance business as empowered by Fin-tech. The establishment of a digital operating system backed by big data helped improve the ability to operate online customers. For direct banking, credit card, wealth management and pension customers and other customer groups, the Bank promoted the construction of online customer label portraits, conducted three-dimensional precision marketing based on analysis of market segment customers, and followed up on the marketing effect. By widely applying advanced algorithms such as machine learning in risk control, online loan business was promoted to develop toward digitization and intelligentization and the ability to control online loan risks was enhanced. The Bank ensured steady development of internet-based financial operations by upgrading basic platforms. The Bank introduced industry-leading mobile development platforms for electronic channels, explored solutions to lowering technical thresholds, reducing R&D costs and improving development efficiency, provided cloud-to-end one-stop solutions for mobile development, testing, operation and maintenance, and promoted iteration and upgrading of mobile end products; the concurrent processing capacity of the internet business system was improved effectively through the distributed microservice architecture, which ensured the security and stability of the internet finance business, and technology was thus made a solid cornerstone of financial innovation.

(IV) Information technology and R&D

During the reporting period, the Bank built new capability to coordinate work by technology, demonstrate innovative technology, cultivate technology talent and lead digitalized construction, promoted the construction of business value-oriented information technology governance system, created new value by technology, and continuously strengthened the leading role of technology. While seeking transformational development and transcendence amid changes in an open and digital manner, the Bank continued to strengthen the construction of technology talent team and increase investment in information technology. As at the end of the reporting period, there were 706 information technology employees, accounting for 5.75% of the total number of employees. During the reporting period, information technology investment amounted to RMB1,433 million, representing a year-on-year increase of 36.91%, accounting for 2.95% of operating income, of which capitalized investment was RMB642 million, representing a year-on-year increase of 34.78%. Technology investment for innovative research and application was RMB296 million. The Bank has secured a leading position among its counterparts during the information technology regulatory rating by the China Banking and Insurance Regulatory Commission for three consecutive years.

Following the mid-office philosophy, the Bank reshaped the information technology R&D organizational structure. The front-office emphasis were placed on establishing a R&D delivery teams integrating technology business in key business fields of retail business, corporate business, financial market business and internet finance business; on a back-office side, the Bank set up mid-office R&D organizations focusing on core business and big data, AI platform and general-purpose support platform. The Bank focused on promoting the construction of five major technological capabilities, i.e. "business demand control capability, agile delivery capability, mid-office support capability, technical R&D capability and safe operation capability", and prepared the construction plan of business mid office and data mid office, drawing a blueprint for the mid-office system featuring rational resource layout, powerful business engine and complete data capability. The Bank was a pioneer in setting up an off-site development and testing center among city commercial banks. The official establishment of Suzhou Development and Testing Center helped form a new pattern of collaborative development between Shanghai-based Head Office and Suzhou Branch, creating a good environment for soliciting information technology talents and effectively supplementing and enhancing IT development capacity. During the reporting period, Suzhou Development and Testing Center undertook more than 20 projects and developed and put into operation a number of innovative Fin-tech projects such as cloud outlets, RPA (robot process automation), AI OCR (optical character recognition) and face recognition.

Constant upgrading in system structures effectively supported online businesses. The retail credit core system based on the distributed architecture underpinned the full-process high concurrent online retail loan business supporting large customer base and massive transactions; the internet financial service platform based on the microservice architecture helped build up the internet finance business; the Bank cooperated with the internet company to build dual-core credit cards, forming a new pattern of acquiring credit card customers by independent marketing and cooperation-based diversion; big data services were upgraded from "data brains" to "smart brains", laying a solid foundation for AI risk control, AI marketing and AI operations.

(V) Establishment of channels

Following the development philosophy of "prioritizing online and mobile channels and improving capacity of offline channels", the Bank promoted customer-centered "end-to-end" quality services of online channels, continuously improved the layout and business image of physical channels and enhanced the capability to operate online and offline channel customers in a digital manner and their value contributions.

1. Online channels

For mobile banking channels, the Bank intensified the personal mobile banking services with a simplified and smart system. In response to customers' feedbacks, the Bank provided individualized services targeted at customers of credit card, pension finance and agency payment of salary. The Bank reshaped customer journey with the "end-to-end" digital thinking, completed dozens of journey optimizations such as wealth management, fund and installment; new functions such as salary-based wealth management, wish plan, deposit certificate manager and Xinfujia were introduced based on scenario innovation; With the support of digitalized sale application, the Bank launched the closed-loop service covering "exclusive information - wealth diagnosis - one-click ordering - position management - revenue tracking"; the application of new technologies enabled online real-time interconnection between customers and account managers, and the application of big data in risk control built financial security guarantee for users in all aspects. Inclusive corporate mobile banking was launched to support online application for supply chain financing and wealth management by small and micro enterprises, further enhancing the ability to serve SMEs. As at the end of the reporting period, the number of mobile banking customers was 5,724,200, representing an increase of 29.15% as compared with the end of the previous year, and product sales via mobile banking accounted for 63.62%, representing an increase of 13.23 percentage points as compared with the end of the previous year. Mobile banking has become a main channel for transactions and sales by retail customers; the number of WeChat banking customers was 3,448,100, representing an increase of 16.43% as compared with the end of the previous year; the number of corporate mobile banking customers was 82,900, representing an increase of 14.94% as compared with the end of the previous year; 46,300 customers linked the WeChat account of corporate banking, representing an increase of 24.75% as compared with the end of the previous year. During the reporting period, the Bank won the "Gold Award of the Best Mobile Banking Award of Regional Commercial Bank for 2019" by CFCA.

For internet banking channels, the Bank continued to diversify wealth management, fund, insurance and deposit products for personal internet banking channels by introducing trust, application for agency payment of pension, social security card application, Zhaijidai and other businesses, with a focusing on optimizing common functions such as regular fixed investment in funds and large-denomination deposit certificate. New products and services were added to corporate internet banking, including bills pool, online discounting and online acceptance. As at the end of the reporting period, the number of personal internet banking was 4,470,700, representing an increase of 5.43% as compared with the end of the previous year; the number of monthly active customers on corporate internet banking was 89,300, representing a year-on-year increase of 7.68%; monthly settlement transactions via corporate internet banking amounted to 1,216,000, representing a year-on-year increase of 6.19%.

2. Outlet operation

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. Shenzhen Qianhai Branch was approved to be established. Intelligence level of branch outlets was further improved. New intelligent teller machine has been placed at 305 branch outlets supporting new services including time deposit certificates, credit card activation via face verification, contract signing for transfer via mobile phone number as well as featured convenience services including social security card application and activation and real-time application for “Electronic Certificate” checking. The Bank continued to intensify transformation of branch outlets, established a customer-centered operating system covering the whole process from customer acquisition, to customer cultivation and development, and continuously improved the strategic synergy among the Head Office, branches, sub-branches, outlets, sales teams, professional teams and online channels. The Bank piloted a new model of remote service in branch outlets, which enabled remote operation of 12 major business scenarios such as password services, account inquiries and modification of customer information by connecting customers and remote tellers through remote video equipment. As at the end of the reporting period, the average balance of personal deposits in local and foreign currencies with the Bank’ s branch outlets was RMB926 million, representing an increase of 26.68% as compared with the end of the previous year, and the settlement diversion rate of online and self-service channels was 96.52%, representing an increase of 2.11 percentage points as compared with the end of the previous year, with the operating capacity and service efficiency of branch outlets continuously improving.

As at the end of the reporting period, the Bank had a total of 317 branches and 423 self-service stations. The branches of the Bank are set out as follows:

Region	Name	Address	No. of branches	No. of employees	Volume of assets (RMB'000)
Shanghai	Head Office	No.168, Middle Yincheng Road, China (Shanghai) Pilot Free Trade Zone	10	2,815	1,585,742,826
	Credit Card Centre	Tower 3, Data Processing Centre of Bank of Shanghai, No.555, Lai'an Road, Pudong New District, Shanghai	1	491	
	Financial Services Centre for Small Enterprises	36/F, No.168, Middle Yincheng Road, China (Shanghai) Pilot Free Trade Zone	1	24	
	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	1,035	
	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	1,266	
	Metropolitan North Branch	9/F & 10/F, No.2 Lane 839, Dalian Road and No.813 B, Dalian Road, Hongkou District, Shanghai	77	1,466	
	Pudong Branch	No.699, Zhangyang Road, China (Shanghai) Pilot Free Trade Zone	26	664	
	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	246	
Yangtze River Delta (excluding Shanghai)	Ningbo Branch	No.74, 80, 90, 92, 93, 95-110 & 112, Yangfan Plaza, Ningbo Hi-Tech Zone, Zhejiang	10	446	28,744,017
	Nanjing Branch	No.22, Beijing East Road, Xuanwu District, Nanjing, Jiangsu	12	649	78,822,259
	Hangzhou Branch	No.200, Xinye Road, Jianggan District, Hangzhou, Zhejiang	12	542	51,670,633
	Suzhou Branch	Bldg 23, Time Square, Suzhou Industrial Park, Suzhou, Jiangsu	9	405	65,079,778
Pearl River Delta	Shenzhen Branch	101, 1101-1701, UpperHills (South) II, Northeast of Caitian Road and Sungang West Road, Futian District, Shenzhen	17	781	215,545,967
Bohai Rim	Beijing Branch	1/F, 8/F, 9/F & 10/F, No. 12, Jianguomenwai Avenue, Chaoyang District, Beijing	9	689	211,674,354
	Tianjin Branch	1-4/F, No.36 & 38, Leyuan Road, Hexi District, Tianjin	12	368	19,849,904
Central and Western China	Chengdu Branch	Block 2, No.1, Hangkong Road, Wuhou District, Chengdu, Sichuan	9	392	41,952,817
Figure after offset			-	-	-90,234,318
Total			**317**	**12,279**	**2,208,848,237**

Notes: 1. Branches of the Bank do not include subsidiaries;
2. Including labour dispatch personnel.

3. Call centre

Adhering to the original "service-oriented" aspiration, the call centre, by making use of the "end-to-end" thinking, deepened digital management and explored intelligent service upgrades, continuing to promote "friendly, digital and smart" warm services and improve customer experience. During the reporting period, the total number of inbound and outbound services amounted to 19,122,400, with a service level of 81.28%, customer satisfaction of 99.65%, and telephone connection rate of 97.75%. The key service indicators maintained advanced industry level. The call centre won 10 awards and took a place in national top ten in the 4th "Finding a Good Voice" Business Skills and Comprehensive Competition of China Banking Association.

（VI）Major subsidiaries

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

（The financial data of Bank of Shanghai (Hong Kong) and BOSC International are prepared on a consolidated basis）

Bank of Shanghai (Hong Kong) Limited, a wholly-owned subsidiary of the Bank and the first overseas institution of the Group 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, net assets, balance of deposits and balance of loans of Bank of Shanghai (Hong Kong) Limited amounted to HKD32,887 million, HKD5,006 million, HKD12,374 million and HKD16,569 million, respectively. During the reporting period, net profit amounted to HKD305 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 and net assets of BOSC International Company Limited amounted to HKD5,269 million and HKD1,012 million, respectively. During the reporting period, net profit amounted to HKD104 million.

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 investment of RMB270 million. BOSC Asset Management Limited established the development strategy of "two-wheel drive with compliance as the axis", deepened the bottom line of compliance, and made efforts to promote parallel development of investment and research, and marketing (the "two wheels"), striving to become a boutique asset management company with a distinctive brand image and social responsibility. During the reporting period, centring on the strategic focus of its public offering business, BOSC Asset Management Limited reinforced investment and research strength, rationally laid out product lines, and deepened collaboration with the Group, as a result of which, it achieved good product performance and optimized business structure, with the annual performance of its equity products ranking among top five in the market. As at the end of the reporting period, the total assets, net assets and assets under management of BOSC Asset Management Limited amounted to RMB1,184 million, RMB960 million and RMB92,571 million, respectively. In particular, the size of non-monetary public offering business amounted to RMB31,526 million, moving up three places in the market. During the reporting period, net profit amounted to RMB77 million.

3. Shanghai Minhang BoS Rural Bank Co., Ltd.

Shanghai Minhang BoS Rural Bank Co., Ltd. was established in 2011 with a registered capital of RMB250 million. It adhered to compliance and steady operation, actively served such real economies as "agriculture, farmers and rural areas" and scientific and technological innovation of small and micro enterprises to promote localized operations and development of strategic and featured businesses. As at the end of the reporting period, the total assets and net assets of Shanghai Minhang BoS Rural Bank Co., Ltd. amounted to RMB2,995 million and RMB347 million, respectively. During the reporting period, net profit amounted to RMB27,220,400.

4. Zhejiang Quzhou Qujiang BoS Rural Bank Co., Ltd.

Zhejiang Quzhou Qujiang BoS Rural Bank Co., Ltd. was established in 2011 with a registered capital of RMB100 million. Adhering to the market orientation of "supporting agriculture and small businesses", it sped up the adjustment of business structure, took root in the rural market, and actively supported the development of private economy. As at the end of the reporting period, the total assets and net assets of Zhejiang Quzhou Qujiang BoS Rural Bank Co., Ltd. amounted to RMB466 million and RMB80 million, respectively. During the reporting period, net profit amounted to RMB11,710,200.

5. Jiangsu Jiangning BoS Rural Bank Co., Ltd.

Jiangsu Jiangning BoS Rural Bank Co., Ltd. was established in 2012 with a registered capital of RMB200 million. Taking root in regional economy, it kept downgrading service focus, and promoted inclusive finance services centring on agriculture-related and small business districts and street featured industries. As at the end of the reporting period, the total assets and net assets of Jiangsu Jiangning BoS Rural Bank Co., Ltd. amounted to RMB380 million and RMB232 million, respectively. During the reporting period, net profit amounted to RMB6,768,900.

6. Chongzhou BoS Rural Bank Co., Ltd.

Chongzhou BoS Rural Bank Co., Ltd. was established in 2012 with a registered capital of RMB130 million. In light of features of regional economy and leveraging "credit extension across the village", it actively explored and innovated service modes and expanded rural financial markets. As at the end of the reporting period, the total assets and net assets of Chongzhou BoS Rural Bank Co., Ltd. amounted to RMB625 million and RMB169 million, respectively. During the reporting period, net profit amounted to RMB6,185,800.

7. 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 was its largest shareholder, holding 38% of its shares with an investment of RMB380 million. During the reporting period, domestic consumer credit markets gradually developed towards compliance and orderliness, further highlighting the competitive advantages and market dominance of licensed consumer finance companies. ShangCheng Consumer Finance proactively adapted to the new trends of industry development, insisted on promoting “characteristic, diversified and structural” development, and achieved competitive advantages different from traditional financial institutions by dint of Internet genes and financial technology; continued to consolidate the business layout dominated by business travel scenarios, resulting in steady business growth and further expansion in customer base; kept improving risk management capabilities specific to different channels to achieve dynamic adjustment and rapid iteration of risk management strategies; effective implemented the “two-wheel drive” fintech strategy, continuously enhanced its abilities in iterative development of system and data governance, and won the “2019 Fintech Influential Brand Award” of the 8th China Finance Summit. As at the end of the reporting period, the total assets, net assets, and balance of loans of ShangCheng Consumer Finance amounted to RMB12,547 million, RMB1,068 million and RMB12,083 million, respectively. During the reporting period, net profit amounted to RMB61,448,900.

（VII）Performance and profitability of wealth management business, asset securitisation, custody and financial planning business

For details, please refer to “Business Overview”.

（VIII）Development of new businesses

For details, please refer to “Business Overview”.

V. Risks and Risk Management

（I）Comprehensive risk management

The Bank has established a comprehensive risk management system, basically covering the management of all risks, including credit, market, liquidity, operational, reputation, strategic and information technology, money laundering, country and legal 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, guided by the development strategy, the Bank adhered to a stable risk appetite and built a risk management and control platform under the support of fintech around “comprehensive improvement of its risk management capabilities”. By focusing on data analysis, model monitoring, and system control, it built a new risk management model of "quantitative management + early warning control + process control" to promote the digital transformation of risk management, help financial products and management model innovation, properly conduct strategic management supporting, and improve risk management tools, processes and mechanisms.

First, an intelligent risk control mirror platform was built to automatically intercept high-risk customers through the "list of severely untrustworthy customers + credit policy + approval strategy", embed risk signals into the approval process, and actively push it to account managers and approvers. The accuracy rate of early warning and identification of corporate customers with potential risks reached 96%. Combined with the control of the public credit management system, it realized the systematic monitoring of the low-risk, zero-authority credit business authorization and the approval of post-authorization.

Second, an online risk control system for the retail mirror of “unified fraud management, unified data management, and unified customer evaluation” was built. The application anti-fraud management system of the online channel business integrates anti-fraud strategies and models to support online real-time decision-making and realize joint defense and joint control of blacklisted customers. 20 types of data was integrated to build a 6-dimensional portrait of the customer's full credit life cycle. It realized the full coverage of the data-driven scoring model of car loan products and supported the unified evaluation of car loan customer groups.

Third, the systematic management and control of key risk areas was achieved. The Bank developed an online collateral management information system and built a unified view of collateral information to dynamically monitor the risk mitigation capabilities, implement proactive management of risk signals, unify the Bank's collateral classification catalog, standardize the entire process of operation standards of due diligence, valuation, warrants of collaterals, and embed the business processes for online management and control. The second phase of the construction of the STP system was launched, adding 28 market risk stress test scenarios to fully test the Bank's market risk after pressure. The Bank built a governance, risk management and compliance (GRC) system integrating operational risk, internal control compliance, inspection and rectification, and off-site monitoring. An operational risk early warning monitoring model was applied to implement off-site monitoring and management of operational risk.

（II）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 Commercial Bank. The Bank’s credit risk arises mainly from credit business and treasury business such as credit securities investments.

Faced with a complex and volatile external operating environment, the Bank has intensified credit risk control and risk solution. It strengthened the bottom line thinking and rigid constraints, strictly controlled the entry barriers, implemented the list-based access to key risk areas, and dynamically controlled the authorization of approval. It actively controlled the quality of assets, implemented the "focus, stratify, synergy, and linkage" management of large credits, carried out risk investigation in key areas, strengthened risk early warning and proactive exit management, and intensified the resolution and disposal of non-performing loans to ensure stable and controllable asset quality throughout the year. The overall asset quality was at an excellent level of listed banks. At the end of the reporting period, the Group’s non-performing loan ratio was 1.16%, representing an increase of 0.02 percentage points as compared with the end of the previous year, and special mention loans accounted for 1.88%, representing an increase of 0.02 percentage points as compared with the end of the previous year, both of which remained at a low level in the industry; overdue customer loans and advances accounted for 1.65%, representing a decrease of 0.04 percentage points as compared with the end of the previous year; the balance of loans overdue for more than 90 days and the ratio of non-performing loans was 84.35%; the balance of loans overdue for more than 60 days and the ratio of non-performing loans was 91.54%, which remained in a reasonable range; the provision coverage ratio was 337.15%, representing an increase of 4.20 percentage points as compared with the end of the previous year; the loan provision ratio was 3.90%, representing an increase of 0.10 percentage points as compared with the end of the previous year, and the risk offset capacity was further improved and remained adequate.

First, the Bank focused on the changing trends of the market and business structure, actively responded to the complex and severe external environment, strictly implemented the bottom line requirements of external supervision, implemented internal risk policies and risk systems, strengthened the bottom line of compliance operations, closely followed the national strategy, industrial upgrade layout and people's livelihood hotspots, intensified support for the real economy, and focused on risk and return balance with value creation as the core.

Second, the Bank deepened the adjustment of credit structure. It strengthened the guiding role of credit policy, clearly adjusted the objectives, deepened the Shanghai market, supported the construction of key regions such as the “Belt and Road”, the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and Beijing-Tianjin-Hebei, focused on the key business areas such as supply chain finance, technology and innovation financing, urban redevelopment and industrial upgrading and development. 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, and promoted the adjustment and optimization of credit structure.

Third, the Bank strengthened the management of large-scale credit risk exposure. It improved the large-scale risk exposure management mechanism, clarified the definition of large-scale risk exposure, calculation rules, daily monitoring and risk prevention, and the management responsibilities of branches. The Bank set limit control for non-bank single customers, a group of non- bank related customers, inter-bank single customers or group customers, central trading counterparties, etc.. It implemented hierarchical classification and control of large credit risks, implemented full-coverage visits and management of key case sites, and implemented management and control strategies to achieve rapid and effective risk intervention.

Fourth, the Bank strictly controlled the quality of credit assets. It strengthened risk management and control mechanisms in key areas, promoted risk management and control of key institutions, key businesses, and key projects, disposed of and resolved inventory risks, and prevented and controlled unexpected risks. The Bank continued to enrich 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.

Fifth, the whole process credit system management and control is realized. The Bank developed credit management platform for corporate credit management system, retail collection management platform, and asset preservation management system. Online control of credit-related businesses in the financial market and investment banking is realized, and the credit system covers 97% of the credit business varieties; low-risk, zero-authority and other authority control judgments are realized, and online monitoring and approval of post permission is realized.

（III）Market risk

Market risk refers to the risk of loss for the on- and off- balance sheet businesses of the Commercial 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 Group primarily includes interest rate and exchange rate risks arising from the asset and liability businesses and products traded in market.

The Group further standardized management policies such as market risk management guidelines, fair value assessment, risk value, return inspection, stress testing, and emergency management based on the results of the first phase of the STP system. The Bank started the second phase of the construction of the STP system, built forward-looking product system functions to support business development, and promoted the new system to the Hong Kong sub-branch. The Bank completed the launch of the valuation system for new financial instrument standards to achieve a comprehensive and systematic measurement of the fair value of financial products. 28 market risk stress test scenarios were added, including real historical scenarios and extreme scenarios predicted by historical market data, to fully test the Group's market risk after pressure. The Bank completed the launch of the system on behalf of customers, and realized the margin monitoring of derivative business on behalf of customers and reminder automation.

1.Interest rate risk

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

（1）Trading portfolios

The Group’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 with interest rate risks. Risks are monitored on a daily basis to ensure business running within the limits.

（2）Bank accounts

The Group manages its interest rate risk of bank accounts based on repricing gap, net interest income sensitivity and net assets sensitivity, identified and measured through scenario simulation and stress testing. According to the overall limits on repricing gap, net interest income sensitivity and net assets sensitivity, the Bank sets separate limits for each business line and ensures the implementation of the overall limits. During the reporting period, indicators of interest rate risk limits of bank accounts were maintained within the management target.

The Group applies the sensitivity analysis to measure the possible impact of interest rate changes on the Group’s net interest income and equity. The following table shows the sensitivity of the Group's net interest income and equity to possible reasonable interest rate changes when other variables remain unchanged.

Unit: RMB'000

Net interest income sensitivity		
Changes in interest rates (basis points)	31 December 2019	31 December 2018
+100	(1,519,936)	(1,392,848)
−100	1,519,936	1,392,848

Unit: RMB'000

Equity sensitivity		
Changes in interest rates (basis points)	31 December 2019	31 December 2018
+100	(449,980)	(476,558)
−100	454,659	494,983

2. Exchange rate risk

The exchange rate risks mainly comprise risks arising from foreign currency portfolios within proprietary investments in debt securities and foreign exchange deposits and placements and other foreign currency businesses, as well as risks from the currency mismatch of loans and deposits. The Group's businesses are primarily denominated 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 limit of the currency exposures.

(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 within the limited range.

(2) Bank accounts

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

The Group applies the sensitivity analysis to measure the possible impact of exchange rate changes on the Group's net profit and equity. The following table shows the impact of the reasonably possible changes in the Group's various foreign currencies against the RMB exchange rate on net profit and equity when other items remain unchanged.

Unit: RMB'000

	Net profit and equity sensitivity	
Exchange rate changes	31 December 2019	31 December 2018
Appreciation of 100 basis points against RMB	9,373	12,707
Depreciation of 100 basis points against RMB	(9,373)	(12,707)

(IV) Liquidity risk

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. The events or factors that cause liquidity risk include: deposit withdrawals by deposit customers, withdrawals by loan customers, deferred payments by debtors, mismatches in asset and liability structures, difficulties in assets realization, operating losses, derivatives trading risks, and affiliate-related risks.

During the reporting period, the downward pressure on the economy remained, and the central bank continued to implement a stable and neutral monetary policy, providing medium and long-term liquidity through targeted RRR cuts and medium-term lending facility (MLF) operations; and the market liquidity remained reasonably adequate. Events such as reorganization or takeover of individual financial institutions have not adversely affected the liquidity level of the Group. The Group adhered to a stable and prudent liquidity management strategy, established a scientific and perfect liquidity risk management system, further improved the liquidity risk governance structure, and improved the division of responsibilities at all levels. The Bank paid close attention to changes in the external economic and financial situation, strengthened liquidity analysis and prediction, optimized asset-liability structure, rationally managed cash flow gaps, established multi-level liquidity guarantees, maintained liquidity risk monitoring indicators stable and compliant, and improve liquidity risk measurement monitoring system. It optimized liquidity risk related management systems, strengthened relevant system data support, intensified monitoring frequency, strengthened forward-looking and proactive management, and further improved liquidity risk indicators. It actively expanded various sources of funds, increased the allocation of high-quality liquid assets such as treasury bonds and local bonds, maintained a reasonable reserve level, unblocked market financing channels, and maintained an overall stable liquidity. At the same time, it established a liquidity risk limit system and emergency plan, regularly carried out liquidity risk stress tests and emergency drills to effectively prevent and control liquidity risks.

At the end of the reporting period, the liquidity ratio of the Group was 61.59%, the liquidity coverage ratio was 129.66%, and the net stable funding ratio was 109.31%, represnenting an increase of 17.42 percentage points, 0.81 percentage points, and 5.50 percentage points respectively as compared with the end of the previous year, meeting regulatory requirements. During the reporting period, the Group conducted a stress test of liquidity risk on a quarterly basis. The test results showed that under stress scenarios, the liquidity risk of the Group was always within a controllable range.

（V）Operational risk

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 applied the GRC system including the operational risk, internal control compliance, inspection and rectification, and off-site monitoring to achieve collaborative management of operational risk, internal control management, compliance management, and accounting risk control. First, the Bank conducted online management of operational risk assessment and monitoring. Operational risk and control self-assessment (RCSA) of 35 key business processes was achieved online, more than 120 key risk indicators (KRI) were online supervised, and operational risk loss data collection (LDC) realized systematic collection and reporting. Second, the Bank conducted online closed-loop management of the inspection management, problem identification, rectification and optimization, and incompliance records, and a monitoring model was used to carry out off-site early warning monitoring. Third, the management of the five mechanisms of “contracting, investigation, monitoring, reporting and accountability” of branches was consolidated, with the full coverage of contracting meetings and visits to family of employees, promoting risk inspection in key areas such as “100-day” inspection and random inspections, and implementing quantitative assessment of operational risk management to strengthen operational risk management and control. Fourth, the Bank built a new model of outlet operation risk management and control. The system's automated audit function was extended to complete the optical character recognition (OCR) project for the voucher elements of the counter image collection system. Operational risk control early warning fine reconstruction project was completed and lunched to expand the early warning range, build a quasi real-time (T+0) monitoring model, and implement intelligent operation risk control. Fifth, a new round of comprehensive business impact analysis was completed to determine 21 important business and business recovery strategies, comprehensively sort out and update the Bank's business continuity emergency plan, form 64 emergency plans, and increase emergency scenarios for outsourcing service interruptions. It completed 86 business continuity drills to strengthen data availability drills and conduct practical drills involving external suppliers. During the reporting period, the Bank's operational risk management system operated smoothly and the overall operational risk was controllable.

（VI）Reputational risk

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 strengthened public opinion monitoring, paid close attention to public opinion and its development trends related to the Bank, properly responded to public opinion events, and maintained the Bank's reputation. The Bank took risk prevention measures in advance, strengthened the source management to gather potential negative information on reputation risks in a timely manner, and actively resolved the reputation risks that may be upgraded. It strengthened media communication, established a normalized liaison mechanism, and built a healthy, positive and benign interactive media relationship. It carried out reputation risk training, promoted the implementation of a management philosophy that focuses on prevention and all employees take responsibilities, and improved reputation risk prevention and disposal skills. It promoted corporate image building, organized and promoted a series of thematic campaigns to enhance the Bank's brand and image. During the reporting period, the Bank's reputation risk situation was generally stable.

（VII）Strategic risk

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

The Bank has established a relatively sound strategic risk management organizational structure and promoted the implementation of the three-year development plan (2018-2020) and the development plans of various lines and branches to form a strategic planning system for the head office, branches and sub-branches, and established the strategic management and business plans, resource allocation, risk management and other supporting management systems. It comprehensively strengthened the dynamic tracking and regular evaluation of the implementation of strategies, strengthened the strategic research on the external economic situation, regulatory policies and key businesses, strengthened the strategic implementation measures of various lines and branches, guided the support of assessment mechanism and resource allocation for financial technology, special business and other strategic priorities. During the reporting period, the Bank's product competitiveness and service level have improved, its quantitative management and digital thinking have improved significantly, its financial indicators have performed well, and its corporate brand and image have been effectively displayed, which was in line with the strategic expectations of the "boutique bank" construction.

（VIII）Information technology risk

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, continuously optimizes the information technology risk assessment and monitoring management system, applies system tools to carry out online management of science and technology risk assessment and inspection, and establishes the closed-loop management mechanism with systematic inspection plan implementation, rectification tracking and measure optimization; it expands the monitoring scope of science and technology risk indicators and focuses on covering the field of information security management to effectively prevent information security risk events such as Internet attacks; it carries out scientific and technological risk investigation in key areas, focusing on the rectification of identified issues and optimization of mechanisms in areas of network security, Internet application development, and technology operation and maintenance; it conducts comprehensive risk assessment and inspection over important outsourcing vendors and non-resident centralized outsourcing; at the same time, it optimizes the allocation of development resources in the Bank and enhances its independent research and development management capabilities.

During the reporting period, the overall operation of information system of the Bank was stable. Key information systems maintained normal operation with no unexpected failures occurred. The production safety and network security guarantee work in important periods such as the 70th anniversary of the founding of the People's Republic of China and the International Import Expo was successfully completed. The Bank continued to promote the construction of key application systems in the same city, dual centers and active sites, and construction of remote disaster recovery, and continued to carry out switching exercises of important systems to improve emergency response capabilities. The Bank continued to improve intelligent operation and maintenance, enriched operation and maintenance big data, built a multi-dimensional data analysis platform, improved the coverage and accuracy of AI intelligent alarm monitoring, and provided strong support for business operations while achieving safe production. The Bank accelerated the promotion of digital transformation and application, clarified the goals, system and framework of digital transformation, and implemented the digital transformation practice in combination with the key work of management. It adhered to all-round information security management and control and data-centric security strategies, and information security has been stable throughout the year. The Bank promoted the implementation of a new round of security technology architecture planning, improved the information security management system, improved the level of information security technology prevention and control, gradually built a security operation system, actively responded to various unexpected risks, strengthened key application penetration testing and security scanning, and continued to carry out information system level protection, strengthened technical management of production and operation, and steadily improved network security risk monitoring, emergency response and risk prevention capabilities.

（IX）Money laundering risk

Money laundering risk refers to money laundering, terrorist financing and the financing of proliferation, and tax evasion 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.

In response to the new policies on supervision, the Bank continued to strengthen the construction of a money laundering risk management system. First, the Bank further improved the management policies and procedures for money laundering risks, revised the six internal controls over basic regulations on anti-money laundering and customer identification, improved 45 business systems, and established money laundering risk prevention and control mechanism of cross-border business, cash business, non-face-to-face and other high-risk business areas. Second, technology empowered money laundering risk management and control, improved quality and efficiency, completed a “second-generation system” switch, launched a new generation of financial sanctions and a sensitive list monitoring system to strengthen the control verification and risk early warning functions of various business systems. Third, the joint efforts of the matrix management of the Bank have been significantly improved, and the customer information indicators have been rectified at the end of the year to complete the set goals. Fourth, the Bank effectively implemented anti-money laundering inspections, audits and assessments to supervise and promote organizations at all levels to strengthen their independent management capabilities. Fifth, the Bank conducted normalized promotion of money laundering risk compliance culture, enhanced the awareness of all employees' compliance risk, professional literacy and performance capabilities, applied traditional physical outlets and modern new media advantages to increase the frequency of publicity and coverage of the public, and create a good social atmosphere. During the reporting period, the Bank's money laundering risk management system operated smoothly and the money laundering risk was generally controllable.

(X) Country risk

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 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, statistics of country risk exposure were made and provisions were made in accordance with the requirements of regulatory authorities. During the reporting period, the overall country risk management of the Bank was good. Business development followed country risk management policies and quota requirements. The country risk exposure was relatively small, the exposure country rating remained stable, and the country risk was stable and controllable overall.

(XI) Legal risk

Legal risk refers to possibility of risk exposure of a commercial bank resulting from business activities not compliant with legal provisions or external legal events, including but not limited to the following risks: contracts 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 due to default, tort or other reasons, and may be liable for compensation according to the law; a commercial bank may bear administrative liability 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 or suffer material financial loss or reputation damage if it fails to comply with laws and regulations.

The Bank has improved its legal risk management mechanism, consolidated its management foundation, and continuously improved its management efficiency. During the reporting period, the Bank improved the relevance and efficiency of legal support by continuing to promote the early intervention of legal services in new products, new businesses, new services, and key projects. The Bank regulated management of external law firms and lawyers, strengthened the overall management of litigation and arbitration cases, and promoted the interaction between internal and external legal service teams. The Bank has built a legal risk management system with information management enabling traces and dynamic tracking throughout the whole risk management process, which provided a data basis for legal risk assessment, analysis, and control.

(XII) Compliance risk

Compliance risk refers to the risk that a commercial bank may be subject to legal sanction or regulatory penalties and may suffer from material financial loss or reputation damage if it fails to comply with laws, regulations and rules.

Focusing on the goals of the three-year development strategy, the Bank adheres to prudent and compliant business operation, strictly abides by the bottom line of compliance, and constantly improves the compliance management mechanism. During the reporting period, the Bank continued to optimize the process of compliance management through formulating manuals for rules and regulations examination, upgrading functions of the management system of rules and regulations, reviewing standard form contracts, implementing compliance tests and other measures. Through proactive identification of compliance risks by all business lines and at multiple levels, the Bank promoted closed-loop management comprised of inspection management, problem discovery, rectification and optimization, and incompliance records to improve the quality and effectiveness of inspection and rectification. The Bank attached much importance to compliance culture construction and endeavored to create a healthy compliance culture atmosphere of "initiative compliance" and "all-employees compliance" through incorporating the building of compliance culture into compliance appraisal and carrying out various types of compliance training, warning education, theme activities at all levels.

Chapter IV 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 of the Bank 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 for approval. Any resolution regarding the adjustments to the cash dividend policy shall be approved by more than two-thirds of the voting shareholders attending the shareholders' general meeting.

（II）Profit distribution proposal for 2019

According to its audited financial statements prepared as per the PRC accounting standards, the Bank recorded a net profit of RMB19,941,341,000 in 2019. After the deduction of dividends of preference shares of RMB1,040,000,000, profit for the year which was available for the distribution to holders of ordinary shares was RMB18,901,341,000. The profit distribution proposal for 2019 is as follows:

1. 10% of the profit after tax, amounting to RMB1,994,134,000 to be appropriated to the statutory surplus reserve;
2. RMB3,000,000,000 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 RMB31,330,000,000;
3. 20% of the profit after tax, amounting to RMB3,988,268,000 to be appropriated to the discretionary surplus reserve;
4. on the basis of 14,206,528,700 ordinary shares, a cash dividend of RMB4.00 (tax inclusive) for every 10 shares, RMB5,682,611,480 in aggregate, to be distributed to holder of ordinary shares;
5. balance of retained earnings of RMB4,236,328,000 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 improvement and adjustment of the business structure so as to enhance its risk resistance and to continuously meet the capital regulatory 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 profits 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. According to the profit distribution plans or proposals for the past three years, the Bank's cash dividends for 2017-2019 accounted for 25.46%, 28.94%, and 29.51%, respectively, of the net profit attributable to holder of ordinary shares of the Bank in the consolidated financial statements, showing a year-on-year growth trend.

All Independent Non-executive Directors of the Bank considered that the Bank's profit distribution proposal for 2019 was in line with the Notice on Further Implementing Issues Concerning Cash Dividends of Listed Companies, the No.3 Guideline for Supervision of Listed Companies - Cash Dividend Distribution of Listed Companies issued by CSRC and other relevant laws and regulations on profit distribution and the Articles of Association, and 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 profit distribution proposal for 2019 and have agreed to submit it to the shareholders' general meeting 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 fully express their opinions and requests by attending shareholders' general meeting to vote and raise questions and proposals about the business operation activities 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
2019	-	4	-	5,682,611.48	19,257,588	29.51%
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%

II. Undertakings that the Bank's De Facto Controller, Shareholders, Related Parties, Acquiring Parties, the Bank and Other Relevant Parties Have Fulfilled During the Reporting Period or Have Not Fulfilled as at the end of the Reporting Period

Background	Type	Undertaker	Description of undertakings	Date and duration	Whether there is time limit of performance
Undertakings related to initial public offering	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
Undertakings related to initial public offering	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
Undertakings related to initial public offering	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
Undertakings related to initial public offering	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
Undertakings related to initial public offering	Restriction on trading of shares	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

Background	Type	Undertaker	Description of undertakings	Date and duration	Whether there is time limit of performance
Undertakings related to initial public offering	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
Undertakings related to initial public offering	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
Undertakings related to initial public offering	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
Undertakings related to initial public offering	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
Undertakings related to initial public offering	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

Background	Type	Undertaker	Description of undertakings	Date and duration	Whether there is time limit of perfor-mance
Undertakings related to initial public offering	Non-competition under-taking 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 and its controlled enterprises 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
Undertakings related to initial public offering	Non-competition under-taking 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

Background	Type	Undertaker	Description of undertakings	Date and duration	Whether there is time limit of performance
Undertakings made for refinancing	Others	Directors and senior management of the Company	According to the relevant provisions of the CSRC, the Company has worked out the makeup measures for the dilution of immediate returns that may result from private issuance of preferred shares and public issuance of convertible corporate bonds of A shares, including strengthening capital management and reasonably allocating resources; deepening reform and innovation and promoting transformation of business development mode; enhancing risk management and ensuring stable asset quality; paying attention to returns to shareholders and implementing continuous and stable profit distribution policy. Meanwhile, the Directors and senior management of the Company have made the following undertakings to ensure actual implementation of return makeup measures of the Company: (I) not to transfer benefits to other units or individuals for free or based on unfair conditions, or not to damage the interests of the Company by other means. (II) to restrict the position-related consumptions of Directors and senior management. (III) not to use the Company's assets to engage in investment and consumption activities unrelated to their performance of duties. (IV) to link the remuneration system worked out by the Board of Directors or the Nomination and Remuneration Committee to the implementation of the return makeup measures of the Company. (V) to link the exercise conditions for the equity incentive of the Company to be announced to the implementation of the return makeup measures of the Company if the Company launches the equity incentive plan in the future.	Term of office	Yes
Other undertakings	Restriction on trading of shares	Senior management of the Company	The shares of the Bank of Shanghai additionally held with proprietary funds from 29 to 30 August 2019 were locked for two years after the date of purchase.	Two years after the date of purchase	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

On 1 January 2019, the Bank began to adopt the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Enterprises No. 24 – Hedging and Accounting Standards for Enterprises No. 37– Presentation of Financial Instruments issued by the Ministry of Finance in March 2017. According to the coordinating provisions of the aforesaid new standards, the Bank will not restate the comparable data in the previous period. The difference between the data under the new standards and the data under the original standards on the first day of adoption of new standards has been adjusted to the retained earnings or other comprehensive income at the beginning of the period.

The Bank adjusted the items of relevant financial statements according to the new format for financial statements of financial institutions and the importance principle and based on the actual conditions of the Group.

The Bank began to adopt the Accounting Standards for Enterprises No. 7 – Exchange of Non-monetary Assets (revised) on 10 June 2019 and the Accounting Standards for Enterprises No. 12 – Debt Restructuring (revised) on 17 June 2019. Adoption of the two standards did not cause any material effect to the financial conditions and operating results of the Group.

Please refer to note 3.29 to financial statements for relevant effects.

V. Appointment or dismissal of accounting firm

The 2018 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 2019 for the term of one year at a total cost of RMB7.37 million, including RMB6.16 million for the audit of financial statements for 2019, review of interim financial statements and implementation of agreed-upon procedures for the first and third quarters, RMB0.86 million for audit of internal control and RMB0.35 million for other relevant professional audit fees. 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 eight consecutive years.

As the Bank has engaged KPMG Huazhen (Special General Partnership) to provide audit services for almost eight full years, on 17 January 2020, the Proposal on Engagement of 2020 External Audit Firm was adopted at the 13th meeting of the fifth session of the Board of Directors of the Bank, proposing to engage PricewaterhouseCoopers Zhong Tian LLP as the external audit firm of the Bank in 2020 to provide audit of annual financial report, review of interim financial report, agreed-upon procedures for quarterly financial report, annual internal control audit and value-added services specified in the bidding document, involving a total fee of RMB5.18 million, and will be submitted to the general meeting for deliberation.

VI. Major Litigation and Arbitration

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

The Group was involved in several lawsuits during daily operations. As at the end of the reporting period, the Group had a total of 10 litigations and arbitrations pending for final ruling of which the Group was the defendant (including respondent) with a total amount of RMB1,034 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 Group'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 public censure by the stock exchange or penalty imposed by other administrative authority which had a material effect on the Bank's operation.

VIII. Integrity of the Bank and its largest shareholder

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. Related Party Transactions

(I) Overview of related party transactions

The Bank has worked out the management system of related-party transactions according to the regulatory requirements of the CBIRC, the CSRC, the SSE and other institutions, to regulate its management process. During the reporting period, the Bank continued to improve its management system of related-party transactions, worked out the list of related parties as defined under the regulations of China Banking and Insurance Regulatory Commission (hereinafter referred to as "CBIRC") and the list of related parties as defined under the regulations of China Securities Regulatory Commission (hereinafter referred to as "CSRC") and updated the lists in time according to actual changes in related legal persons and related natural persons.

The related legal persons of the Bank as defined under the regulations of the CBIRC mainly consist of substantial shareholders of the Bank and their controlling shareholders, de facto controllers, related parties, persons acting in concert, ultimate beneficiaries, and legal persons and other organizations which are directly or indirectly under joint control of or which can be significantly influenced by the insiders and their relatives. The related natural persons mainly consist of insiders of the Bank and their near relatives, and substantial shareholders and their related natural persons.

The related legal persons as defined under the regulations of CSRC of the Bank mainly consist of legal persons or other organizations which hold more than 5% shares of the Bank, or legal persons or other organizations (other than the Bank and controlling subsidiaries) which are directly or indirectly controlled by related natural persons, or in which related natural persons serve as directors or senior management members, and legal persons or other organizations which have been involved in the aforesaid circumstances in the past 12 months. Related natural persons mainly consist of directors, supervisors and senior management members of the Bank and their close family members, and natural persons which have been involved in the aforesaid circumstances in the past 12 months.

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.

(II) Major related party transactions

According to regulatory requirements, the Bank's general meeting is responsible for considering related party transactions which are conducted with the related parties as defined under the regulations of the CSRC and the SSE, with an amount accounting for over 5% of the latest net assets; the Board of Directors is responsible for considering related party transactions which are conducted with the related parties as defined under the regulations of the CBIRC with an amount accounting for over 1% of the Bank's net capital as at the end of last quarter, or together with the balance of transaction with the Group to which the said related parties are subordinate, accounting for over 5% of the net capital as at the end of last quarter, and related party transactions which are conducted with the related parties as defined under the regulations of the CSRC and the SSE with an amount accounting for over 1% of the latest audited net assets but less than 5% of the Bank's latest audited net assets. During the reporting period, the Bank had no related party transactions which should be submitted to the general meeting for consideration; and incurred nine related party transactions that should be submitted to the Board of Directors for consideration. In particular, eight transactions were required to be disclosed according to the CSRC and the SSE and the Bank made disclosures in time. Details are as follows:

1. Upon deliberation and approval at the 9th meeting of the fifth session of the Board of Directors, the Company agreed to grant a credit line of not more than RMB2.5 billion (USD50 million) to Zhong Chuan Finance Co., Ltd., details of which are set out in the interim announcement (No. 2019-005) of the Company. The company is not a shareholder of the Company.

2. Upon deliberation and approval at the 9th meeting of the fifth session of the Board of Directors, the Company agreed to conduct non-credit related party transactions with China UnionPay Co., Ltd., involving an amount of RMB2.816 million, details of which are set out in the interim announcement (No. 2019-005) of the Company. The company is not a shareholder of the Company.

3. Upon deliberation and approval at the 10th meeting of the fifth session of the Board of Directors, the Company agreed to grant a credit line of RMB11.6 billion to the Bank of Shanghai (Hong Kong) Limited, details of which are set out in the interim announcement (No. 2019-005) of the Company. The company is not a shareholder of the Company.

4. Upon deliberation and approval at the 10th extraordinary meeting of the fifth session of the Board of Directors, the Company agreed to grant a credit line of RMB1.3 billion to BOSC International Company Limited, details of which are set out in the interim announcement (No. 2019-007) of the Company. The company is not a shareholder of the Company.

5. Upon deliberation and approval at the 10th extraordinary meeting of the fifth session of the Board of Directors, the Company agreed to grant a credit line of RMB5 billion to Southwest Securities Co., Ltd., details of which are set out in the interim announcement (No. 2019-005) of the Company. The company is a shareholder of the Company and held 9,828 shares at the beginning of the period, accounting for 0.0001% of the Company's total share capital; and held 290,931 shares at the end of the period, accounting for 0.002% of the Company's total share capital.

6. Upon deliberation and approval at the 10th extraordinary meeting of the fifth session of the Board of Directors, the Company agreed to make appropriate adjustments to the underwriting fee rate for the debt financing instruments of RMB4 billion of Shanghai International Port (Group) Co., Ltd., details of which are set out in the interim announcement (No. 2019-007) of the Company. Details about the company's shareholding in the Company are set out in the part of shareholding of substantial shareholders.

7. Upon deliberation and approval at the 11th meeting of the fifth session of the Board of Directors, the Company agreed to increase capital of RMB380 million to Shanghai ShangCheng Consumer Finance Corporation Limited, details of which are set out in the interim announcement (No. 2019-035) of the Company. The company is not a shareholder of the Company.

8. Upon deliberation and approval at the 12th extraordinary meeting of the fifth session of the Board of Directors, the Company agreed to grant a credit line of RMB6 billion to Shanghai ShangCheng Consumer Finance Corporation Limited, details of which are set out in the interim announcement (No. 2019-018) of the Company. The company is not a shareholder of the Company.

9. Upon deliberation and approval at the 12th extraordinary meeting of the fifth session of the Board of Directors, the Company agreed to grant Shanghai Port Group (BVI) Development Co., Limited (hereinafter referred to as "Shanghai Port (BVI) Development") a credit line of not more than USD450 million for dollar bonds investments. The loan was guaranteed by Shanghai International Port (Group) Co., Ltd. (hereinafter referred to as "Shanghai International Port Group") and the investment period of a single US dollar bond investment shall not exceed 10 years. Shanghai Port (BVI) Development is a wholly owned subsidiary of Shanghai International Port Group (HK) Co., Limited, a wholly owned subsidiary of Shanghai International Port Group. As Shanghai International Port Group is a substantial shareholder of the Company, Shanghai Port (BVI) Development is a related party of the Company as defined under the regulations of the CBIRC. The registered address of Shanghai Port Group (BVI) Development Co., Limited is Ritter House, Wickhams Cay II, Road Town, Tortola, British Virgin Islands and the director of the company is Miao Qiang. The company is the investment body and borrower of the Oriental Overseas International Equity Acquisition Project of Shanghai International Port Group, with an authorized share capital of not more than 50,000 shares. Shanghai Port Group (BVI) Development Co., Limited can carry out any transaction and business activities permitted by the laws of British Virgin Islands (BVI). The company is not a shareholder of the Company.

（III）Other related-party transactions

Details about the general condition of the Company's related-party transactions and transactions between the Company and its substantial shareholders and related parties are set out in the part about related-party transactions in the notes to the financial statements. The said related parties mainly refer to the controlling shareholders, actual controllers, related parties, persons acting in concert and ultimate beneficiaries of substantial shareholders.

As at the end of the reporting period, the balance of credit-related transactions between the Company and the related legal persons as defined under the regulations of CBIRC amounted to RMB19.296 billion, and the amount net of security deposit was RMB19.226 billion. The outstanding facilities granted to a single related party did not exceed 10% of the net capital, outstanding facilities granted to the groups to which a single related legal person belongs did not exceed 15% of the net capital, and outstanding facilities granted to all related parties did not exceed 50% of the net capital, meeting the requirements of CBIRC on the concentration ratio of related-party transactions. During the reporting period, the total amount of non-credit related-party transactions between the Company and the related legal persons as defined under the regulations of the CBIRC amounted to RMB114 million.

As at the end of the reporting period, the outstanding facilities and risk exposure granted by the Company to related natural persons as defined under the regulations of the CBIRC amounted to RMB168 million, and outstanding facilities and risk exposure granted to related natural persons as defined under the regulations of the CSRC and Shanghai Stock Exchange amounted to RMB27,050,000.

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) Major entrusted wealth management

During the reporting period, the Bank did not entrust a third party with wealth management except in its normal business course.

(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. Performance of Social Responsibility

(I) Overview of targeted poverty alleviation

Targeted poverty alleviation plan:

poverty alleviation is one of the three critical battles in the path to build a moderately prosperous society in all respects.. The Company proactively carried out the policies of poverty alleviation 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. Led by the Party committee of the headquarters and with the joint, dedicated and targeted efforts of the whole bank, the Company put more efforts to assist in targeted poverty alleviation according to its own positioning and characteristics. Resources and manpower were centralised to address the actual needs of poverty areas. The poverty alleviation was reformed and optimised, and industrial poverty alleviation, targeted poverty alleviation, educational poverty alleviation, social poverty alleviation, financial poverty alleviation and other targeted projects were carried out. The Company 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 and progress made in the current phase:

To win the battle against poverty, the Company established a systematic targeted poverty alleviation work mechanism and carried out targeted poverty alleviation in a multi-level, diversified and sustainable way. As a state-owned financial enterprise with feelings, care and gratitude, the Company took it its own duty to fulfill social responsibilities rather than regard it a task from the superiors.

According to the "Hundred Enterprises for Hundred Villages" targeted poverty alleviation work assignments of Shanghai State-owned Assets Supervision and Administration Commission, the Company carried out targeted poverty alleviation in the three poorest villages in Yanshan County in the Midwest of Miao Autonomous Prefecture, Wenshan, Yunnan – Ajiao Village in Amen Town, Luotaiyi Village in Jiayi Town, and Aji Village in Ashe Township. Chengdu Branch of the Company carried out targeted poverty alleviation in Napo Village, Songpan County, Aba Tibetan Autonomous Prefecture of Sichuan Province.

Building a targeted poverty alleviation system throughout the bank in a refined manner. Targeted and detailed poverty alleviation programs were made. In 2019, the Company and the targets of poverty alleviation exchanged visits many times, and the Company's staff went deep into remote and impoverished villages to find out the real situation and the most urgent needs, based on which the Company negotiated with the local authorities and formulated tailored and detailed poverty alleviation plans for each village to help them get rid of poverty thoroughly. For each target villages of Yanshan County, the poverty alleviation funds were used for both infrastructure improvement and industrial development. Infrastructure improvement is to lay a strong foundation for the basic living of farmers in these villages and industrial development is to help build a self-support mechanism to achieve sustainable and high-quality poverty alleviation. Starting with these two major sectors, the Company nurtured the impoverished with literacy and ambition, fully achieving the poverty alleviation goal of making a difference in people, product, industry, concept and village appearance. In practice, the Company worked carefully on every detail to put the blueprint of poverty alleviation in place. The Company made special plans to build a poverty alleviation system involving all employees of the Bank, set up teams and mobilize Party and Youth League organizations of the whole bank to volunteer in poverty alleviation, organized promotion of characteristic agricultural products to promote poverty alleviation driven by consumption, and opened an online sales channel for local agricultural products by virtue of e-commerce platforms. Party organizations of branches and sub-branches worked jointly with the Party organizations of various villages to follow up with the infrastructure improvement projects in these villages. Meanwhile, the Company ensured process control over the implementation of all poverty alleviation tasks and contacted with various villages in Yanshan County on a monthly basis to track project status and help solve problems.

Building a closed loop of poverty alleviation by combining the production and sales of characteristic agricultural products. Firstly, promoted industrial development. As a donor, the Company paid close attention to the use of donated funds for poverty alleviation through local industrial development, and helped the villages to make use of their characteristics and local resources to forge a path of characterized industry development, forming a sustainable self-support mechanism. The Company worked with governments at various levels and other parties of Yanshan County to promote paired cooperation between poverty-stricken villages and agricultural product manufacturers, developed such industries as fruit growing, vegetable cultivation, bee-keeping and cattle rearing, closely connected poverty-stricken families with collective production and used the proceeds to boost collective economy in the villages and help poverty-stricken families increase their income steadily, creating a sustained motive force of poverty alleviation. Given the high elevation of Napo Village, Songpan County, Aba Tibetan Autonomous Prefecture, Sichuan Province, Chengdu Branch of the Company decided to support the industry of snow chrysanthemum planting in this village for poverty alleviation. A special corporative was established to provide full support covering funds, supplies, technology and sales, realizing sustainable poverty alleviation. Secondly, worked on market sales to form a closed loop of both production and sales. Offline, the Company provided active coordination to promote related enterprises to exhibit the agricultural products of targeted poverty-stricken villages at the specialty trade fairs held in Shanghai for helping targeted poverty-stricken areas, building a direct path between these products and Shanghai market. Online, the Company launched special marketing activities in the poverty alleviation zone of the BOC Express APP, providing benefits to encourage customers to purchase the agricultural products from poverty-stricken areas. Thirdly, promoted poverty alleviation through consumption. The Company launched a pilot project in its branch in which the trade union would purchase some of the agricultural products from targeted poverty-stricken areas and employees were encouraged to try and participate in poverty alleviation projects, making their contribution to the consumption of characteristic agricultural products.

Safeguarding the growth of students in poverty-stricken areas by nurturing them with literacy and ambition. The Company mobilized young people for targeted student aid activities to help impoverished students realize the ambition of using their knowledge to change their destiny and give back to their hometown, laying a solid foundation for long-term poverty alleviation. The Company placed over 60 targets of poverty alleviation in file and paired them off with helpers. A work mode of "One helper and one Party or Youth League organization for each target" was established to ensure that each target has an ad hoc helper and organization for them, and the Company continuously tracked relevant work through the "one-to-one" poverty alleviation archive and love pairing manual. In the spirit of helping poor students with a loving heart, more than 1,600 people participated in voluntary donation or charity sale to raise money for annual grants. To help those industrious students realize their ambition, different copybooks and books were gifted to students at various learning stages to encourage them to "write in good handwriting, read good books, and be a kind person". Love letters were sent on a quarterly basis to enhance bonding and encourage children to improve their learning capability and build their confidence in learning. Young teams went to various county and township schools and homes of poor students for charity discussion and exchanges, so as to thoroughly learn about the situation of these schools and students and provide more targeted support to satisfy their needs.

Helping people to alleviate poverty and enhancing ideological awareness. On the one hand, the Bank focused on the "basic lines" of "two no worries and three guarantees" to help bridge the gap between regions. The basic goals of"no worrying about food and clothing, and guaranteeing compulsory education, basic medical treatment and housing security" are the "basic lines" of poverty alleviation. In 2019, part of the Bank's capital endowment was used for infrastructure improvement projects, to "improve weak links" in the basic life of villagers of pairing villages. The Bank first improved the basic conditions, worked hard to address the weak links and major problems in housing, public health facilities and transportation, and laid a solid foundation for poverty alleviation to deliver practical benefits to the poor households: reinforced the houses, dismantled the dangerous houses, and built more toilets and livestock housing for the Ajiao Village; built the roads for transporting for Luotaiyi Village, and built recreation room for villagers for the first and second team of Aji Village. In addition to the overall arrangement of capital investment of the Bank, the business units provided the villagers with furniture, bedding, clothing, kitchenware, tableware and other necessities through charity sale and donation, and visited the poor and extremely poor families in poverty-stricken villages because of illness and disabilities. On the one hand, the Bank strengthened the value guidance in the Bank-wide involvement in poverty alleviation, and improved the ideological awareness of cadres and staff. The Bank regarded poverty alleviation as an important component of corporate culture deep-rooting. The Bank deepened communication through the building of parties and associations, to steadily promote the progress of assisted projects; carried out extensive communication with the rural bellwethers of becoming rich and leaders of grassroots party organizations to improve the demonstration and driving effect for poverty alleviation, and stimulate the endogenous driving force for poverty alleviation in paired areas. The Bank continued to care about the improvement of living conditions, living standards and the start-up of industrial development in the paired areas, and encouraged employees to continue to promote targeted poverty alleviation with sincerity.

Financially improving effectiveness of poverty alleviation. The Bank took the initiative to meet the financial needs of poverty-stricken areas, explored key projects and characteristic industries that effectively drove the development of poverty-stricken households, improved loan products for industrial poverty alleviation, enhanced financing guidance, increased targeted credits, and gave preferential policies to increase efforts in financial poverty alleviation. At the end of the reporting period, the balance of loans for targeted poverty alleviation amounted to RMB910 million, among which, loans for registered poverty-stricken people amounted to RMB433 million and loans for industrial poverty alleviation amounted to RMB477 million.

Details of targeted poverty alleviation works of the Bank are as follows:

Unit: RMB'000

Item	Amount and details
I. Overall	
Funds	919,578.90
II. Donation by types	
Industrial poverty alleviation	
Number of industrial poverty alleviation projects	2
Amounts for industrial poverty alleviation projects	5,160.00
Educational poverty alleviation	
among which: Amounts of subsidies to students	55.10
Social poverty alleviation	
Amount for poverty alleviation collaboration between the eastern and western regions	3,900.00
Amounts for targeted poverty alleviation	60.00
Charity fund	717.80
Others	
among which: Investment	909,686.00

Note: The investment under the “Others”column in the table includes mainly loans for targeted financial poverty alleviation.

Future plan for targeted poverty alleviation:

The Bank will continue to improve collaborative poverty alleviation systems it participated in, enhance innovation of poverty alleviation mechanism, focus on work difficulties, step up efforts for promotion, strengthen the building of parties and associations, and paired assistance, practice the integration of poverty alleviation, change of attitude and support of education, integrate resources to bring into play the synergy of poverty alleviation, support the industrialized operation of poverty-stricken areas, and improve their sustainable employability to make positive contributions to winning the fight against poverty.

（II）Performance of social responsibility

The Bank has performed its social responsibility proactively and issued annual social responsibility reports for thirteen consecutive years in order to disclose the details to the public. For details of the Bank’s social responsibility work in 2019, please see the Bank of Shanghai’s Social Responsibility Report in 2019 published on the website of SSE (http://www.sse.com.cn).

（III）Protection of consumer rights

The Bank attaches great importance to the protection of consumer rights, and integrates it into corporate governance, corporate culture building and business development strategy. Regarding consumer protection, the Bank has set up independent performance departments and professional posts and teams, relevant departments of the head office all have contact persons, branches have set up special posts, and sub-branches are equipped with contact persons, to ensure the efficiency of cross - departmental collaboration and vertical transmission. Focusing on the whole process management of consumer rights protection, the Bank has carried out independent review of consumer protection in advance, implemented relevant regulations on consumer rights protection before the launch of products and services, improved the operation process of double recording in the process, took the lead in bringing risk assessment into double recording management in the industry, practiced user thinking afterwards, enhanced traceability improvement,

implemented in advance new policies on complaint classification and guidance, actively used the third-party mediation to resolve the conflicts between customers and the Bank, collected and analyzed customer complaints through the "voice of customers" appeal management mechanism, and assisted in the optimization and improvement of products, services and processes, to promote the coordinated development of business operation and consumer protection. The Bank has actively carried out financial knowledge publicity and education, and carried out various special and daily publicity and education activities according to the characteristics of customers through online and offline channels, so as to build a harmonious and win-win financial consumption relationship with consumers.

（IV）Performance of other social responsibilities

Since the outbreak of COVID-19 in 2020, the Bank has been actively taking social responsibility and deploying a series of measures to support the fight against and prevention & control of the epidemic.

Donating RMB20 million to support the fight against the epidemic. On 27 January 2020, the Bank announced its donation of RMB20 million through the Shanghai Charity Foundation to support the epidemic prevention and control, which was used to purchase materials urgently needed for the epidemic prevention and control in Wuhan, Hubei, the equipment and drugs needed by Shanghai medical teams sent to support Wuhan, and insurance for frontline healthcare workers in Shanghai. Meanwhile, the Bank quickly set up green channels to ensure service efficiency, and fully supported relevant units and individuals, including exempting them from transfer fees for donations and special funds for epidemic prevention; and provided emergency financial services such as emergency cash withdrawal and fund transfer for relevant departments and epidemic prevention units.

Assisting in the fight against the epidemic. In active response to the government's decisions and arrangements for epidemic prevention and control, the Bank immediately issued the "20 measures to fully support the epidemic prevention and control and ensure the steady and healthy development of the real economy", including providing a special line of credit for epidemic prevention, "emergency revolving loan", "renewal of loan with principal repayment postponed" and other products; vigorously supported the R&D of drugs and vaccines via technology and innovation financing; promoted the online inclusive finance and supply-chain finance products; built online, intelligent and whole-process smart “e-medical" service system for medical institutions; implemented the green & convenient channel mechanism, namely giving priority to emergencies and special events, to ensure the efficiency of the whole process; gave full support to the enterprises affected by the epidemic through appropriate reduction of loan rates, credit restructuring and reduction of overdue interest; released "11 measures for prevention and control of COVID-19 in retail business"; provided preferential policies to people who have temporarily lost their sources of income due to the epidemic, to staff involved in epidemic prevention and control, and to medical staff; flexibly adjusted the personal credit repayment arrangement and reasonably delayed the repayment; in view of the characteristics of customers of pension service, strengthened the innovation and promotion of targeted products during the epidemic period, guided customers to make appointments online and avoided going to the bank during rush hours, so as to avoid the possible risks caused by crowd gathering.

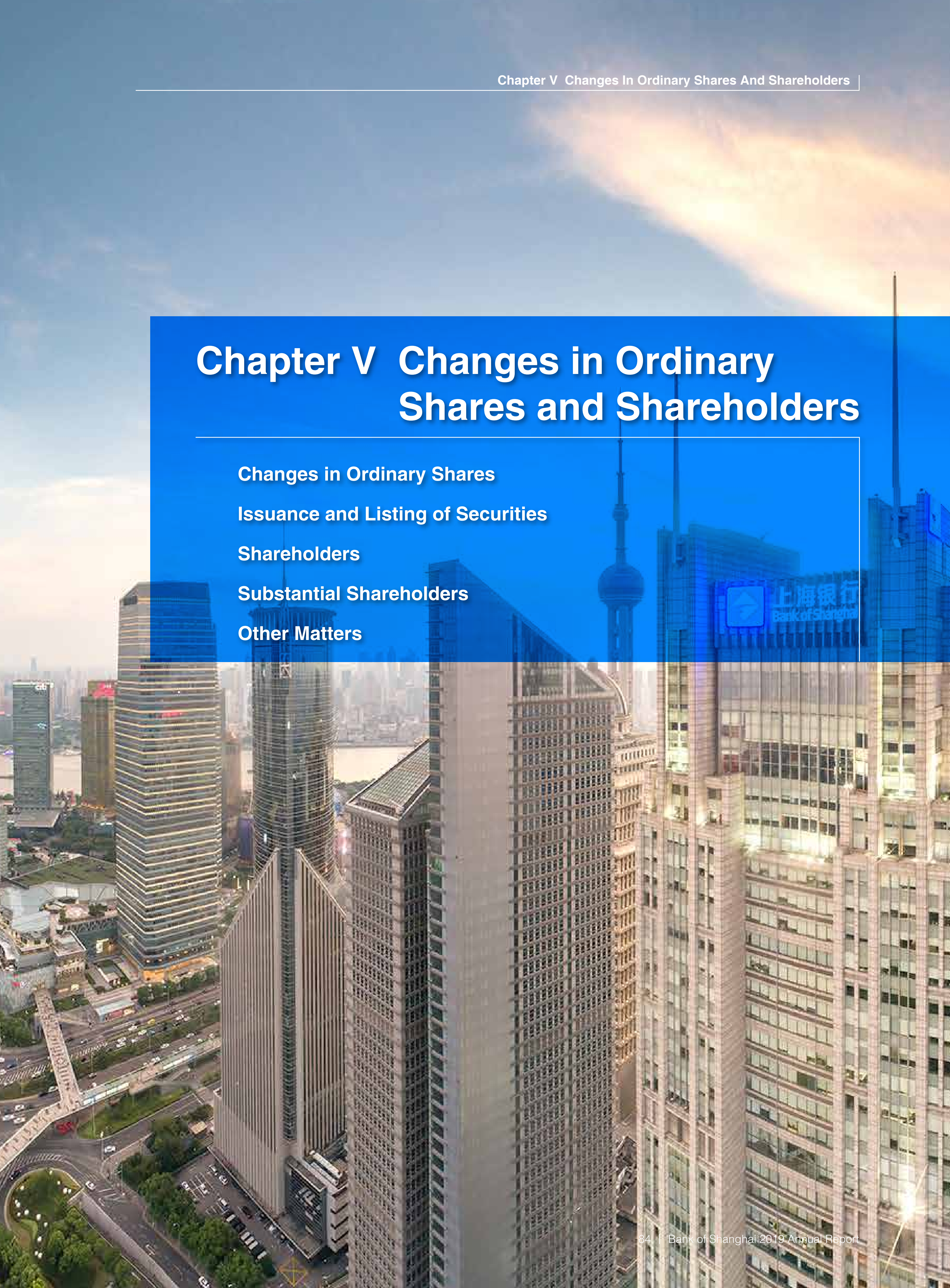
XIII. Other Major Events

（I）Issuance of eligible tier-2 capital bonds in RMB with write-down features

In November 2019, the Bank issued RMB20 billion tier-2 capital bonds (hereinafter referred to as "the Bonds") in the national inter-bank bond market. The Bonds are 10-year fixed rate bonds with conditional redemption right by the issuer at the end of the fifth year, with a coupon rate of 4.18%. According to the approval of applicable laws and regulatory authorities, the proceeds from issuance of the Bonds are used to supplement the Bank's tier-2 capital, improve capital adequacy ratio, enhance risk resistance, and support the sustainable and steady business development.

(II) Public offering of A-share convertible corporate bonds

On 25 October 2019, the 12th meeting of the 5th session of the Board of Directors of the Bank deliberated and approved relevant proposals on the plan of public offering of A-share convertible corporate bonds, and proposed to publicly issue no more than RMB20 billion (inclusive) of A-share convertible corporate bonds (hereinafter referred to as "the Offering"). In December 2019, the State-owned Assets Supervision and Administration Commission of Shanghai approved the Reply on Issues Concerning the Public Offering of A-share Convertible Corporate Bonds by Bank of Shanghai Co., Ltd., agreeing in principle to the Offering plan proposed by the Board of Directors of the Bank. On 12 December 2019, the first extraordinary general meeting for 2019 deliberated and approved the relevant proposals for the Offering. The plan for the public offering of A-share convertible corporate bonds shall be subject to the approval of China Banking and Insurance Regulatory Commission Shanghai Bureau, China Securities Regulatory Commission, and other regulatory authorities.



Chapter V Changes in Ordinary Shares and Shareholders

I. Changes in Ordinary Shares

(I) Table of changes in ordinary shares

Unit: Share

	At the beginning of the reporting period		Change during the reporting period (+, -)			At the end of the reporting period	
	Number	Percentage	Shares converted from surplus reserve	Shares released from restriction	Sub-total	Number	Percentage
(I) Restricted shares	5,732,521,567	52.46%	1,719,756,470	-6,507,531,616	-4,787,775,146	944,746,421	6.65%
1. State-owned shares	57,644,734	0.53%	17,293,420	-74,938,154	-57,644,734	-	-
2.Shares held by state-owned legal persons	3,556,073,468	32.54%	1,066,822,042	-4,407,780,863	-3,340,958,821	215,114,647	1.51%
3.Shares held by other domestic investors	1,115,546,565	10.21%	334,663,968	-839,825,159	-505,161,191	610,385,374	4.30%
Including: Shares held by domestic non-state-owned legal persons	563,164,195	5.16%	168,949,259	-732,113,454	-563,164,195	-	-
Shares held by domestic natural persons	552,382,370	5.05%	165,714,709	-107,711,705	58,003,004	610,385,374	4.30%
4. Shares held by foreign investors	1,003,256,800	9.18%	300,977,040	-1,184,987,440	-884,010,400	119,246,400	0.84%
Including: Shares held by foreign legal persons	1,003,256,800	9.18%	300,977,040	-1,184,987,440	-884,010,400	119,246,400	0.84%
Shares held by foreign natural persons	-	-	-	-	-	-	-
II. Non-restricted shares	5,195,577,433	47.54%	1,558,673,230	6,507,531,616	8,066,204,846	13,261,782,279	93.35%
1.RMB dominated ordinary shares	5,195,577,433	47.54%	1,558,673,230	6,507,531,616	8,066,204,846	13,261,782,279	93.35%
2.Domestically- listed foreign shares	-	-	-	-	-	-	-
3.Overseas listed foreign shares	-	-	-	-	-	-	-
4.Others	-	-	-	-	-	-	-
III. Total	10,928,099,000	100.00%	3,278,429,700	-	3,278,429,700	14,206,528,700	100.00%

Note: Discrepancy is due to rounding off.

1. Information on changes in ordinary shares

On 14 June 2019, the Bank passed the Resolution regarding the Profit Distribution Proposal for 2018 of Bank of Shanghai Co., Ltd. at the annual general meeting for 2018, pursuant to which a total of 3,278,429,700 shares were capitalised from the capital reserve and allotted to all shareholders on the basis of 0.3 share for each ordinary share in the total ordinary share capital of 10,928,099,000 shares before the carrying out of the resolution. Following the capitalisation, the total ordinary share capital of the Bank became 14,206,528,700 shares. The record date and ex-right (dividend) date of the profit distribution were 2 July 2019 and 3 July 2019 respectively. The resulting registered capital and total paid-in capital (share capital) of the Bank have been verified by KPMG Huazhen (Special General Partnership) in the capital verification report KPMG Huazhe Yan Zi No. 1900373 dated 4 July 2019.

On 18 November 2019, 6,507,531,616 restricted shares of the Bank were listed for trading. Such shares were those under its initial public offering with a lock-up period of 36 months from the date of listing. Therefore, the Bank recorded a decrease in restricted shares and a corresponding increase in non-restricted shares.

2. 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 10,928,099,000 shares to 14,206,528,700 shares.

As at the end of the reporting period, basic earnings per share amounted to RMB1.36 and net assets per share attributable to ordinary shareholders of the Bank was RMB11.03. As calculated according to the total number of shares before the capitalisation, during the reporting period, basic earnings per share was RMB1.76 and net assets per share attributable to ordinary shareholders of the Bank was RMB14.34.

(II) Changes in restricted shares

Unit: Share

Name of shareholders	Number of restricted shares at beginning of period		Decrease in restricted shares during the reporting period	Increase in restricted shares during the reporting period	Number of restricted shares at end of period	Reasons for restriction	Date of release
Shanghai Alliance Investment Ltd.		1,453,521,741	1,889,578,263	436,056,522	0	Initial public offering	16 Nov 2019
Shanghai International Port (Group) Co., Ltd.	708,198,400	542,725,595	705,543,274	162,817,679	0	Initial public offering	16 Nov 2019
		165,472,805	0	49,641,842	215,114,647	Fifth issuance by capital increase	10 Jun 2020
Banco Santander, S.A	708,198,400	616,470,400	801,411,520	184,941,120	0	Initial public offering	16 Nov 2019
		91,728,000	0	27,518,400	119,246,400	Fifth issuance by capital increase	10 Jun 2020
TCL Corporation		366,695,195	476,703,754	110,008,559	0	Initial public offering	16 Nov 2019
China Jianyin Investment Limited		528,709,818	687,322,763	158,612,945	0	Initial public offering	16 Nov 2019
Shipbuilding International Trading Co., Ltd.		445,972,922	579,764,799	133,791,877	0	Initial public offering	16 Nov 2019
Shanghai Commercial Bank Limited		295,058,400	383,575,920	88,517,520	0	Initial public offering	16 Nov 2019
Shanghai Huangpu National Assets Company		211,800,112	275,340,146	63,540,034	0	Initial public offering	16 Nov 2019
Shanghai Huixin Investment Co., Ltd.		207,870,475	270,231,618	62,361,143	0	Initial public offering	16 Nov 2019
Citic Guoan Co., Ltd		196,469,000	255,409,700	58,940,700	0	Initial public offering	16 Nov 2019
Account No. 1 of National Council for Social Security Fund		57,644,734	74,938,154	17,293,420	0	Initial public offering	16 Nov 2019
Senior management and other natural persons holding more than 50,000 employee shares before the Bank's initial public offering of A shares	552,382,370	82,855,154	107,711,705	24,856,551	0	Initial public offering	16 Nov 2019
		82,855,155	0	24,856,551	107,711,706		16 Nov 2020
		82,855,156	0	24,856,551	107,711,707		16 Nov 2021
		27,624,036	0	8,287,207	35,911,243		16 Nov 2022
		276,192,869	0	82,857,849	359,050,718		16 Nov 2024

Notes: 1.In February 2020, TCL Corporation announced that its name would change from "TCL Corporation" to "TCL Technology Group Corporation". Same for below;

2.In July 2019, the Bank's profit distribution and capitalisation of capital reserve for 2018 were completed on the basis of 0.3 share for each ordinary share to all shareholders.

II. Issuance and Listing of Securities

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

Please refer to "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 610,385,374.

Date of issuance of internal employee shares	Offer price of internal employee shares (RMB)	Size of restricted internal employee shares (share)
-	-	610,385,374
Description of existing internal employee shares	the number of internal employee shares which are tradable shares subject to selling restriction was 610,385,374. 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

Total number of holders of ordinary shares as at the end of the reporting period	132,282
Total number of holders of ordinary shares as at the end of the month preceding the publication of the annual report	133,117
Total number of holders of preference shares with voting rights restored as at the end of the reporting period	0
Total number of holders of preference shares with voting rights restored as at the end of the month preceding the publication of the annual report	0

(II) Shareholdings 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

Shareholdings of the top ten shareholders						
Name of shareholder	Change during the reporting period	Number of shares held at the end of the period	Percent-age	Number of shares subject to selling restrictions	Number of shares pledged or frozen	Nature of shareholder
Shanghai Alliance Investment Ltd.	503,350,841	1,965,723,786	13.84%	-	-	State-owned legal person
Shanghai International Port (Group) Co., Ltd.	376,958,167	1,178,744,443	8.30%	215,114,647	-	State-owned legal person
Banco Santander, S.A.	218,422,990	929,137,290	6.54%	119,246,400	-	Foreign legal person
TCL Corporation	184,614,884	729,809,988	5.14%	-	-	Domestic non-state-owned legal person
China Jianyin Investment Limited	158,612,945	687,322,763	4.84%	-	-	State-owned legal person
Shipbuilding International Trading Co., Ltd.	133,791,877	579,764,799	4.08%	-	-	State-owned legal person
Ping An Life Insurance Company of China, Ltd. — Universal Insurance — Universal Personal Insurance	114,293,242	495,270,716	3.49%	-	-	Others
Shanghai Commercial Bank Limited	98,356,440	426,211,240	3.00%	-	-	Foreign legal person
Hong Kong Securities Clearing Company Limited	185,432,810	411,846,782	2.90%	-	Unknown	Foreign legal person
Shanghai Jing'an Finance Bureau	67,120,815	290,856,868	2.05%	-	-	State

Unit: Share

Shareholdings 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
Shanghai Alliance Investment Ltd.	1,965,723,786	RMB dominated ordinary shares
Shanghai International Port (Group) Co., Ltd.	963,629,796	RMB dominated ordinary shares
Banco Santander, S.A.	809,890,890	RMB dominated ordinary shares
TCL Corporation	729,809,988	RMB dominated ordinary shares
China Jianyin Investment Limited	687,322,763	RMB dominated ordinary shares
Shipbuilding International Trading Co., Ltd.	579,764,799	RMB dominated ordinary shares
Ping An Life Insurance Company of China, Ltd. — Universal Insurance — Universal Personal Insurance	495,270,716	RMB dominated ordinary shares
Shanghai Commercial Bank Limited	426,211,240	RMB dominated ordinary shares
Hong Kong Securities Clearing Company Limited	411,846,782	RMB dominated ordinary shares
Shanghai Jing'an Finance Bureau	290,856,868	RMB dominated ordinary shares

Notes: 1.As at the end of the reporting period, the list of top ten shareholders was the same as that at the beginning of the period, where the changes in shareholdings among them were due to capitalisation of capital reserve and increase in shareholdings of certain shareholders;

2.Banco Santander, S.A. held 929,137,290 shares of the Bank, accounting for 6.54% of the total share capital of the Bank, of which 8,479,370 shares are held in the name of Hong Kong Securities Clearing Company Limited, accounting for 0.06% shares of the Bank;

3.Shanghai Commercial Bank Limited held 426,211,240 shares of the Bank, accounting for 3.00% of the total share capital of the Bank, of which 42,635,320 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;

4.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 8,479,370 shares and 42,635,320 shares of the Bank held by Banco Santander, S.A. and Shanghai Commercial Bank Limited respectively;

5.The Bank was not aware of any connected relations between the above shareholders or whether they were parties acting in concert.

Shareholdings 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: Date when the shares will be listed	Conditions for listing of shares subject to selling restrictions: Number of additional shares to be listed	Restrictions
1	Shanghai International Port (Group) Co., Ltd.		215,114,647	2020/6/10	-	No transfer of share is allowed within five years from the date of completion of the change in business registration
2	Banco Santander, S.A.		119,246,400	2020/6/10	-	No transfer of share is allowed within five years from the date of completion of the change in business registration
3	39 natural person shareholders holding 500,000 employee shares as at the time of the IPO of the Bank	1,005,550	177,450	2020/11/16	-	No sale of over 15% shares held in any one year and 50% within five years from the expiry of the lock-up period
			177,450	2021/11/16	-	
			59,150	2022/11/16	-	
			591,500	2024/11/16	-	
Connected relationship or action in concert of the above shareholders		The Bank was not aware of any connected relationship or action in concert among the above shareholders.				

Note: As at the end of the reporting period, each of the above 39 natural person shareholders held 1,005,550 restricted tradable shares of the Bank and equally ranked third. Such shares were locked up in accordance with requirements under the Notice of Regulating Shareholdings by Employees of Financial Institutions (Cai Jin [2010] No. 97).

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) Substantial shareholders

1.Shanghai Alliance Investment Ltd. As at the end of the reporting period, Shanghai Alliance Investment Ltd. held 1,965,723,786 ordinary shares of the Bank, accounting for 13.84% 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 RMB10 billion. Its legal representative was Qin Jian, and unified social credit code was 9131000013223401XX. Business of Shanghai Alliance Investment Ltd. includes 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 at the end of the reporting period, Shanghai Alliance Investment Ltd., together with its related parties and persons acting in concert, held 14.09% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

2.Shanghai International Port (Group) Co., Ltd. As at the end of the reporting period, Shanghai International Port (Group) Co., Ltd. held 1,178,744,443 ordinary shares of the Bank, accounting for 8.30% of the total share capital of the Bank. After nomination by Shanghai International Port (Group) Co., Ltd., Mr. Gu Jinshan became a director of the Bank. Shanghai International Port (Group) Co., Ltd. was established in October 1988 with registered capital of RMB23.174 billion. Its legal representative was Gu Jinshan, and unified social credit code was 913100001322075806. Business of Shanghai International Port (Group) Co., Ltd. includes 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 at the end of the reporting period, Shanghai International Port (Group) Co., Ltd., together with its related parties and persons acting in concert, held 8.33% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

3.Banco Santander,S.A. As at the end of the reporting period, Banco Santander, S.A. held 929,137,290 ordinary shares of the Bank, accounting for 6.54% 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. Business of Banco Santander, S.A. includes 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 at the end of the reporting period, Banco Santander, S.A., together with its related parties and persons acting in concert, held 6.54% of the shares of the Bank in aggregate, of which 8,479,370 shares were held in the name of Hong Kong Securities Clearing Company Limited, accounting for 0.06% of the total share capital of the Bank. No shares of the Bank were pledged.

4.TCL Corporation. As at the end of the reporting period, TCL Corporation held 729,809,988 ordinary shares of the Bank, accounting for 5.14% of the total share capital of the Bank. After nomination by TCL Corporation, Ms. Du Juan became a director of the Bank. TCL Corporation was established in March 1982 with registered capital of RMB13.528 billion. Its legal representative was Li Dongsheng, and unified social credit code was 91441300195971850Y. Business of TCL Corporation includes 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 repair, 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. In February 2020, TCL Corporation announced that its name would change from "TCL Corporation" to "TCL Technology Group Corporation". 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, TCL China Star Optoelectronics Technology Co., Ltd. and Highly Information Industry Co., Ltd.. As at the end of the reporting period, TCL Corporation, together with its related parties and persons acting in concert, held 5.14% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

(II) Other substantial shareholders

1.China Jianyin Investment Limited. As at the end of the reporting period, China Jianyin Investment Limited held 687,322,763 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 Dong Shi, and unified social credit code was 911100007109328650. Business of China Jianyin Investment Limited includes 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 Company Limited and JIC Leasing Co., Ltd.. As at 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.

2.Shipbuilding International Trading Co., Ltd. As at the end of the reporting period, Shipbuilding International Trading Co., Ltd. held 579,764,799 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. Business of Shipbuilding International Trading Co., Ltd. includes self-operation and agency for import and export business of various commodities and technologies, processing of imported materials and OEM business, countertrade 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 at the end of the reporting period, Shipbuilding International Trading Co., Ltd., together with its related parties and persons acting in concert, held 4.48% of the shares of the Bank in aggregate. No shares of the Bank were pledged.

3.Shanghai Commercial Bank Limited. As at the end of the reporting period, Shanghai Commercial Bank Limited held 426,211,240 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 HK$2.0 billion. Its legal representative was David Sek-chi Kwok. Business of Shanghai Commercial Bank Limited includes provision of banking and banking-related financial services in Hong

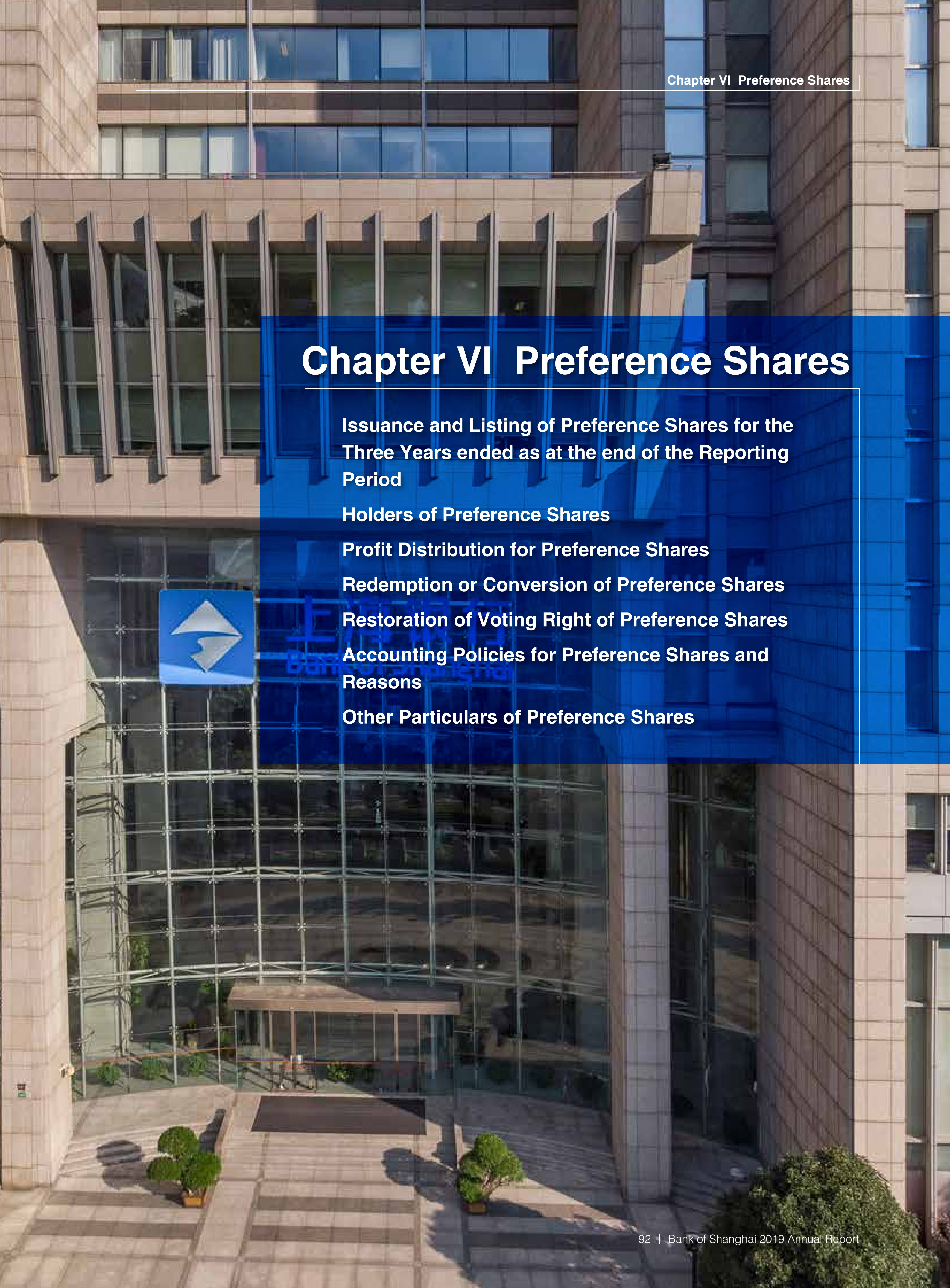
Kong, the United States, the United Kingdom and China. The controlling shareholder of Shanghai Commercial Bank Limited were Krinein Company, Shanghai United International Investment Ltd., Empresa Invesiones Generales, S.A. and Wells Fargo Bank, N.A., and its de facto controller and ultimate beneficiary 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 at 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 42,635,320 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.

4.Shanghai Huangpu National Assets Company. As at the end of the reporting period, Shanghai Huangpu National Assets Company held 275,340,146 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 Huang Jianrong, and unified social credit code was 913101016302010773. Business of Shanghai Huangpu National Assets Company includes 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 at 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.

5.Shanghai Luwan Financial Investment Company. As at the end of the reporting period, Shanghai Luwan Financial Investment Company held 151,041,717 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. Business of Shanghai Luwan Financial Investment Company includes 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 National Assets Company. As at 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.

V. Other Matters

According to the shareholder register provided by China Securities Depository and Clearing Corporation: Citic Guoan Co., Ltd held 255,409,700 shares, representing a 1.80%, in the Bank as at the end of the reporting period, of which 255,409,694 shares were pledged and 255,409,700 shares were subject to judicial freezing.



Chapter VI 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	Shang Yin You 1	19 December 2017	100	5.20%	200 million shares	12 January 2018	200 million shares	-
Progress of 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	23
Total number of holders of preference shares as at the end of the month immediately prior to the date of this annual report	23

(II) Shareholdings of top ten holders 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	Share-holding per-cent-age	Class of shares held	Shares pledged or frozen	Nature of share-holders
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
Changjiang Pension Insurnace — 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 a 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 publicly 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; and Shanghai International Port (Group) Co., Ltd. and Postal Savings Bank of China Co., Ltd.. Save for the above, the Bank was not aware of any connected relationship or action in concert among the above holders of preference shares and between them and the top ten holders of ordinary shares.					

III.Profit Distribution for Preference Shares

（I）Profit distribution policy

Preference shares of the Bank 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 in the first dividend adjustment period of the preference shares of the Bank determined based on market consultation was 5.20%.

The Bank may distribute dividends to 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.

Cash dividends for preference shares of the Bank shall be paid in cash on an annual basis, and the coupon-bearing principal shall be the total par value of issued and outstanding preference shares.

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

（II）Profit distribution on preference shares during the reporting period

As approved at the 12th meeting of the fifth Board of Directors of the Bank and authorized by the general meeting by resolutions, dividends on preference shares of the Bank were paid on 19 December 2019. Relevant conditions and procedures for distribution have been complied with. 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.

（III）Profit distribution for last three years

Unit: RMB100 million

Year	Dividend distribution date	Distribution (tax inclusive)	Net profit attributable to shareholders of the Bank for the year of distribution	Proportion to net profit attributable to shareholders of the Bank
2019	19 December 2019	10.40	202.98	5.12%
2018	19 December 2018	10.40	180.34	5.77%
2017	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

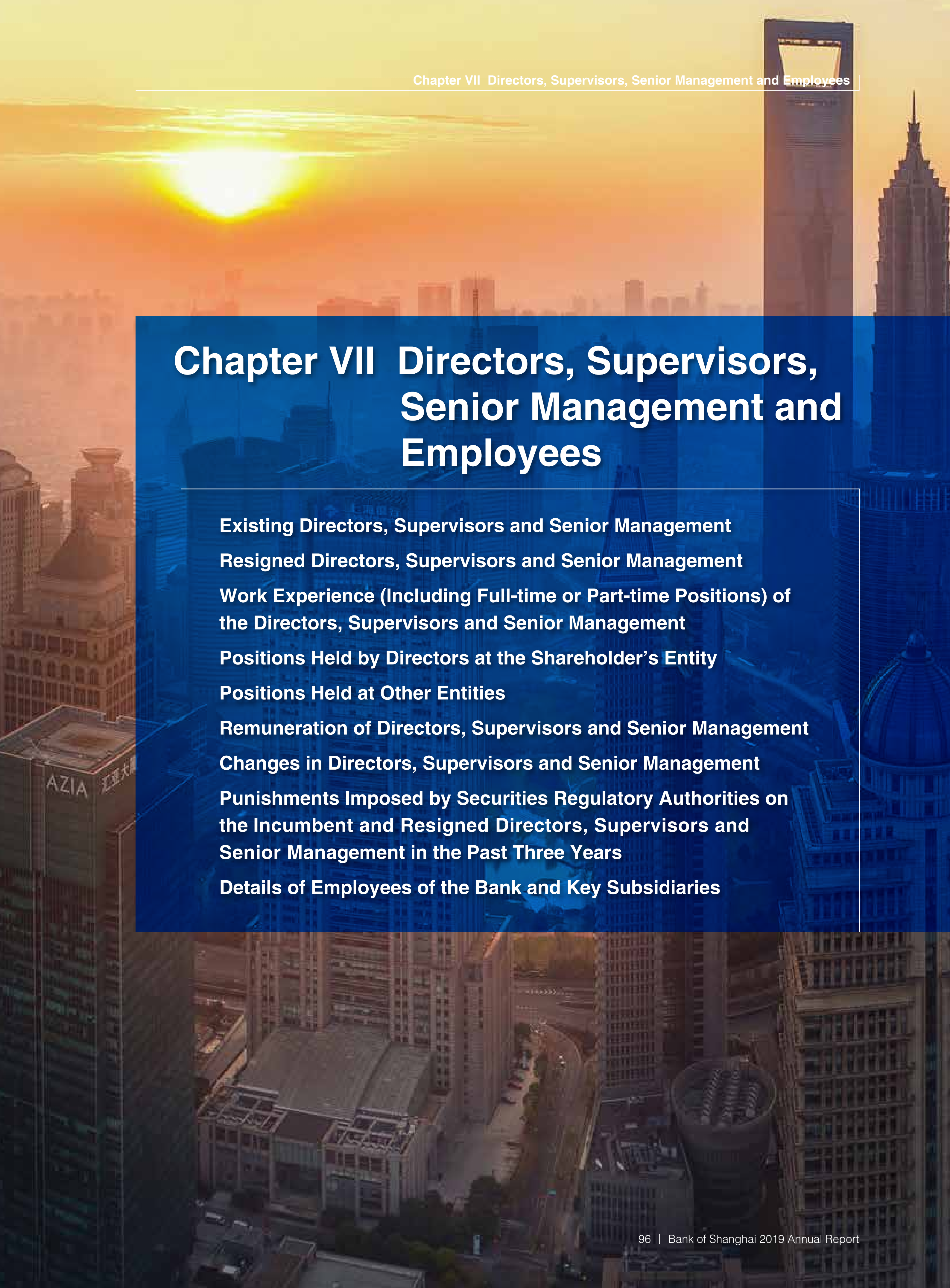
During the reporting period, the Bank did not restore the voting right of preference shares.

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 (Cai Kuai [2017] No. 7), Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments (2014 Revision) (Cai Kuai [2017] No. 14) 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.

VII. Other Particulars of Preference Shares

A transfer of capital reserve to share capital of the Bank was carried out in July 2019. According to the formula for 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 RMB12.95 per share to RMB9.96 per share on 3 July 2019. 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.



Chapter VII 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	Shares 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	-	-	-	99.66	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	132,860	235,719	102,859	113.27	No
Shi Hongmin	Executive Director	Male	1968	October 2018-the expiry of the term of office of the current session	-	57,000	57,000	104.07	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
Gu Jinshan	Non-executive Director	Male	1962	January 2020-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	-	26,000	26,000	-	Yes

Name	Position	Gender	Year of birth	Commencement and expiration date of term of office	Shares 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
Du Juan	Non-executive Director	Female	1970	October 2019-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	-	-	-	30.00	Yes
Guan Tao	Independent Non-executive Director	Male	1970	August 2017-the expiry of the term of office of the current session	-	-	-	30.00	Yes
Sun Zheng	Independent Non-executive Director	Male	1957	August 2017-the expiry of the term of office of the current session	-	-	-	30.00	Yes
Xu Jianxin	Independent Non-executive Director	Male	1955	September 2015-the expiry of the term of office of the current session	-	-	-	30.00	Yes
Gong Fang-xiong	Independent Non-executive Director	Male	1964	August 2017-the expiry of the term of office of the current session	-	-	-	30.00	Yes
Shen Guoquan	Independent Non-executive Director	Male	1965	August 2017-the expiry of the term of office of the current session	-	-	-	30.00	Yes
Yuan Zhigang	External Supervisor	Male	1958	June 2017-the expiry of the term of office of the current session	-	-	-	30.00	Yes
Ge Ming	External Supervisor	Male	1951	June 2017-the expiry of the term of office of the current session	-	-	-	30.00	Yes

Name	Position	Gender	Year of birth	Commencement and expiration date of term of office	Shares 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 (RMB'0,000)
Lin Liqun	Employee Supervisor	Male	1964	February 2020- the expiry of the term of office of the current session	-	-	-	217.37	No
Zhang Hongbiao	Employee Supervisor	Male	1968	February 2020- the expiry of the term of office of the current session	122,099	158,730	36,631	196.62	No
Huang Tao	Vice President	Male	1971	July 2016-the expiry of the term of office of the current session	-	57,000	57,000	104.07	No
Hu Debin	Vice President	Male	1968	July 2016-the expiry of the term of office of the current session	-	53,616	53,616	99.47	No
Wang Ming	Vice President	Male	1975	August 2018-the expiry of the term of office of the current session	74,269	116,550	42,281	104.07	No
Cui Qingjun	Vice President	Male	1972	August 2018-the expiry of the term of office of the current session	-	20,000	20,000	99.47	No
Li Xiaohong	Board Secretary	Female	1969	December 2010-the expiry of the term of office of the current session	-	20,000	20,000	142.89	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.CBIRC Shanghai Bureau approved the qualifications of Ms. Du Juan and Mr. Gu Jinshan as Directors of the Bank on 17 October 2019 and 21 January 2020, respectively;

4.Mr. Lin Liqun and Mr. Zhang Hongbiao have served as the Employee Supervisors since February 2020;

5.The remuneration of Independent Non-executive Directors and External Supervisors shall be implemented in accordance with the allowance plan considered and approved by the shareholders' general meeting; the total remuneration (before tax) of other directors, supervisors and senior management who are employed by the Bank includes the remuneration for the year received from the Bank during the reporting period, as well as social insurance, housing provident fund, enterprise annuity, and supplementary medical insurance deposited by the Bank;

6.The remuneration of the Executive Directors and senior management of the Bank for 2019 is subject to confirmation of the competent authority, while the remaining information will be disclosed upon confirmation;

7.During the reporting period, the Bank issued new shares to all holders of ordinary shares by way of capital reserve capitalisation on the basis of 0.3 new share for every share; Directors and senior management purchased A shares of the Bank from the secondary market with their own funds, and the share price changed accordingly.

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
Huang Xubin	Non-executive Director	Male	1965	2015.9-2019.1	-	-	-	-	Yes
Chen Xuyuan	Non-executive Director	Male	1956	2014.6-2019.10	-	-	-	-	Yes
Liu Jinan	Vice Chairman of the Board of Supervisors	Male	1964	2017.6-2019.8	148,672	193,273	44,601	53.54	No
Feng Xuefei	Employee Supervisor	Female	1973	2017.4-2020.2	43,711	56,824	13,113	153.24	No

Notes: 1.The total remuneration (before tax) disclosed in the above table includes the remuneration for the year received from the Bank during the reporting period, as well as social insurance, housing provident fund, enterprise annuity, and supplementary medical insurance deposited by the Bank;

2.Mr. Liu Jinan resigned as the Vice Chairman of the Board of Supervisors of the Bank in August 2019 and his remuneration above represents his total remuneration (before tax) for the year received from the Bank from January to August 2019; his overall remuneration for 2019 is subject to confirmation of the competent authority, while the remaining information will be disclosed upon confirmation;

3.During the reporting period, the Bank issued new shares to all holders of ordinary shares by way of capital reserve capitalisation on the basis of 0.3 new share for every share, and the share price changed accordingly.

III. Work Experience (Including Full-time or Part-time Positions) of the Directors, Supervisors and Senior Management

(I) Directors

Jin Yu

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 general manager of the international business department of the Shanghai branch, general 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 received a doctorate degree in economics from Fudan University and is a senior economist.

Hu Youlian

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 General 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 received a master's degree in business administration from Shanghai National Account Institute and Arizona State University.

Shi Hongmin

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, deputy director of the General Division of the Finance and Planning Department, 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 general manager and deputy general manager of the Credit Card Centre. He also served as a director of BOSC Asset Management Co., Limited. He received a master of engineering in technical economics from Tsinghua University and is a senior economist.

Ye Jun

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 received a master's degree in business administration from Shanghai Jiao Tong University.

Ying Xiaoming

Mr. Ying Xiaoming, born in June 1968, currently serves as the Non-executive Director of Bank of Shanghai, deputy chief economist and supervisor 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. 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 received a bachelor's degree in industrial management engineering from Shanghai Jiao Tong University and is a certified public valuer in China.

Gu Jinshan

Mr. Gu Jinshan, born in January 1962, 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., vice chairman of the board of directors of Shanghai Port & Shipping Equity Investment Co., Ltd. and executive director of Shanghai Tongsheng Investment (Group) Co., Ltd. He served as the director and deputy secretary of party committee of Shanghai Municipal Engineering Design Institute, director of the Construction Planning Department of the Shanghai Construction Committee, director of the Construction Planning and Science and Education Department, deputy director of Shanghai Water Authority, deputy general manager of Shanghai Chengtou Corporation, director of Shanghai Water Authority (Shanghai Municipal Oceanic Bureau), secretary of the party group, deputy secretary of the Party Committee of Shanghai Construction and Transportation, director of the Shanghai Municipal Housing and Urban-Rural Construction Management Committee, deputy secretary-general of the Shanghai Municipal Government. He received a bachelor's degree in roads engineering and an EMAB from Tongji University and is a professor level senior engineer.

Yuk Hung Antony Hung

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. and so on. 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. Hung is a fellow of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants (ACCA). He received a master's degree in business administration in finance and information systems from The Chinese University of Hong Kong.

Zhuang Zhe

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 received a master's degree of economics in finance from Renmin University of China and is a senior economist.

Li Chaokun

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, chairman of the board of directors of Zhong Chuan Finance Co., Ltd., CSSC Investment and Development Co., Ltd., CSSC Investment and Development (Shanghai) Co., Ltd. and China Cruise Industry Investment Company Limited, and executive director of CSSC International Holding Company Limited. 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., and director of Jiulong Steel Logistics Co., Ltd. He received an MBA degree from Nanjing University and is a senior researcher economist.

Du Juan

Ms. Du Juan, born in May 1970, currently serves as the Non-executive Director of Bank of Shanghai, executive director, chief operating officer and chief financial officer of TCL Corporation. She served as the manager of the finance department of the Huizhou sales department of Cathay Securities, the deputy director of the Nanhu office of the China Construction Bank Huizhou Branch, the manager and deputy general manager of the settlement department of the clearing center of TCL Group, the deputy general manager, executive deputy general manager and general manager of TCL Finance Co., Ltd. and assistant president and vice president of TCL Group, president of TCL Financial Holdings Group. She received a bachelor's degree in investment economy from Zhongnan University of Economics and Law and an EMBA degree from Cheung Kong Graduate School of Business.

David Sek-chi Kwok

Mr. David Sek-chi Kwok, born in May 1953, is an American. He currently serves as the Non-executive Director of Bank of Shanghai, vice chairman of the board of directors, 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, and directors of 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, a supervisor of Bank of Shanghai and a director of The Hong Kong Bankers' Club. Mr. Kwok is a fellow of Chartered Institute of Bankers and The Hong Kong Institute of Bankers. He received a college degree in financial study from New Method College.

Gan Xiangnan

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 Huang Pu Industrial Group Co., Ltd. and Shanghai New Huangpu (Group) Co., Ltd., chairman of the board of directors of Shanghai Huitongyuan Investment Management Co., Ltd. and director of Shanghai New Huangpu Asset 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 received a doctorate degree of economics from Fudan University and is a senior economist.

Wan Jianhua

Mr. Wan Jianhua, born in January 1956, currently serves as the Independent Non-executive Director of Bank of Shanghai, chairman of the board of directors of All In Pay Network Services Co., Ltd., chairman of Association of Shanghai Internet Financial Industry, independent director of China Resource Bank of Zhuhai Co., Ltd., Great Wall Fund Management Co., Ltd., Shanghai Xinnanyang Only Education and Technology Co., Ltd. and Gome Finance Technology Co., Ltd. and Shengang Securities Company Limited. His previous work experience includes director of the macro analysis division under the treasury management department of the People's Bank of China, executive vice president of the headquarters of China Merchants Bank, 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 received a master's degree of economics in monetary banking from Financial Research Institute of the People's Bank of China.

Guan Tao

Mr. Guan Tao, born in November 1970, currently serves as the Independent Non-executive Director of Bank of Shanghai, the global chief economist of BOC International (China) Co., Ltd., director of China International Finance Society, executive director of China Society of World Economics, 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 general department and deputy director-general and director-general of the international revenue department and member of the Third Chinese Economists 50 Forum, senior fellow of China Finance 40 Forum, and independent non-executive director of V.Stone Fund, Minmetals Capital Company Limited and BOC International (China) Co., Ltd. Mr. Guan received a doctorate degree of economics in world economics from Beijing Normal University.

Sun Zheng

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 academic review committee (business administration) of the academic degree committee of the State Council, and independent director of Shanghai Rural Commercial Bank Co., Ltd., Shanghai Qiangsheng Holding Co., Ltd., Industrial Securities Co., Ltd. and COFCO Capital Holdings 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., member of the China Accounting Standards Committee of the Ministry of Finance and member of postgraduate education guidance committee for national business administration postgraduate degree. Mr. Sun is a professor, Chinese Certified Public Accountant and a grantee of special allowance from the State Council. He received a doctorate degree of economics in accounting from Shanghai University of Finance and Economics.

Xu Jianxin

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 Electric 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., Baida Group Co., Ltd. and Shanghai Jin Jiang International Hotels (Group) Company Limited. Mr. Xu is a senior accountant and Chinese Certified Public Accountant. He received a doctorate degree of economics in accounting from Shanghai University of Finance and Economics.

Gong Fangxiong

Mr. Gong Fangxiong, born in February 1964, currently serves as the Independent Non-executive Director of Bank of Shanghai, the chairman of the board of directors of First Seafront Financial Limited, director of First Seafront Fund Management Company Limited and independent director of 9F Inc. 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 received a doctorate degree in finance and economics from the Wharton School of the University of Pennsylvania.

Shen Guoquan

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 5th Listing Committee of the Shanghai Stock Exchange, arbitrator of Shanghai Arbitration Commission and director of Shanghai Golinks Information Technology 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., 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. Mr. Shen received 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

Yuan Zhigang

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 served 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 in the Ministry of Education's Chang Jiang Scholars Program, doctoral supervisor, and a grantee of special allowance from the State Council. He received a doctorate degree in economics from École des Hautes Études en Sciences Sociales (School of Advanced Studies in the Social Sciences, EHESS).

Ge Ming

Mr. Ge Ming, born in September 1951, currently serves as an external Supervisor of Bank of Shanghai, general manager 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., exteral supervisor of the Bank of Suzhou Co., Ltd., executive director of the 5th council 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 received 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).

Lin Liqun

Mr. Lin Liqun, born in August 1964, currently serves as an Employee Supervisor of Bank of Shanghai, secretary of the party committee of Bank of Shanghai Shenzhen branch, director of Bank of Shanghai (Hong Kong) Limited and director of BOSC International Company Limited. He previously servied as vice president of Shenzhen branch of Industrial and Commercial Bank of China and the president of Shenzhen branch of Bank of Shanghai. Mr. Lin is a senior economist. He received an MBA degree from China Europe International Business School.

Zhang Hongbiao

Mr. Zhang Hongbiao, born in January 1968, currently servies as an Employee Supervisor of Bank of Shanghai, secretary of the party committee and president of Shinan branch of Bank of Shanghai, and chairman of board of directors of Shanghai Minhang BOS Rural Bank Inc. He served as president of Songjiang sub-branch of Bank of Shanghai, head of office of Bank of Shanghai and party committee office of Bank of Shanghai. He received an EMBA degree from the EMBA program by Shanghai National Accounting Institute in cooperation with Arizona State University; he is an economist.

(III) Senior management

Hu Youlian

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

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

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, and BOSC International Company Limited and director of Shenlian International Investment Company. His previous work experience includes assistant to general 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 general 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 received a master's degree in business administration from the University of Oxford.

Hu Debin

Mr. Hu Debin, born in October 1968, currently serves as a member of party committee and Vice President of Bank of Shanghai, and director of City Commercial Banks Clearing Co., Ltd. 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, a member of the party committee and deputy general manager of Software Development Centre, and deputy secretary of the party committee and deputy general manager of the Data Centre (Shanghai). He also served as the chief information officer of Bank of Shanghai. Mr. Hu is a senior engineer. He received a doctorate degree of engineering in software engineering from Jilin University.

Wang Ming

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 general manager of corporate finance department, deputy general manager of corporate finance department and as general manager of VIP department, member of party committee, secretary of discipline committee and vice president of Beijing branch, deputy general manager of interbank finance department and general manager of corporate business department and secretary of party committee and president of Puxi branch. He received a bachelor's degree of economics in world economics from Fudan University.

Cui Qingjun

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 league committee of the promotion and mass work department, head of the party committee of the organisation department and general manager of human resources department of Suzhou branch, secretary of the party committee and president of Wuzhong sub-branch and Xiangcheng 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 received a doctorate degree of management in corporate management from Soochow University and is a senior economist.

Li Xiaohong

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 received 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 and supervisor	December 2014
Gu Jinshan	Shanghai International Port (Group) Co., Ltd.	Secretary of party committee and chairman of the board of directors	July 2019
Yuk Hung Antony Hung	Banco Santander, S.A.	Executive vice president and chief executive officer of Asia Pacific of the Group, and president of Hong Kong branch	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
Du Juan	TCL Corporation	Executive director, chief operating officer and chief financial officer	January 2019
David Sek-chi Kwok	Shanghai Commercial Bank Limited	Vice chairman of the board of directors, executive director and chief executive officer	March 2020
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
Jin Yu	Shanghai Commercial Bank Limited	Director
Shi Hongmin	China UnionPay Co., Ltd.	Director
Shi Hongmin	Shanghai ShangCheng Consumer Finance Corporation Limited	Chairman of the board of directors
Ye Jun	Shanghai Information Investment Inc.	Chairman of the board of supervisors
Ye Jun	Shanghai New Margin Venture Capital Co., Ltd.	Chairman of the board of directors
Ye Jun	Shanghai Zizhu Hi-tech Industrial Park Development Co., Ltd.	Vice chairman of the board of directors
Ye Jun	Shanghai Huahong (Group) Co., Ltd.	Director
Ye Jun	Shanghai Huali Microelectronics Corporation	Director
Ye Jun	Shanghai Alliance Financial Services Limited	Chairman of the board of directors
Ye Jun	Sino-US United MetLife Insurance Company Limited	Director
Ye Jun	EverDisplay Optronics (Shanghai) Limited	Director
Ye Jun	Sinotherapeutics Inc.	Chairman of the board of directors
Ye Jun	Shanghai Zhaoxin Semiconductor Co., Ltd.	Chairman of the board of directors
Ye Jun	Joinus Technology Co., Ltd.	Chairman of the board of directors
Ye Jun	Shanghai Liantong Network Communications Technology Co., Ltd.	Chairman of the board of directors
Ye Jun	QST Corporation	Chairman of the board of the directors
Ye Jun	Shanghai Alliance Asset Management Co., Ltd.	Executive director and general manager
Ye Jun	Shanghai Lianxin Investment Management Co., Ltd.	Director
Ye Jun	Shanghai Atlas Investment Management Co., Ltd.	Director
Ye Jun	Shanghai Xinjingnan Metal Products Co., Ltd.	Chairman of the board of the directors
Ye Jun	Shanghai Huali Integrated Circuit Manufacturing Co., Ltd.	Director
Ye Jun	Shanghai Silicon Semiconductor Technology Co., Ltd.	Chairman of the board of directors
Ye Jun	Shanghai Hepin Information Technology Co., Ltd.	Executive director
Ye Jun	Shanghai Huahong Grace Semiconductor Manufacturing Corporation	Director
Ye Jun	Shanghai Jingcui Electronic Technology Co., Ltd.	Executive director
Ye Jun	Beijing Zhaoxin Electronic Technology Co., Ltd.	Chairman of the board of directors
Ye Jun	Wuhan Zhaoxin Semiconductor Co., Ltd.	Executive director
Ye Jun	Xian Zhaoxin Semiconductor Co., Ltd.	Executive director
Ye Jun	Shenzhen Zhaoxin Qihao Technology Co., Ltd.	Executive director
Ye Jun	Shanghai Zhengsailian Venture Capital Management Co., Ltd.	Supervisor
Ye Jun	Shanghai Zhengsailian Venture Capital Co., Ltd.	Supervisor
Ye Jun	Shanghai Gelan Feisi Network Technology Co., Ltd.	Executive director

Name	Name of other entities	Positions held
Ying Xiao-ming	Shanghai Huali Microelectronics Corporation	Supervisor
Ying Xiao-ming	Shanghai APACTRON Particle Equipment Co., Ltd.	Director
Ying Xiao-ming	Shanghai Huahong (Group) Co., Ltd.	Supervisor
Ying Xiao-ming	Shanghai Zhongke Shenjiang Electric Vehicle Co., Ltd.	Supervisor
Ying Xiao-ming	Tianjin STL Energy Technology Co., Ltd.	Supervisor
Ying Xiao-ming	Shenzhen Kangva Technology Co,. Ltd	Supervisor
Ying Xiao-ming	Shanghai Zhaoxin Semiconductor Co., Ltd.	Director
Ying Xiao-ming	Sino-US United MetLife Insurance Company Limited	Supervisor
Ying Xiao-ming	Joinus Technology Co., Ltd.	Director
Ying Xiao-ming	Shanghai INESA Intelligent Electronics Co., Ltd.	Vice chairman of the board of directors
Ying Xiao-ming	Shanghai Information Investment Inc.	Director
Ying Xiao-ming	Sinotherapeutics Inc.	Director
Ying Xiao-ming	EverDisplay Optronics (Shanghai) Limited	Director
Ying Xiao-ming	Shanghai Digital Century Network Co., Ltd.	Supervisor
Ying Xiao-ming	Shanghai Jingcui Electronic Technology Co., Ltd.	Supervisor
Ying Xiao-ming	Beijing Zhaoxin Electronic Technology Co., Ltd.	Director
Ying Xiao-ming	Shanghai Sinotherapeutics Haimen Pharmaceutical Co., Ltd	Director
Ying Xiao-ming	Shanghai Helan Touping Motor Technology Co., Ltd.	Director
Gu Jin-shan	Shanghai Port International Cruise Terminal Development Co., Ltd.	Chairman of the board of directors
Gu Jin-shan	Shanghai Port & Shipping Equity Investment Co., Ltd.	Vice chairman of the board of directors
Gu Jin-shan	Shanghai Tongsheng Investment (Group) Co., Ltd.	Executive director
Yuk Hung Antony Hung	Academy Marina (ABC) Limited	Director
Yuk Hung Antony Hung	Academy Sea Limited	Director
Yuk Hung Antony Hung	Academy Star Limited	Director
Yuk Hung Antony Hung	Academy Sun Limited	Director
Yuk Hung Antony Hung	Great Bloom (China) Limited	Director
Yuk Hung Antony Hung	Jiangxi Honglong Food Co., Ltd.	Director
Li Chao-kun	Zhong Chuan Finance Co., Ltd.	Chairman of the board of directors
Li Chao-kun	CSSC Investment and Development Co., Ltd.	Chairman of the board of directors
Li Chao-kun	CSSC Investment and Development (Shanghai) Co., Ltd.	Chairman of the board of directors
Li Chao-kun	China Cruise Industry Investment Company Limited	Chairman of the board of directors
Li Chao-kun	CSSC International Holding Company Limited	Executive director

Name	Name of other entities	Positions held
Du Juan	TCL China Star Optoelectronics Technology Co., Ltd.	Director
	TCL Finance Co., Ltd.	Director
	Huizhou City Zhongkai TCL Zhi Rong Technology Small Loans Co., Ltd.	Director
	TCL Financial Leasing (Zhuhai) Company Limited	Chairman of the board of directors
	Huizhou Cellutel Communication Limited	Director
	TCL Financial Holdings Group (Guangzhou) Co., Ltd.	Chairman of the board of directors
	Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	Chairman of the board of directors
	Gechuang Dongzhi (Shenzhen) Technology Co., Ltd.	Chairman of the board of directors
	Gechuang Dongzhi Technology Co., Ltd.	Chairman of the board of directors
	TCL Technology Industrial Park (Huizhou) Co. Ltd.	Director
	TCL Technology Industrial Park (Shenzhen) Co. Ltd.	Director
	TCL Technology Industrial Park Co. Ltd.	Director
	Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Director
	TCL Industries Holdings Co., Ltd.	Director
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
	Shanghai Commercial Bank (Nominees) Ltd.	Director
	Shacom Property (CA) Inc.	Director
	Shacom Property (NY) Inc.	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
	The Chinese Bankers' Association Limited	Director
	The Hong Kong Chi Tung Association Limited	Director
	Nova Credit Limited	Director
	Academy of Finance (Hong Kong)	Member
Gan Xiang-nan	Shanghai Huangpu Guiding Fund and Equity Investment Co., Ltd.	Director and deputy general manager
	Shanghai New Huang Pu Industrial Group Co., Ltd.	Director
	Shanghai New Huangpu (Group) Co., Ltd.	Director
	Shanghai Huitongyuan Investment Management Co., Ltd.	Chairman of the board of directors
	Shanghai New Huangpu Asset Management Co., Ltd.	Director

Name	Name of other entities	Positions held
Wan Jian-hua	All In Pay Network Services Co., Ltd.	Chairman of the board of directors
	Association of Shanghai Internet Financial Industry	Chairman
	China Resource Bank of Zhuhai Co., Ltd.	Independent director
	Great Wall Fund Management Co., Ltd.	Independent director
	Shanghai Xinnanyang Only Education and Technology Co., Ltd.	Independent director
	Gome Finance Technology Co., Ltd.	Independent director
	Shengang Securities Company Limited	Independent director
	Shanghai Tonghua Investment Holdings Co., Ltd.	Chairman of the board of directors
	Hanghou Huazhi Rongke Investment Management Co., Ltd.	Chairman of the board of directors
	Shanghai Zhicao Enterprise Management Consulting Co., Ltd.	Executive director
	Ningbo Haina Baichuan Enterprise Management Consulting LLP (Limited Partnership)	Managing partner
	Ningbo Huatong Wanlian Enterprise Management Consulting Co., Ltd.	Executive director
	Shanghai Tianyi Enterprise Management Consulting Co., Ltd.	Executive director and general manager
	Tonghua Jinlian (Shanghai) Technology Co., Ltd.	Chairman of the board of directors
	Shanghai Tonglian Financial Services Co., Ltd.	Chairman of the board of directors
Guan Tao	China International Finance Society	Director
	China Society of World Economics	Managing director
	BOC International (China) Co., Ltd.	Global chief economist
	Dong Fureng Economic and Social Development School of Wuhan University	Dong Fureng chair professor
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
	Academic review committee (business administration) of the academic degree committee	Member
	Shanghai Rural Commercial Bank Co., Ltd.	Independent director
	Shanghai Qiangsheng Holding Co., Ltd.	Independent director
	Industrial Securities Co., Ltd.	Independent director
	COFCO Capital Holdings Co., Ltd.	Independent director
	Shanghai Xuankai Enterprise Management Consulting Firm	Legal representa-tive
	Shanghai Caida Software Co., Ltd.	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 Electric Group Company Limited	Independent non-executive director
Gong Fang-xiong	First Seafront Financial Limited	Chairman of the board of directors
	First Seafront Fund Management Company Limited	Director
	9F Inc.	Independent director
Shen Guo-quan	AllBright Law Offices	Senior partner
	The 5th Listing Committee of the Shanghai Stock Exchange	Member
	Shanghai Arbitration Commission	Arbitrator
	Shanghai Golinks Information Technology Co., Ltd.	Director

Name	Name of other entities	Positions held
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.	General manager
	Focus Media Information Technology Co., Ltd.	Independent director
	Ping An Insurance (Group) Company of China, Ltd.	Independent director
	Bank of Suzhou Co., Ltd.	External supervisor
	The 5th Council of 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

Name	Name of other entities	Positions held
Lin Liqun	Bank of Shanghai (Hong Kong) Limited	Director
	BOSC International Company Limited	Director
Zhang Hongbiao	Shanghai Minhang BOS Rural Bank Inc.	Chairman of the board of directors
Huang Tao	Bank of Shanghai (Hong Kong) Limited	Chairman of the board of directors
	BOSC International Company Limited	Chairman of the board of directors
	Shenlian International Investment Company	Director
Hu Debin	City Commercial Banks Clearing Co., Ltd.	Director
Wang Ming	BOSC Asset Management Co., Limited	Chairman of the board of directors
Li Xiaohong	Bank of Shanghai (Hong Kong) Limited	Director
	BOSC International Company Limited	Director

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. Allowance of the Independent Non-executive Directors and External Supervisors shall be reviewed by the Board of Directors and the Board of Supervisors, respectively, and submitted to the shareholders' general meeting for approval. Non-executive directors shall not receive any remuneration from the Bank. Employee Supervisors shall receive remuneration according to the Bank's employee remuneration management. The remuneration of senior management shall be determined by the assessment results reviewed and approved by the Board of Directors and the assessment and measures on remuneration for senior management and professional managers.
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. The remuneration of Independent Non-executive Directors and External Supervisors shall be implemented in accordance with the allowance plan considered and approved by the shareholders' general meeting. The remuneration of Employee Supervisor shall be implemented in accordance with the Bank's employee remuneration management. The remuneration of other Directors, Supervisors and senior management who are entitled to receive remuneration from the Bank shall be implemented in accordance with the Bank's remuneration distribution plan considered and approved by the Board of Directors.
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 RMB13,137,500. In accordance with relevant requirements of government departments, the total remuneration of the Executive Directors, the Vice Chairman of the Board of Supervisors and senior management of the Bank for 2019 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 2019.

VII. Changes in Directors, Supervisors and Senior Management

Date	Name	Changes	Reasons of change
15 January 2019	Huang Xubin	Resigned as Non-executive Director	Change of duties
17 October 2019	Du Juan	Elected as Non-executive Director of the fifth session of the Board of Directors of the Bank at the 2018 annual general meeting and approved by CBIRC Shanghai Bureau	Election of the shareholders' general meeting
6 August 2019	Liu Jinan	Resigned as Vice Chairman of the Board of Supervisors	Change of duties
9 October 2019	Chen Xuyuan	Resigned as Non-executive Director	Change of duties
21 January 2020	Gu Jinshan	Elected as Non-executive Director of the fifth session of the Board of Directors of the Bank at the 2019 1st extraordinary general meeting and approved by CBIRC Shanghai Bureau	Election of the shareholders' general meeting
14 February 2020	Feng Xuefei	Resigned as Employee Supervisor	Change of duties
	Lin Liqun Zhang Hongbiao	Elected as Employee Supervisors of the fifth session of the Board of Supervisors of the Bank at the 8th joint meeting under the 4th session of the employee representatives meeting	Election of the staff representative meeting

VIII. Punishments Imposed by Securities Regulatory Authorities on the Incumbent and Resigned Directors, Supervisors and Senior Management 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

As at the end of the reporting period, the Group had 12,699 employees (including labour service workers), of which 12,279 worked in the Bank and 420 worked in its subsidiaries.

Unit: Person

The Bank	12,279
Composition of employees by function	
Wholesale finance business	2,649
Retail finance business	2,600
Risk and internal control	736
Information Technology	706
Branch outlet	1,941
Operation management	1,658
Management support and others	1,989
Composition of employees by education level	
Postgraduate	2,026
University graduate	8,133
Junior college graduate	1,593
Technical secondary school and below	527
Subsidiaries	420
Total	12,699

Notes: 1. Employees with education level of junior college, technical secondary school and below were mainly the labour service workers;
2. 109 employees of the Bank and its subsidiaries completed the retirement procedures for the year.

(II) Employee remuneration policy

During the reporting period, the remuneration policy of the Bank remained stable. In accordance with the requirements of corporate governance, the Bank has established a sound remuneration management structure which specifies the relevant responsibilities of the main bodies and improves the decision-making systems of the remuneration policy. The Board of Directors of the Bank bears the ultimate responsibility for remuneration management, and the Nomination and Remuneration Committee under the Board of Directors is responsible for reviewing relevant remuneration systems and policies. The senior management is responsible for proposing and implementing the relevant resolutions of the remuneration management from the Board of Directors. Human Resources Department, Planning and Finance Department, Audit Department and other functional groups are responsible for the implementation and supervision of specific remuneration management matters based on the defined responsibilities.

Based on the interaction mechanism of salary and efficiency, the Bank reasonably determines the annual total salary expenses with a comprehensive consideration of the constraints of risk cost control indicators on the remuneration as specified by Regulatory Guidelines for the Stability of Remuneration in Commercial Banks, the benchmarking of various standards such as labour productivity, input-output ratio of labour cost, and the market salary level of the employees, and the guidelines for salary increase issued by the government functional departments. The management and implementation plan for the total salary expenses, the budget and settlement of the annual total salary expenses of the Bank shall be reported to authority in accordance with regulations. During the reporting period, the net profit attributable to shareholders of the Bank increased by 12.55% year-on-year. At the end of the reporting period, the Group's capital adequacy ratio was 13.84%, the non-performing loan ratio was 1.16%, the provision coverage ratio was 337.15%, and the leverage ratio was 6.92%. Various risk cost control indicators met the control requirements. The Bank is in strict complance with the provisions of various risk management related policies and regulations of the regulatory authorities, and promotes the implementation of the latest regulatory requirements. The Bank actively fulfills its social responsibilities and publishes social responsibility reports annually. Based on the interaction mechanism of salary and efficiency and the performance of the indicators for economy, risk and social responsibility, the Group reasonably manages the annual total salary expenses of all employees.

The remuneration of employees of the Bank comprises basic salaries, allowances, performance-based bonuses and benefits, and the fixed remuneration from basic salary and allowance and so on shall not exceed 35% of the total remuneration. 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 has established a performance assessment system composed of various indicators such as economic benefits, risk compliance and social responsibility, and guided branches to reasonably allocate and use remuneration resources in order to enhance the efficiency of resource allocation.

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.

The Bank's remuneration policy applies to all employees who entered into employment contract with the Bank, with no exceptions beyond the remuneration policy.

(III) Employee training programme

The Bank classified its training programmes on “management capabilities”, “professional skills” and “fundamental banking business capabilities” in accordance with the enhanced qualification requirements on the Bank’s staff for this round of strategic planning and business transformation and development. By multiplying channels of training, innovating the way of training and strengthening practical trainings, the Bank proactively promoted the training work for its talents so as to implement the Bank's strategic planning with appropriate and sufficient human resources.

Chapter VIII Corporate Governance

I. Basic Information of Corporate Governance

During the reporting period, the Bank had committed to further enhancing its corporate governance system and optimising the corporate governance structure in accordance with laws and regulations including the Company Law, the Securities Law, the Law on Commercial Banks as well as regulatory requirements of the China Banking and Insurance Regulatory Commission (CBIRC) and the China Securities Regulatory Commission (CSRC).

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 shareholders can fully exercise their rights.

The Board of Directors was accountable to the shareholders' general meeting, undertook the ultimate responsibility of operation management and convened and held meetings and exercised its power in compliance with laws. It made significant contributions to the corporate governance, strategic management, capital management, outbound investment, share price stabilization, organisation structure, 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 performed its supervisory duties on financial and risk management and internal control management in a proactive manner. Objective and fair opinions and suggestions were provided to further optimize the Bank' s corporate governance, strengthen its operation management and facilitate the stable development.

The senior management adhered to the strategy of "boutique bank" with a focus on enhancing development quality, operation income and efficiency. It grasped the opportunities to overcome the challenge and accomplished its goals and tasks of the year with satisfactory results, achieving a continuous improvement in development quality.

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）Overview 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 meeting in strict compliance with the Articles of Association, the Rules of Procedures of the Shareholders' General Meeting and other requirements 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

Date of convening	Meeting	Designated website for enquiry on which resolutions were published	Date of disclosure of resolutions that were published
14 June 2019	2018 Annual General Meeting	www.sse.com.cn	15 June 2019
12 December 2019	1st Extraordinary General Meeting in 2019	www.sse.com.cn	13 December 2019

During the reporting period, the Bank held two shareholders' general meetings for the consideration and approval of 19 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, extension of the authorisation period for the Board of Directors and its authorised persons to deal with the issuance and listing of H shares at their sole discretion, extension of the validity and authorisation period of the resolution regarding the issuance of eligible Tier-2 capital bonds with RMB write-down features, election of directors, public offering of A-share convertible corporate bonds, formulation of 2020-2022 Capital Management Plan, formulation of Shareholders' Return Plan, 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 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 attended the meetings in person, 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 9 meetings and reviewed 72 issues. It enhanced corporate governance structure and mechanism, strengthened strategic management, capital management and capital replenishment, carried out research on outbound investment strategy and on share price stabilisation. Efforts were also made to promote the establishment of branch network, improve incentive and restraint mechanism, reinforce comprehensive risk management and internal control management and corporate culture and actively fulfill its social responsibilities, allowing the Bank to expedite its transformation and move towards the goal of becoming a "boutique bank".

(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 duly implemented the resolutions such as the 2018 Profit Distribution Proposal and the Engagement of External Auditors for 2019. It also facilitated the application for issuing convertible bonds, considered and approved the proposals on the distribution of dividend of preference shares and the implementation of share price stabilisation. All resolutions of the shareholders' general meeting were effectively implemented and advanced.

(III) Composition of the Board of Directors

As of the disclosure date of this report, the Board of Directors of the Bank has 18 directors, of which 3 are Executive Directors, namely Mr. Jin Yu, Mr. Hu Youlian and Mr. Shi Hongmin, 9 are Non-executive Directors, namely Mr. Ye Jun, Mr. Ying Xiaoming, Mr. Gu Jinshan, Mr. Yuk Hung Antony Hung, Mr. Zhuang Zhe, Mr. Li Chaokun, Ms. Du Juan, Mr. David Sek-chi Kwok and Ms. Gan Xiangnan, and 6 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 of convening	Meeting	Designated website for enquiry on which resolutions were published	Date of disclosure of resolutions that were published
18 January 2019	9th meeting of the fifth session	www.sse.com.cn	19 January 2019
8 April 2019	10th extraordinary meeting of the fifth session	www.sse.com.cn	9 April 2019
19 April 2019	10th meeting of the fifth session	www.sse.com.cn	20 April 2019
26 April 2019	11th extraordinary meeting of the fifth session	www.sse.com.cn	27 April 2019
10 June 2019	12th extraordinary meeting of the fifth session	www.sse.com.cn	11 June 2019
5 July 2019	13th extraordinary meeting of the fifth session	www.sse.com.cn	6 July 2019
23 August 2019	11th meeting of the fifth session	www.sse.com.cn	24 August 2019
25 October 2019	12th meeting of the fifth session	www.sse.com.cn	26 October 2019
23 December 2019	14th extraordinary meeting of the fifth session	www.sse.com.cn	24 December 2019

Number of meetings of the Board of Directors held during the year	9
Of which: On-site meetings	4
Meetings convened by way of correspondence	5
Meetings convened on-site and by way of correspondence	-

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)	Attendance / Required Attendance
Jin Yu	No	9	8	5	1	-	1/2
Hu Youlian	No	9	9	5	-	-	2/2
Shi Hongmin	No	9	9	5	-	-	2/2
Ye Jun	No	9	7	5	2	-	1/2
Ying Xiaoming	No	9	8	5	1	-	1/2
Yuk Hung Antony Hung	No	9	9	5	-	-	2/2
Zhuang Zhe	No	9	8	5	1	-	1/2
Li Chaokun	No	9	6	5	3	-	1/2
Du Juan	No	2	1	1	1	-	0/1
David Sek-chi Kwok	No	9	9	5	-	-	2/2
Gan Xiangnan	No	9	9	5	-	-	2/2
Wan Jianhua	Yes	9	9	5	-	-	0/2
Guan Tao	Yes	9	8	5	1	-	1/2
Sun Zheng	Yes	9	9	5	-	-	1/2
Xu Jianxin	Yes	9	8	5	1	-	1/2
Gong Fangxiong	Yes	9	9	5	-	-	2/2
Shen Guoquan	Yes	9	8	5	1	-	2/2

(II) Performance of duties by independent non-executive directors

During the reporting period, Independent Non-executive Directors actively maintained the interests of depositors, the Bank and shareholders, especially minority shareholders. Capitalising on their expertise and professional experiences in economic, financial, accounting and legal aspects, they delivered objective and independent opinions on matters such as the Bank's related-party transactions, profit distribution, share price stabilisation, appointment of external auditors, changes of accounting policies, nomination of director candidates, senior management's remuneration and issuance of convertible bonds, effectively facilitating the Bank's scientific and efficient decision making. The Independent Non-executive Directors who are the chairpersons of the committees under the Board of Directors faithfully and diligently performed their duties in compliance with relevant laws and regulations and the Bank's rules and systems, making great contributions to driving the Bank's sustainable and robust development.

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 standard of the Bank and protecting the interests of the stakeholders.

(I) Strategy Committee under the Board of Directors

As of the disclosure date of this report, the Strategy Committee under the Board of Directors consisted of 12 directors, including Executive Directors Mr. Jin Yu (chairperson), Mr. Hu Youlian and Mr. Shi Hongmin; Non-executive Directors Mr. Ye Jun, Mr. Gu Jinshan, Mr. Zhuang Zhe, Mr. Li Chaokun, Mr. David Sek-chi Kwok and Ms. Gan Xiangnan; and independent Non-executive Directors Mr. Wan Jianhua, Mr. Guan Tao and Mr. Gong Fangxiong.

The major duties of the Strategy Committee under the Board of Directors include: formulating the operation management targets and medium and long-term development strategy of the Bank; carrying out research and making recommendations on material investment proposals; evaluating the implementation of the strategic planning on a regular basis; supervising and reviewing the implementation of the annual operation plan and investment proposals; other matters required by laws, regulations and rules, regulators and stock exchanges of the place where the Bank's shares were listed and our Articles of Association as well as those authorised by the Board of Directors.

During the reporting period, the Strategy Committee under the Board of Directors held three meetings and reviewed four issues. Aiming to enhance capabilities and strengthen strategic planning, the Committee dug into the annual plan for operation management and established stronger connection with strategy planning; it focused more on evaluation and the proactive management of asset allocation and took the lead to improve the characteristic operation and structure adjustment ability; it conducted regular assessment on the implementation of its strategies together with analysis of key strategy advancement and ability building weaknesses in a bid to make improvement; it also reinforced strategy classification management and evaluated the operation management of branches to formulate better plans. The Committee amended its working rules in accordance with relevant regulatory guidance, standards and requirements, further clarifying its terms of reference and ensuring the standard operation. Efforts were also made to explore and facilitate the set up of wealth management subsidiary and to study on matters regarding the capital increase of BOSC Asset. By tapping into the national strategy of Guangdong-Hong Kong-Macao Greater Bay Area, the Committee improved its branch layout and facilitated the establishment of Shenzhen Qianhai branch. It continued to reinforce capital management, optimize the capital management plan and carry out research on the issuance of convertible bonds in order to secure the capital support for development.

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

As of the disclosure date of this report, the Related-Party Transactions Committee under the Board of Directors consisted of five directors, including Independent Non-executive Directors Mr. Shen Guoquan (chairperson), Mr. Guan Tao and Mr. Gong Fangxiong; Non-executive Directors Mr. Ying Xiaoming and Executive Director Mr. Shi Hongmin.

The major duties of the Related-Party Transactions Committee under the Board of Directors include: examining the administration measures of the Bank's related-party transactions, supervising the establishment and betterment of the Bank's related-party transactions system; identifying the related parties of the Bank in accordance with relevant laws and regulations 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 the annual implementation of the related-party transactions system and specific reports of related-party transactions and submitting the same to the Board of Directors for consideration; inspecting the related-party transactions that were required to be reviewed by the Board of Directors or the shareholders' general meeting and submitting the same to the Board of Directors for consideration, and reporting to the Board of Supervisors or regulators the relevant related-party transactions within ten working days upon the approval of the Board of Directors or the shareholders' general meeting in accordance with relevant laws and regulations and regulatory requirements; handling the filing of related-party transactions pursuant to laws and regulations; reviewing the related-party transactions announcement; and other matters as required by laws, regulations, rules, regulators and stock exchanges of the place where the Bank's shares were listed and our Articles of Association as well as those authorised by the Board of Directors.

During the reporting period, the Related-Party Transactions Committee under the Board of Directors held six meetings and reviewed 13 issues. The Committee duly performed its duties regarding the related-party transactions management in compliance with regulatory requirements of the CBIRC, the CSRC and the Shanghai Stock Exchange, provided significant opinions and advice on consolidating the related-party transactions management. It also improved its own working mechanism to strengthen the management of related parties and implemented the examination and approval system of the related-party transactions and the information disclosure system, which facilitated the standard operation of the Bank's related-party transactions and effectively controlled the related-party transactions risk.

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

As of the disclosure date of this report, the Risk Management and Consumer Rights Protection Committee under the Board of Directors consisted five directors, including Independent Non-executive Director Mr. Wan Jianhua (chairperson), Executive Director Mr. Hu Youlian and Non-executive Directors Mr. Yuk Hung Antony Hung, Ms. Du Juan 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, risk appetite and basic policies of risk management of the Bank in line 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 comprehensive risk control of the senior management of the Bank and urging them to take necessary measures to identify, measure, monitor and control various 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; reviewing or hearing the comprehensive risk management report and various significant risk management report according to the relevant regulatory requirements; assessing risk policies, management and risk tolerance of the Bank on a regular basis and providing opinions on risk management and internal control for improvement; organising and guiding the work of case prevention and control; reviewing the Bank's strategies, policies and goals relating to consumer rights protection; hearing the report on the implementation of consumer rights protection work of the Bank and relevant resolutions on a regular basis and making recommendations to the Board of Directors; supervising and evaluating the coverage, timeliness and effectiveness of the consumer rights protection work of the Bank and the performance of the senior management; 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 held six meetings and reviewed 13 issues. Taking into account the risk management system reform and comprehensive risk management practice of the Bank, the Committee reviewed and formulated all-round risk management guidance to improve the Bank's comprehensive risk management system and enhance the governance structure and key aspects. Its working rules had been revised in compliance with relevant regulatory guidance, standards and requirements, further clarifying the Committee's terms of reference and ensuring its standard operation. It also reviewed and revised the guidance of market risk management to further clarify the duties of internal management of market risks. With enhanced management for risk limits, the Committee made dynamic adjustments to various risk limits and carried out effective control. Continuous efforts were made to advance the implementation of new capital agreements and the application of results, strengthen the application of system tools and drive risk management transformation. The Committee stepped up its risk prediction and stuck to the concept of risk management at the frontline and compulsory constraints with the aim of improving the comprehensive risk control mechanism and enhancing the risk operation capability. Regular monitoring and evaluation of main risks were conducted to master the current risk profile and identify key management and control requirements for ensuring stable asset quality. The Committee also improved the assessment system of employee conduct and carried out risk prevention due to misconduct. The consumer rights protection measures were reviewed and amended which helped improve the establishment of consumer rights protection work mechanism. The Committee regularly reviewed the implementation of consumer rights protection work, urging the senior management to carry out the comprehensive and effective consumer rights protection work in a timely manner.

（IV）Audit Committee under the Board of Directors

As of the disclosure date of this report, the Audit Committee under the Board of Directors consisted of five directors, including Independent Non-executive Directors Mr. Xu Jianxin (chairperson), Mr. Sun Zheng and Mr. Shen Guoquan, and Non-executive

Directors Mr. Ye Jun and Mr. Yuk Hung Antony Hung.

The major duties of the Audit Committee under the Board of Directors include: supervising and evaluating the external audit and proposing the engagement or replacement of external audit firms to the Board of Directors; guiding the internal audit and examining and approving the annual internal audit plan and reviewing the self-evaluation report of internal audit quality; assessing the internal audit results and reviewing the internal audit work report and urging rectifications for material issues; coordinating the communication between the management, internal audit and relevant departments and external audit firms; reviewing the risk profile and compliance, auditing policies, financial reporting procedures and financial conditions of the Bank; reviewing the financial information and disclosure of the Bank, carrying out the annual audit and preparing a judgemental report on the truthfulness, accuracy, completeness and timeliness of information of the audited financial report and submitting the same to the Board of Directors for approval; monitoring and evaluating the internal control, reviewing the self-evaluation report of internal control as well as the internal control and audit report issued by external audit firms and evaluating the internal control opinions and audit results; and other matters required by laws, regulations and rules, regulators and stock exchanges of the place where the Bank's shares were listed and our Articles of Association as well as those authorised by the Board of Directors.

During the reporting period, the Audit Committee under the Board of Directors held six meetings and reviewed 18 issues. Its working rules had been revised in compliance with relevant regulatory guidance, standards and requirements, further clarifying the Committee's terms of reference and ensuring its standard operation. During its continuous supervision on the external audit, the Committee facilitated sufficient communication in respect of scope of audit, audit plan, audit focus, key matter and audit findings, and offered professional advice on the audit coverage, key audit areas and other aspects. It conducted external audit evaluation, audit fee examination and put forward specific service requirements together with the suggestion of reappointing 2019 audit firms to the Board of Directors. Under the Committee's guidance, the bidding work related to the selection and appointment of 2020 audit firms have been initiated to ensure the stability and continuousness of the external audit. The Committee strengthened its internal audit guidance and reviewed the working plan, heard the internal audit report on a regular basis and urged the implementation of working plan at all stages and made rectifications to material issues. To facilitate the Bank's continuous and robust operation, it also supervised the effectiveness of internal control, reviewed the self-evaluation report of internal control, listened to the reporting of external audit firms on internal audit and urged rectifications to internal control defects. The Committee maintained close communication with external auditors and critically reviewed the periodic reports, providing professional opinions on the authenticity, accuracy and completeness of the financial report. It continued to keep a watch on the impact of changes in corporate accounting standards and reviewed the resolutions regarding changes in accounting policy so as to duly perform the revenue recognition in compliance with new standards on revenue.

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

As of the disclosure date of this report, the Nomination and Remuneration Committee under the Board of Directors consisted of five directors, including Independent Non-executive Directors Mr. Sun Zheng (chairperson), Mr. Wan Jianhua and Mr. Xu Jianxin, and Non-executive Directors Mr. Ye Jun and Mr. Gu Jinshan.

The major duties of the Nomination and Remuneration Committee under the Board of Directors include: make reasonable advice on the size and composition of the Board based on the Bank's scale and business condition; 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; selecting qualified candidates for directors and senior management; reviewing the appraisal standards of directors and senior management, carrying out appraisal and making recommendations; reviewing the Bank's remuneration management system and policy, formulating the remuneration proposals of directors and senior management and making recommendations on the proposals to the Board of Directors as well as supervising its implementation; and other matters required by laws, regulations and rules, regulators and stock exchanges of the place where the Bank's shares were listed and our Articles of Association as well as those authorised by the Board of Directors.

During the reporting period, the Nomination and Remuneration Committee under the Board of Directors held four meetings and reviewed and discussed 11 issues. It organised the 2018 appraisal of senior management and managers whose results, upon the approval of the Board of Directors and the Board of Supervisors, were all graded excellent in 2018. The appraisal result is associated with the annual remuneration. The 2019 appraisal of senior management and managers is subject to the review of the Board of Directors after completion. The Appraisal Plan of Senior Management of Bank of Shanghai, the Measures for Appraisal and Remuneration Package of Managers of Bank of Shanghai Co., Ltd and the Administrative Measures for Remunerations of Executive Officers of Bank of Shanghai have been amended and implemented upon the approval of the Board of Directors to provide clear appraisal objectives and improve the appraisal indicator system. Performance assessment indicators included those of compliance operation, risk management, operation efficiency, development transformation and social responsibility, of which compliance operation and risk management indicators have much higher weight than other types of indicators. Besides, the Committee had further enhanced the appraisal system and remuneration structure. The above appraisal results and amended appraisal and remuneration systems had been submitted to the regulatory authority pursuant to the relevant regulations. The Committee's working rules had been revised in compliance with relevant regulatory guidance, standards and requirements, further clarifying its terms of reference and ensuring the standard operation. It played an active role in the performance evaluation of directors, initial review on the qualifications of directors and remuneration management review.

VI.Board of Supervisors

（I）Basic information of the Board of Supervisors

During the reporting period, all Supervisors of the Bank took an active part in the supervision activities of the Board of Supervisors and attended various meetings. They reviewed and considered each issue in a serious manner and delivered objective and independent opinions. They also performed their duties faithfully and diligently according to law. The Board of Supervisors reinforced its supervision on the Bank's financial activities, internal control, risk management and performance of the Board of Directors and senior management as well as its board members in accordance with law and regulations and the requirements of the Articles of Association. The Board of Supervisors held seven meetings and reviewed 22 issues which involved the implementation of the Bank's development plan, preparation and review of periodic reports, capital management, annual profit distribution, remuneration system and its implementation, regulatory opinions and rectifications and key supervisory matters such as risk management and internal control, with the aim of driving the continuous enhancement of the Bank's operation management ability.

（II）Composition of the Board of Supervisors

As of the disclosure date of this report, the Board of Supervisors of the Bank had four Supervisors including two external Supervisors, namely Mr. Yuan Zhigang and Mr. Ge Ming, and two employee Supervisors, namely Mr. Lin Liqun and Mr. Zhang Hongbiao.

（III）Explanation for the risks of the Bank identified by the Board of Directors

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

（IV）Performance of external Supervisors

During the reporting period, the external Supervisors of the Bank performed their supervisory duties in a proactive, effective and independent manner, and issued independent opinion in the interest of the Bank as a whole, contributing to the optimisation of the Bank's corporate governance and supervision mechanism.

（V）Opinion of the Board of Supervisors on relevant matters

1. Compliance operation of the Bank

During the reporting period, the Board of Directors and senior management of the Bank maintained compliance operation with its decision-making procedures in line with laws and regulations and the requirements of the Articles of Association. Members of the Board of Directors and senior management performed their duties in a diligent and faithful manner and there was no duty performance of Directors which violated laws and regulations or was detrimental to the interest of the Bank.

2. Financial condition of the Bank

During the reporting period, the periodic reports of the Bank were prepared and reviewed in accordance with laws, regulations, rules and the Articles of Association in which the information gave a true, accurate and complete picture of the operation management and financial condition of the Bank.

3. Related-Party Transactions of the Bank

During the reporting period, the Bank carried out related-party transactions in strict compliance with requirements as to the review and approval procedures of related-party transactions and through a completely fair transaction process. There existed no circumstance which was detrimental to the interests of shareholders and the Bank.

4. Implementation of the information disclosure system of the Bank

During the reporting period, the Bank performed its information disclosure obligations pursuant to regulatory requirements and duly implemented the information disclosure management system, and disclosed information which were true, accurate and complete in a timely and fair manner.

Saved for the above matters, the Board of Supervisors did not object to other matters reviewed during the reporting period.

VII. Committees under the Board of Supervisors

(I) Supervision Committee under the Board of Supervisors

As of the disclosure date of this report, the Supervision Committee under the Board of Supervisors had three Supervisors, including external Supervisor Mr. Yuan Zhigang (chairperson), external Supervisor Mr. Ge Ming and employee Supervisor Mr. Lin Liqun.

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 continued to improve the supervision system by strictly enforcing regulatory requirements and further strengthened its supervision on the financial activities, operation decisions, risk management and internal control of the Bank. It also gave an active play in discharging the supervisory duty to enhance its supervision on the establishment of long-term compliance management system of overseas branches.

(II) Nomination Committee under the Board of Supervisors

As of the disclosure date of this report, the Nomination Committee under the Board of Supervisors had three Supervisors, including external Supervisor Mr. Ge Ming (chairperson), external Supervisor Mr. Yuan Zhigang and employee Supervisor Mr. Zhang Hongbiao.

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 three meetings and reviewed six issues. The Committee continued to optimize the performance evaluation of various bodies with respect to the corporate governance of the Bank to further enhance the performance supervision outcomes.

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 the system of modern financial enterprises. According to the Appraisal Plan of Senior Management of Bank of Shanghai, the Measures for Appraisal and Remuneration Package of Managers of Bank of Shanghai Co., Ltd and the Administrative Measures for Remunerations of Executive Officers of Bank of Shanghai, the Board of Directors organised and conducted appraisals for managers and senior management, and through appraisal assessment, strengthened its supervision and ensured the reasonable connection between incentive and restraint. The annual remuneration is associated with the appraisal result. 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. Such corporate governance structure enables various departments to perform their own functions to realize checks and balances. Meanwhile, there is a clear division of responsibilities among the lead internal control department, internal audit department, business departments and operation units, forming a sound internal control structure with reasonable work distribution and clear reporting line and also a sound internal control environment. On this basis, the Bank has developed a relatively comprehensive internal control framework comprised of risk assessment, control activity, information and communication and internal supervision, and will continue to make improvement.

For risk identification and assessment, the Bank established a series of risk control matrixes covering all business lines and the whole process of business activities. The risk control matrixes contain entity level, business procedure level and information technology level in conformity to the general objectives of internal control and the need of comprehensive risk management. The matrixes involve 107 key processes, 582 sub-processes, 1,073 major risks and 2,120 internal control items. Through the operation risk and internal control management system, the Bank implemented internal control testing at the head office and branches.

For internal control measures, continuous efforts were made to facilitate the rules and regulations, authorization management and systematic control of various businesses and management fields. Firstly, the Bank kept improving its three-layer framework of regulations which comprise the basic, detailed and operation regulations. The Bank's internal control regulations were established for loan business, teller business, capital business, intermediary business, financial accounting, and information system, respectively. During the reporting period, the Bank commenced regulation establishment in major aspects such as development stratgy, business transformation, major tasks for the year, formulation of regulatory requirements and new product management. Regular evaluation and administration were conducted to make timely update and improvement on these systems so that their completeness, reasonableness and effectiveness could be enhanced. The Bank currently has over 1,700 regulations and systems. Secondly, the annual authorisation plan was efficiently formulated on the basis of meeting development needs, enhancing approval efficiency and complying with regulatory requirements while adjustments to the authorisation were carried out on an ongoing basis in the light of changes in the management structure to ensure the consistency and effectiveness of authorisation. Thirdly, the Bank continued to boost the system establishment of various businesses and strengthened the systematic control of business procedures together with enhancement of business risk monitoring and warning automation.

In respect of information communication and feedback, the Bank has established a more comprehensive information communication and feedback mechanism to ensure the accuracy and timeliness of internal and external information, which are delivered via official documents, meetings, office automation system, company intranet and other channels, so that information relating to operation and risks and also those affecting the management decision-making such as external market and policies are made available to the Board of Directors, the Board of Supervisors and senior management in a timely manner. Meanwhile, the Bank continued to provide information with respect to internal and external risk, internal control, compliance and legal knowledge to all its staff through different forms including compliance knowledge trainings, legal and compliance risk warnings, promulgation of regulations and cases prevention lectures. For information disclosure, the Bank duly implemented the information disclosure management system and disclosed information based on the principles of truthfulness, accuracy, completeness, timeliness and fairness. Periodic reports and provisional reports were prepared, reviewed and disclosed in accordance with the established procedures while the administration of inside information and registration of holders of inside information were also conducted; the Board of Directors, the Board of Supervisors, senior management and relevant departments at head office and related parties performed their duties in accordance with requirements.

Regarding the supervision evaluation and rectification, with the establishment of internal control evaluation and appraisal system, the Bank conducted evaluation and appraisal as planned and carried out supervision review and internal audit according to regulatory requirements and on key aspects of internal control. Through the GRC system, the three modules including inspection management, rectification and supervision of issues and records of incompliance could work together to record and keep track of identified issues and rectifications, realizing a close-loop management of "inspection management-identification of issues-rectification and optimization-records of incompliance".

X. Self-evaluation Report on Internal Control

The Board of Directors of the Bank approved the 2019 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 2019 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. The internal audit department conducts its work under the guidance of the Audit Committee under the Board of Directors. The internal audit regulations of the Bank are enforced upon the approval of the Board of Directors and the annual audit plan is implemented upon the review and approval of the Audit Committee under the Board of Directors. The implementation of the internal audit plan and the related work progress shall be reported to the Audit Committee under the Board of Directors on a quarterly basis and to the Board of Directors annually. The audit of the Bank is carried out independent of its operational management departments to ensure the independence and objectiveness of the 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 active role in supporting and refining risk management, internal control and sustainable development of the Bank.

The Bank continued to strengthen its supervision on major businesses and significant risks and conducted specific audit in respect of financial market, information technology, credit card business, data management and other areas. Audits were also carried out in aspects that were of concern of regulators such as consumer rights protection, anti-money laundering, related-party transaction, credit facilities, together with close attention to credit risk, operational risk, technological risk, liquidity risk and other major risks. The Bank also further consolidated the supervision evaluation of issue rectifications with its audit rectifications closely following the standard rectification mechanism, and urged the implementation of rectifications and facilitated the system establishment. The Bank played a positive role not only in perfecting the mechanism, procedures and system but also in enhancing its professional operation capability and sophisticated management level.

XIII. Information Disclosure and Management of Inside Information

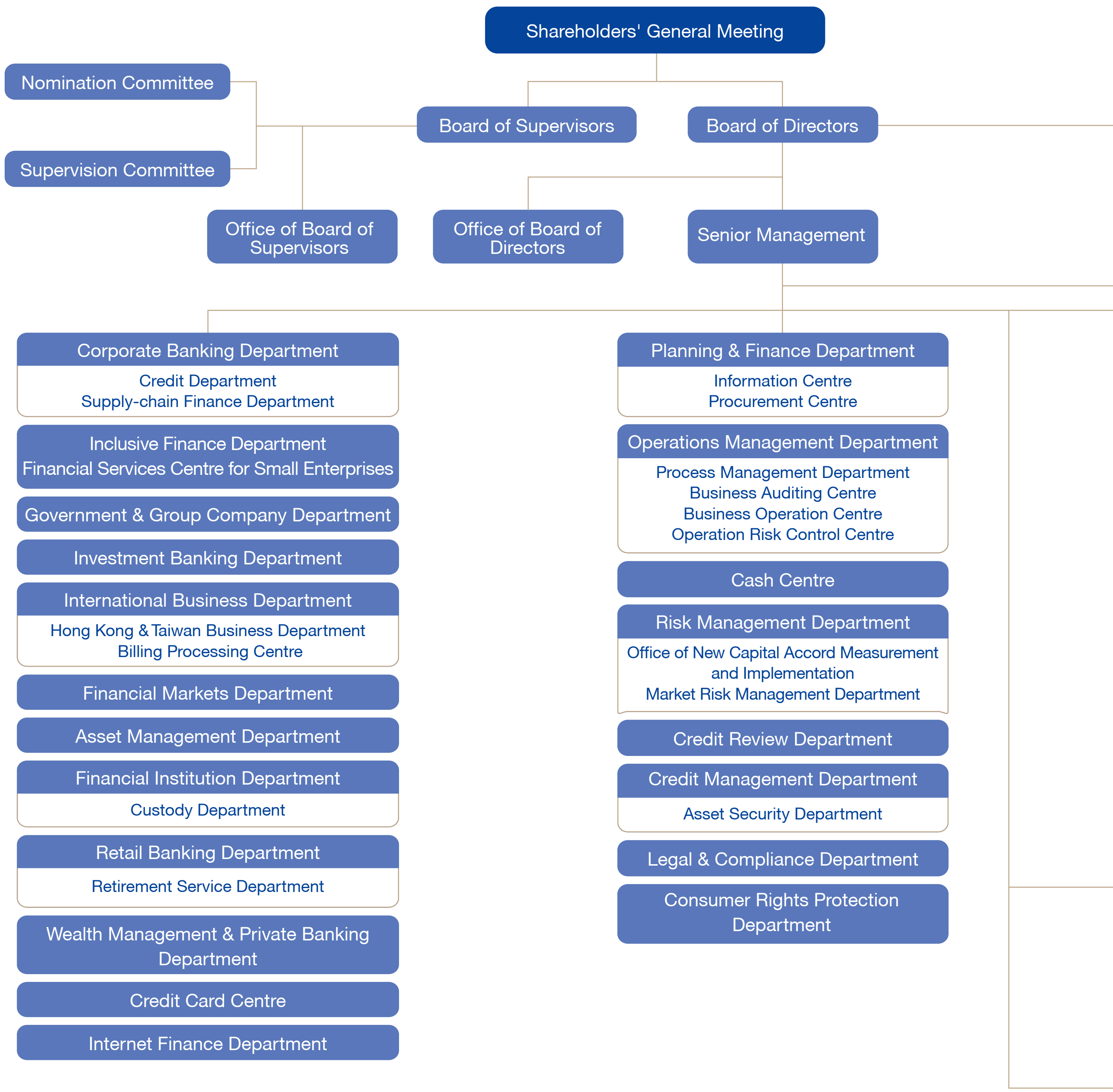
The Bank has continuously developed its information disclosure management mechanism. Periodic reports and various provisional reports have been prepared and disclosed in a legal and compliant manner based on the principles of truthfulness, accuracy, completeness, timeliness and fairness so as to keep 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 inside information and enhance the confidentiality, the Bank has formulated the Administrative Measures for Registration of the Holders of Inside information 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 inside information and enhanced the awareness of holders of inside information regarding confidentiality and compliance. The Bank has also strictly limited the number of holders of inside information through registration and filing of holders of inside information. The Bank was awarded Grade A in the annual information disclosure assessment of listed companies carried out by the Shanghai Stock Exchange.

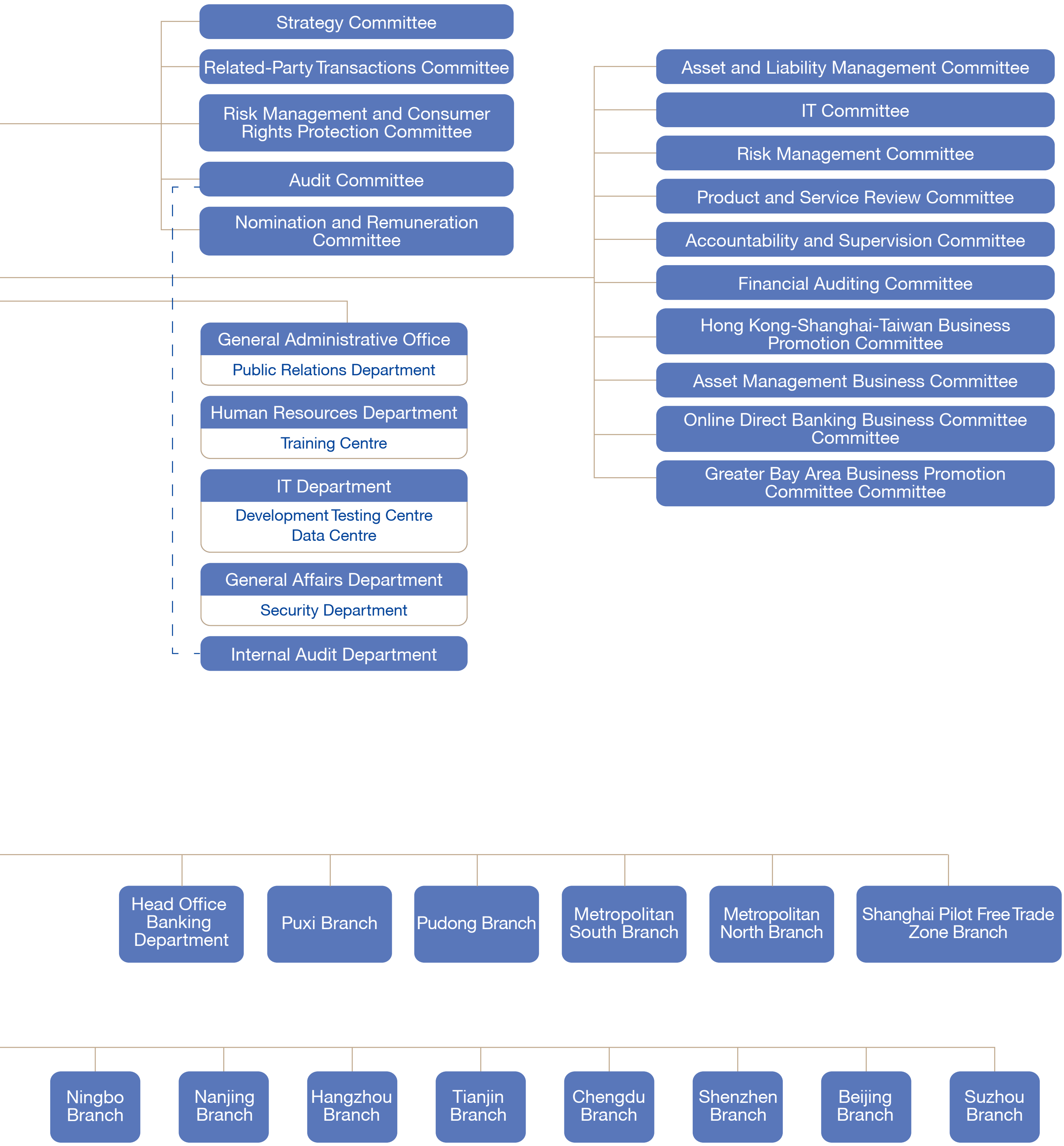
XIV. Management of Investor Relations

The Bank highly values the management of investor relations, focuses on concerns of the capital market and continues to expand channels for communication with investors through innovative management measures for enhancing the effectiveness and pertinence of investor relations management.

During the reporting period, the Bank held the annual results announcement press conference at which the senior management led by the Chairman had a direct face-to-face communication and exchange with bank analysts and investors about strategic development, operating results, featured businesses and highlights. The management also held more than 20 road shows for institutional investors by leading different teams and organised nearly 10 research seminars to listen and respond to the market voice and concerns. The Bank participated in the reception day designed for investors of listing companies in the first half and the second half of 2019, respectively, having a sincere and positive interaction and communication with investors. The Bank timely replied and answered the questions of investors through the E-interaction Platform of the Shanghai Stock Exchange, investor hotline and other online channels. It also took part in various investment strategy seminars held by brokers to strengthen the communication and exchange with investors in multiple-aspects and cultivate their recognition and understanding of the Bank.

XIII. 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 Committee
Greater Bay Area Business Promotion Committee Committee
General Administrative Office
Public Relations Department
Human Resources Department
Training Centre
IT Department
Development Testing Centre
Data Centre
General Affairs Department
Security Department
Internal Audit 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

Chapter IX Financial Report

The financial report of the Bank for 2019 has been audited by KPMG Huazhen (Special General Partnership) and signed by certified public accountants Jin Naiwen and Zhang Chenchen, who have issued an audit report containing a standard unqualified opinion. Please see the annex for the full text of the financial report.

Chapter X Documents for Inspection

I. Financial statements signed and sealed by the Chairman, President, Vice President and Chief Financial Officer.

II. The original audit report bearing the seal of the accounting firm and signatures and seals of the certified public accountants.

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

IV. The articles of association of the Bank.

Chairman: 

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

24 April 2020

Confirmation of Directors, Supervisors and Senior Management of Bank of Shanghai Co., Ltd. on Annual Report 2019

As the Directors, Supervisors and senior management of the Bank, we issue the following opinions in accordance with relevant rules and requirements upon full understanding and review of the annual report of the Bank and its summary for 2019:

1. In strict compliance with the Accounting Standards for Business Enterprises and relevant systems and regulations in China, the annual report of the Bank and its summary for 2019 give a fair view of the financial position and operating results of the Bank for the reporting period.

2. The annual report of the Bank for 2019 has been audited by KPMG Huazhen (Special General Partnership) in accordance with auditing standards for certified public accountants in China with an audit report containing a standard unqualified opinion issued.

3. We are of the view that information in the annual report of the Bank and its summary for 2019 does not contain false or misleading statements or material omission and assume joint and several responsibility for the truthfulness, accuracy and completeness of such information.

24 April 2020

Signatures of Directors, Supervisors and Senior Management:

Jin Yu	Hu Youlian	Shi Hongmin	Ye Jun
Ying Xiaoming	Gu Jinshan	Yuk Hung Antony Hung	Zhuang Zhe
Li Chaokun	Du Juan	David Sek-chi Kwok	Gan Xiangnan
Wan Jianhua	Guan Tao	Sun Zheng	Xu Jianxin
Gong Fangxiong	Shen Guoquan	Yuan Zhigang	Ge Ming
Lin Liqun	Zhang Hongbiao	Huang Tao	Hu Debin
Wang Ming	Cui Qingjun	Li Xiaohong	

Auditors' Report and Financial Statements

Auditors' Report

KPMG hua-zhen,no.2000944

To the Shareholders of Bank of Shanghai Company Limited:

I. Opinion

We have audited the accompanying financial statements of Bank of Shanghai Company Limited ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated and the Bank's statement of financial position as at 31 December 2019, the consolidated and the Bank's statement of profit or loss and other comprehensive income, the consolidated and the Bank's statement of changes in equity and the consolidated and the Bank's statement of cash flows for the year then ended and notes to the financial statements.

In our opinion, the financial statements give a true and fair view, in all material aspects, of the consolidated and the Bank's financial position as at 31 December 2019 and of its consolidated and the Bank's financial performance and its consolidated and the Bank's cash flows 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.

II. 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.

III. 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.

Measurement of expected credit losses ("ECL") for loans and advances to customers, debt investments, financial guarantees and loan commitments

Refer to the accounting policies in following notes to the Financial Statements: Note III 7: Financial instruments, Note V 8: Loans and advances to customers, Note V 10: Debt investments; and Note V 30: Provision.

The Key Audit Matter	How the matter was addressed in our audit
The Group uses the expected credit loss ("ECL") model to calculate the loss allowance in accordance with CAS 22-Recognition and Measurement of Financial Instruments (revised). The determination of using the ECL model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.	Our audit procedures to assess ECL for loans and advances to customers, debt investments, financial guarantees and loan commitments included the following: · Understanding and evaluating the design and operating effectiveness of the key internal controls over financial reporting related to ECL measurement for loans and advances to customers, debt investments, financial guarantees and loan commitments; - Understanding and evaluating the design and operating effectiveness of the key internal controls of the financial reporting process, including credit approval, recording, monitoring, periodic re-evaluation of credit grading, and the accrual of loss allowance; in particular, we assessed the design and operating effectiveness of the key internal controls over financial reporting related to the classification of loans by credit quality across all stages, debt investments, credit quality of financial guarantees and loan commitments; - Understanding and evaluating the design and operating effectiveness of information system controls, including: general information technology control, completeness of key internal historical data, inter-system data transmission, mapping of parameters of ECL model, and system calculation logic of loss allowance for ECL for loans and advances to customers, debt investments, financial guarantees and loan commitments, based on the works of our Information Technology Risk Management ("IRM") Specialists;

Measurement of expected credit losses ("ECL") for loans and advances to customers, debt investments, financial guarantees and loan commitments

Refer to the accounting policies in following notes to the Financial Statements: Note III 7: Financial instruments, Note V 8: Loans and advances to customers, Note V 10: Debt investments; and Note V 30: Provision.

The Key Audit Matter	How the matter was addressed in our audit
The Group classifies financial instruments into three stages and recognises an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset, depending on whether credit risk on that financial instrument has increased significantly since initial recognition and whether an asset is considered to be credit-impaired respectively. In particular, the determination of ECL model is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL for loans and advances to customers, debt investments, financial guarantees and loan commitments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The ECL for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors, including available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of certain assets and other illiquid collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of reporting period. Measurement of ECL for loans and advances to customers, debt investments, financial guarantees and loan commitments is subject to inherent uncertainty and involves management judgments, and has an important influence on operation conditions and capital positions of the Group. In view of these reasons, we identified ECL measurement as a key audit matter.	· Evaluating the reliability of ECL models and parameters used, including prudently evaluating stage classification, probability of default, loss given default, exposure at default, discount rate, forward adjustment and other adjustment factors, and evaluating the reasonableness of key management jugments involved, based on the work of our Financial Risk Management ("FRM") Specialists; · Evaluating the completeness and accuracy of key data used by the ECL models. For key internal data related to the original business files, we compared the respective amount of loans and advances to customers, debt investments, financial guarantees and loan commitments in the lists used by the management for the allowances evaluation with the general ledger amounts, in order to assess the completeness of lists. Select samples and compare the information of the loans and advances to customers, debt investments, financial guarantees and loan commitments with relevant agreements and other relevant documents to assess the accuracy of the lists. For key external data, we compared it with public information to check its accuracy; · Evaluating key parameters involving subjective judgments by seeking evidence from external sources and comparing it with internal records including historical loss scenarios and guarantee types. As part of these procedures, we inquired management about the reasons for modifictions of key estimates and parameters input relative to the previous period and the transition period, and assessed the consistency of judgement used by management. We compared economic factors and market information used in the model to evaluate whether it was consistent with the market and economic development. · For key internal data which was generated by the system calculation, we selected samples and compared the input data used in the system with the original business files to evaluate the accuracy of the data input. In addition, involving our information technology risk management specialists, we selected samples and tested the logic of preparing overdue information of loans and advances to customers and debt investments; · Selecting samples to assess the reasonableness of management judgement on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. Selecting samples for credit review based on risk-oriented methods. We analysed the loans and advances to customers, debt investments, financial guarantees and loan commitments by industry sector to select samples in industry sensitive to the current business cycle and regulatory policies; we also focused on samples with perceived higher risk like overdue loans, loans with poor credit grading and loans with poor loss stages. On the basis of sample selection, we reviewed the business documents, checked the overdue information, inquired customer managers about the operation conditions of borrowers, checked the financial information of the borrower and searched for market information about the borrower's business and operation; · Selecting samples, evaluating the reasonableness of loss given default of credit impaired loans and advances to corporate customers and debt investments. Assessing the forecast of recoverable cash flows through inquiry, applying professional judgment and performing independent research. We also evaluated the timing and realisation method of collaterals and considered other sources of repayment asserted by the management. We assessed the consistency of the application of key assumptions made by the management and compared the assumptions with our data sources; · Selecting samples and reviewing the calculation of ECL to assess the application of ECL model by the Group; · Evaluating whether the disclosures relating to ECL for loans and advances to customers, debt investments, financial guarantees and loan commitments meet the disclosure requirements of CAS 37 - Presentation of Financial Instruments (revised).

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 and Note VI 3: Interests in structured entities not included in the consolidated financial statements.	
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 an asset management plan, a wealth management product, an investment fund, a debt investment plan or an asset-backed security. In determining whether the Group 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 samples and performing the following procedures: -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 by the Group 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, power, influence 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 15: Fair value measurement; 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. 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.	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; • 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 the appropriate application of fair value adjustment that form an integral part of fair values, inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; • 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.

Adjustments and disclosures in relation to transition to the new financial instrument standards	
Refer to the accounting policies in following notes to the Financial Statements: Note III 29: Changes in significant accounting policies and accounting estimates.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group has applied CAS 22 - Recognition and Measurement of Financial Instruments (revised) , CAS 23 - Transfer of Financial Assets (revised) and CAS 37 - Presentation of Financial Instruments (revised) ("the new financial instruments standards") since 1 January 2019. The new financial instruments standards revised the requirements for the classification and measurement of financial instruments previously adopted, and requires the loss allowance of expected credit losses to be recognised for relevant financial assets and credit commitments. In addition, it also provides greater flexibility of transaction types in applying hedging accounting. The Group is required to make retrospective adjustments on the classification and measurement, the loss allowance of financial instruments in accordance with the requirements of the new financial instruments standards. We identified the adjustments and disclosures in relation to the transition to the new financial instruments standards as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatments, and application of new system data; also, management judgment was applied.	Our audit procedures relating to the transition to the new financial instruments standards included the following: • Assessing the key internal controls of the financial reporting process related to the transition to the new financial instruments standards, including internal control processes related to the selection and approval of accounting policy and expected credit loss model methodology, and information system related controls; • Assessing the accuracy of the classification of financial instruments, including obtaining a list of financial instruments classified by management as at 1 January 2019, selecting samples to check the contractual cash flow terms, and understanding and evaluating the business model of the relevant financial instrument portfolio; • Involving our internal valuation specialists in evaluating the valuation method of financial assets and the key parameters used for financial assets that are measured at fair value due to changes in classification and measurement, and selecting samples to independently verify their fair value; • Involving our internal financial risk management specialists in evaluating the expected credit loss model used by management in determining the impairment allowance during transition to the new financial instruments standards, and evaluate the rationality of key assumptions in determining the expected credit loss model; • Obtaining journal entries relating to adjustments made on transition to the new financial instruments standards and comparing it with the list of classification, valuation, expected credit loss of financial instruments as at 1 January 2019, to assess the completeness and accuracy of adjustment journals, and compliance with the prevailing accounting standards; • Selecting samples to recalculate the book value of relevant financial instruments after the transition to the new financial instruments standards, and evaluate the accuracy of beginning book value after the transition to the new financial instruments standards; • Assessing whether the relevant disclosures in relation to transition to the new financial instruments standards at 1 January 2019 were in compliance with the prevailing accounting standards.

IV. Other Information

The Bank's management is responsible for the other information. The other information comprises the information included in 2019 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.

V. 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.

VI. 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

Jin Naiwen
(Engagement Partner)

Zhang Chenchen

China Beijing

24 April 2020

Bank of Shanghai Company Limited
Consolidated balance sheet and balance sheet

Unit: RMB'000

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Assets					
Cash and deposits with central bank	V. 1	140,256,924	145,105,775	139,918,277	144,686,994
Deposits with banks and other financial institutions	V. 2	14,558,543	15,090,430	12,563,747	13,219,871
Placements with banks and other financial institutions	V. 3	170,099,068	115,344,352	169,890,228	113,716,837
Financial assets at fair value through profit or loss	V. 4	N/A	17,874,361	N/A	17,475,237
Derivative financial assets	V. 5	16,443,915	1,237,616	16,416,060	1,208,812
Financial assets held under resale agreements	V. 6	2,267,055	36,368,624	1,027,744	28,404,516
Interests receivable	V. 7	N/A	9,760,277	N/A	9,586,977
Loans and advances to customers	V. 8	941,220,627	818,360,196	923,582,328	799,154,963
Financial investments:					
- Financial assets held for trading	V. 9	318,055,345	N/A	317,085,696	N/A
- Debt investments	V. 10	560,309,534	N/A	558,859,522	N/A
- Other debt investments	V. 11	39,061,464	N/A	31,415,354	N/A
- Investments in other equity instruments	V. 12	515,374	N/A	485,374	N/A
Available-for-sale financial assets	V. 13	N/A	401,779,521	N/A	396,701,596
Held-to-maturity investments	V. 14	N/A	310,643,240	N/A	307,217,029
Investment securities classified as receivables	V. 15	N/A	128,764,840	N/A	140,593,021
Long-term equity investments	V. 16	422,778	402,120	4,275,721	4,253,123
Fixed assets	V. 17	5,566,000	5,779,671	5,491,358	5,700,120
Intangible assets	V. 18	743,640	536,143	730,085	523,689
Deferred tax assets	V. 19	13,537,590	9,690,070	13,437,315	9,605,012
Other assets	V. 20	14,024,086	11,035,163	13,669,428	10,739,821
Total assets		2,237,081,943	2,027,772,399	2,208,848,237	2,002,787,618

The notes on pages 147 to 247 form part of these financial statements.

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

Unit: RMB'000

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Liabilities and equity					
Liabilities					
Borrowings from central bank		93,181,724	102,942,000	93,111,665	102,832,000
Deposits from banks and other financial institutions	V. 22	394,617,512	368,968,350	395,416,037	369,719,653
Placements from banks and other financial institutions	V. 23	74,165,011	68,336,138	69,328,714	64,716,254
Financial liabilities held for trading	V. 24	400,427	7,168	300,120	-
Derivative financial liabilities	V. 5	16,690,672	829,640	16,669,858	787,094
Financial assets sold under repurchase agreements	V. 25	63,349,665	61,151,258	62,856,131	61,151,258
Deposits from customers	V. 26	1,203,551,552	1,042,489,605	1,188,933,181	1,031,001,362
Employee benefits payable	V. 27	4,384,435	3,700,168	4,222,330	3,547,294
Taxes payable	V. 28	5,516,021	4,293,452	5,415,291	4,239,436
Interests payable	V. 29	N/A	17,383,127	N/A	17,201,728
Provision	V. 30	7,168,161	-	7,125,801	-
Debt securities issued	V. 31	190,712,382	189,375,530	184,881,796	181,358,106
Other liabilities	V. 32	6,117,750	6,527,355	5,758,327	6,306,893
Total liabilities		2,059,855,312	1,866,003,791	2,034,019,251	1,842,861,078
Equity					
Share capital	V. 33	14,206,529	10,928,099	14,206,529	10,928,099
Other equity instruments	V. 34	19,957,170	19,957,170	19,957,170	19,957,170
Capital reserve	V. 35	22,052,934	25,331,364	22,051,459	25,329,889
Other comprehensive income	V. 36	3,849,918	627,454	3,452,758	499,252
Surplus reserve	V. 37	36,273,686	30,969,554	36,273,686	30,969,554
General reserve	V. 38	28,434,363	25,804,758	28,330,000	25,630,000
Retained earnings	V. 39	51,934,012	47,658,150	50,557,384	46,612,576
Total equity attributable to equity shareholders of the Bank		176,708,612	161,276,549	174,828,986	159,926,540
Non-controlling interests		518,019	492,059	-	-
Total equity		177,226,631	161,768,608	174,828,986	159,926,540
Total liabilities and equity		2,237,081,943	2,027,772,399	2,208,848,237	2,002,787,618

These financial statements were approved by the Board of Directors of the Bank on 24 April 2020.

Chairman: Jin Yu

President: Hu Youlian

Vice President and Chief Finance Officer: Shi Hongmin

The notes on pages 147 to 247 form part of these financial statements.

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

Unit: RMB'000

	Note	The Group		The Bank	
		2019	2018	2019	2018
Interest income		78,611,095	75,877,060	77,269,469	74,787,717
Interest expense		(48,290,486)	(45,940,231)	(47,630,696)	(45,412,654)
Net interest income	V. 40	**30,320,609**	**29,936,829**	**29,638,773**	**29,375,063**
Fee and commission income		7,408,355	6,744,495	7,102,401	6,445,227
Fee and commission expense		(841,156)	(764,956)	(824,920)	(752,114)
Net fee and commission income	V. 41	**6,567,199**	**5,979,539**	**6,277,481**	**5,693,113**
Other income		66,764	42,998	31,951	30,790
Net investment gains	V. 42	11,075,168	7,906,133	10,931,763	7,931,944
Net gains from changes in fair value	V. 43	1,363,173	4,652,482	1,300,557	4,702,894
Net foreign exchange gains / (losses)		306,655	(4,718,719)	300,683	(4,855,487)
Other operating incomes		109,209	95,427	111,094	92,700
Losses from asset disposals		(8,485)	(6,867)	(8,485)	(6,867)
Operating income		**49,800,292**	**43,887,822**	**48,583,817**	**42,964,150**
Taxes and surcharges		(470,956)	(446,728)	(468,867)	(444,597)
General and administrative expenses	V. 44	(9,948,556)	(9,006,391)	(9,515,878)	(8,653,168)
Credit losses	V. 45	(17,149,101)	N/A	(16,855,484)	N/A
Impairment Losses	V. 46	N/A	(15,331,901)	N/A	(15,248,410)
Other operating expenses		(1,266)	(18,483)	(1,263)	(18,481)
Operating expenses		**(27,569,879)**	**(24,803,503)**	**(26,841,492)**	**(24,364,656)**
Operating profit		**22,230,413**	**19,084,319**	**21,742,325**	**18,599,494**
Add: Non-operating income		240,460	199,037	240,339	198,947
Less: Non-operating expenses		(93,784)	(31,484)	(93,206)	(31,077)
Profit before tax		**22,377,089**	**19,251,872**	**21,889,458**	**18,767,364**
Less: Income tax expenses	V. 47	(2,044,230)	(1,184,037)	(1,948,117)	(1,086,922)
Net profit for the year		**20,332,859**	**18,067,835**	**19,941,341**	**17,680,442**
Net profit classified by continuity of operations:					
Net profit from continuing operations		20,332,859	18,067,835	19,941,341	17,680,442
Net profit from discontinued operations		-	-	-	-
Attributable to:					
Shareholders of the Bank		20,297,588	18,034,040	19,941,341	17,680,442
Non-controlling interests		35,271	33,795	-	-
Other comprehensive income, net of tax	V. 36	**1,409,140**	**1,180,474**	**1,136,750**	**1,288,396**
Other comprehensive income attributable to equity shareholders of the Bank, net of tax		1,409,140	1,198,791	1,136,750	1,288,396
Items that may not be reclassified to profit or loss:					
Changes in fair value of investments in other equity instruments		(73,664)	N/A	(73,664)	N/A
Items that may be reclassified to profit or loss:					
Changes in fair value of other debt investments		112,883	N/A	(66,987)	N/A
Credit losses of other debt investments		1,294,749	N/A	1,277,401	N/A
Changes in fair value of Available-for-sale financial assets		N/A	1,005,250	N/A	1,288,396
Translation differences arising on translation of foreign currency financial statements		75,172	193,541	-	-
Other comprehensive income attributable to non-controlling interests, net of tax		-	(18,317)	-	-
Total comprehensive income for the year		**21,741,999**	**19,248,309**	**21,078,091**	**18,968,838**
Total comprehensive income attributable to:					
Equity shareholders of the Bank		**21,706,728**	**19,232,831**	**21,078,091**	**18,968,838**
Non-controlling interests		**35,271**	**15,478**	**-**	**-**
Basic and diluted earnings per share (RMB)		**1.36**	**1.20**		

These financial statements were approved by the Board of Directors of the Bank on 24 April 2020.

Chairman: Jin Yu President: Hu Youlian Vice President and Chief Finance Officer: Shi Hongmin

The notes on pages 147 to 247 form part of these financial statements.

Bank of Shanghai Company Limited
Consolidated cash flow statement and cash flow statement

Unit: RMB'000

	Note	The Group		The Bank	
		2019	2018	2019	2018
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		1,763,767	13,809,879	1,838,767	13,859,880
Net decrease in financial assets held under resale agreements		11,905,626	-	4,999,500	-
Net increase in borrowings from central bank		-	21,337,000	-	21,332,000
Net increase in deposits from banks and other financial institutions		23,885,684	40,314,089	23,931,078	40,650,327
Net increase in placements from banks and other financial institutions		5,301,961	16,547,675	4,103,241	14,790,460
Net increase in financial liabilities at fair value through profit or loss		398,725	7,147	298,418	-
Net increase in financial assets sold under repurchase agreements		2,189,601	-	1,697,433	-
Net increase in deposits from customers		143,657,209	118,904,281	140,562,800	121,855,038
Interest receipts		60,276,971	51,964,393	58,414,781	50,345,032
Fee and commission receipts		7,931,476	6,938,227	7,607,165	6,638,959
Proceeds from other operating activities		3,944,801	3,961,172	3,566,058	3,918,877
Sub-total of cash inflows		261,255,821	278,686,348	247,019,241	278,290,863
Net increase in deposits with central bank		(2,891,079)	-	(2,909,233)	-
Net increase in placements with banks and other financial institutions		(63,621,350)	(21,617,870)	(63,088,813)	(24,224,787)
Net increase in financial asset at fair value through profit or loss		N/A	(6,305,016)	N/A	(6,374,147)
Net increase in financial assets held under resale agreements		-	(10,945,682)	-	(4,999,500)
Net increase in loans and advances to customers		(132,273,512)	(191,314,243)	(133,186,035)	(190,587,015)
Net increase in financial assets held for trading purpose		(5,092)	N/A	(52,129)	N/A
Net decrease in borrowings from central bank		(10,772,000)	-	(10,732,000)	-
Net decrease in financial assets held under repurchase agreements		-	(17,557,293)	-	(17,343,543)
Interest payments		(38,871,189)	(37,327,648)	(38,400,793)	(36,865,251)
Fee and commission payments		(779,394)	(764,956)	(763,158)	(752,114)
Payment to and for employees		(5,387,088)	(4,702,605)	(5,096,655)	(4,479,401)
Payment of various taxes		(8,534,332)	(6,683,602)	(8,376,758)	(6,606,937)
Payment for other operating activities		(6,053,180)	(3,200,427)	(5,710,901)	(3,101,763)
Sub-total of cash outflows		(269,188,216)	(300,419,342)	(268,316,475)	(295,334,458)
Net cash outflows from operating activities	V.48(1)	(7,932,395)	(21,732,994)	(21,297,234)	(17,043,595)

The notes on pages 147 to 247 form part of these financial statements.

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

Unit: RMB'000

	Note	The Group		The Bank	
		2019	2018	2019	2018
Cash flows from investing activities:					
Proceeds from disposal of investments		525,578,230	568,044,584	524,991,389	562,077,724
Investment returns received		33,558,016	31,775,093	33,361,593	32,220,665
Net proceeds from disposal of long-term assets		7,000	7,458	7,000	7,315
Sub-total of cash inflows		559,143,246	599,827,135	558,359,982	594,305,704
Payment for acquisition of investments		(577,937,546)	(585,489,287)	(564,310,893)	(579,901,227)
Payment for acquisition of long-term assets		(741,746)	(1,432,173)	(731,163)	(1,420,435)
Sub-total of cash outflows		(578,679,292)	(586,921,460)	(565,042,056)	(581,321,662)
Net cash (outflows)/ inflows from investing activities		(19,536,046)	12,905,675	(6,682,074)	12,984,042
Cash flows from financing activities:					
Proceeds from issuance of other debt instruments		834,936,294	882,832,219	832,874,773	870,490,039
Proceeds from subsidiaries' investors		-	1,475	-	-
Sub-total of cash inflows		834,936,294	882,833,694	832,874,773	870,490,039
Repayment of debt securities		(833,592,527)	(861,781,381)	(829,177,536)	(854,893,472)
Interest paid on debt securities		(6,192,116)	(7,488,019)	(6,040,964)	(7,477,945)
Dividends paid		(5,926,265)	(4,922,899)	(5,917,606)	(4,912,513)
Sub-total of cash outflows		(845,710,908)	(874,192,299)	(841,136,106)	(867,283,930)
Net cash (outflows)/ inflows from financing activities		(10,774,614)	8,641,395	(8,261,333)	3,206,109
Effect of foreign exchange rate changes on cash and cash equivalents		150,304	514,763	109,771	334,553
Net (decrease) / increase in cash and cash equivalents	V. 48(2)	(38,092,751)	328,839	(36,130,870)	(518,891)
Add: cash and cash equivalents at the beginning of the year		85,401,765	85,072,926	81,202,279	81,721,170
Cash and cash equivalents at the end of the year	V. 48(3)	47,309,014	85,401,765	45,071,409	81,202,279

These financial statements were approved by the Board of Directors of the Bank on 24 April 2020.

Chairman: Jin Yu President: Hu Youlian Vice President and Chief Finance Officer: Shi Hongmin

The notes on pages 147 to 247 form part of these financial statements.

Bank of Shanghai Company Limited
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2019

Unit: RMB'000

	Note	2019									
		The Group									
		Attributable to equity shareholders of the Bank									
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
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**
Changes in Accounting Policy	III.29	-	-	-	1,813,324	-	-	(2,130,344)	(317,020)	(652)	(317,672)
Balance at 1 Juanury 2019		10,928,099	19,957,170	25,331,364	2,440,778	30,969,554	25,804,758	45,527,806	160,959,529	491,407	161,450,936
Changes in equity for the year											
1.Other comprehensive income		-	-	-	1,409,140	-	-	20,297,588	21,706,728	35,271	21,741,999
2.Appropriation of profits											
- Appropriation for surplus reserve	V. 37	-	-	-	-	5,304,132	-	(5,304,132)	-	-	-
- Appropriation for general reserve	V. 38	-	-	-	-	-	2,629,605	(2,629,605)	-	-	-
- Distributions to shareholders	V. 39	-	-	-	-	-	-	(5,957,645)	(5,957,645)	(8,659)	(5,966,304)
3.Transfers within equity											
- Share capital increased by capital reserve transfer	V. 35	3,278,430	-	(3,278,430)	-	-	-	-	-	-	-
Balance at 31 December 2019		**14,206,529**	**19,957,170**	**22,052,934**	**3,849,918**	**36,273,686**	**28,434,363**	**51,934,012**	**176,708,612**	**518,019**	**177,226,631**

These financial statements were approved by the Board of Directors of the Bank on 24 April 2020.

Chairman: Jin Yu

President: Hu Youlian

Vice President and Chief Finance Officer: Shi Hongmin

The notes on pages 147 to 247 form part of these financial statements.

Bank of Shanghai Company Limited
Consolidated statement of changes in shareholders' equity (continued)
for the year ended 31 December 2018

Unit: RMB'000

	Note	2018									
		The Group									
		Attributable to equity shareholders of the Bank									
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	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 holders of other equity instruments	V.35	-	-	1,475	-	-	-	-	1,475	30,700	32,175
3.Appropriation of profits											
- Appropriation for surplus reserve	V.37	-	-	-	-	4,534,254	-	(4,534,254)	-	-	-
- Appropriation for general reserve	V.38	-	-	-	-	-	24,502	(24,502)	-	-	-
- Distributions to shareholders	V.39	-	-	-	-	-	-	(4,942,893)	(4,942,893)	(10,386)	(4,953,279)
4. Transfers within equity											
- Share capital increased by capital reserve transfer	V.35	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

These financial statements were approved by the Board of Directors of the Bank on 24 April 2020.

Chairman: Jin Yu

President: Hu Youlian

Vice President and Chief Finance Officer: Shi Hongmin

The notes on pages 147 to 247 form part of these financial statements.

Bank of Shanghai Company Limited
Statement of changes in shareholders' equity
for the year ended 31 December 2019

Unit: RMB'000

	Note	2019							
		The Bank							
		Paid-in capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
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**
Changes in Accounting Policy		-	-	-	1,816,756	-	-	(2,034,756)	(218,000)
Balance at 1 Juanury 2019		10,928,099	19,957,170	25,329,889	2,316,008	30,969,554	25,630,000	44,577,820	159,708,540
Changes in equity for the year									
1.Other comprehensive income		-	-	-	1,136,750	-	-	19,941,341	21,078,091
2.Appropriation of profits									
- Appropriation for surplus reserve	V.37	-	-	-	-	5,304,132	-	(5,304,132)	-
- Appropriation for general reserve	V.38	-	-	-	-	-	2,700,000	(2,700,000)	-
- Distributions to shareholders	V.39	-	-	-	-	-	-	(5,957,645)	(5,957,645)
3. Transfers within equity									
- Share capital increased by capital reserve transfer	V.35	3,278,430	-	(3,278,430)	-	-	-	-	-
Balance at 31 December 2019		**14,206,529**	**19,957,170**	**22,051,459**	**3,452,758**	**36,273,686**	**28,330,000**	**50,557,384**	**174,828,986**

These financial statements were approved by the Board of Directors of the Bank on 24 April 2020.

Chairman: Jin Yu

President: Hu Youlian

Vice President and Chief Finance Officer: Shi Hongmin

The notes on pages 147 to 247 form part of these financial statements.

Bank of Shanghai Company Limited
Statement of changes in shareholders' equity (continued)
for the year ended 31 December 2018

Unit: RMB'000

	Note	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.37	-	-	-	-	4,534,254	-	(4,534,254)	-
- Distributions to shareholders	V.39	-	-	-	-	-	-	(4,942,893)	(4,942,893)
3. Transfers within equity									
- Share capital increased by capital reserve transfer	V.35	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

These financial statements were approved by the Board of Directors of the Bank on 24 April 2020.

Chairman: Jin Yu

President: Hu Youlian

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The notes on pages 147 to 247 form part of these financial statements.

Bank of Shanghai Company Limited
Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

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.

The Bank issued 600.45 million common shares (A share) through initial public offering in Nov 2016 and was listed for transactions on Shanghai Stock Exchange. The stock code of the Bank is 601229.

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.

The Group has implemented the Accounting Standards for Business Enterprises No. 22: recognition and measurement of financial instruments and other new financial instrument standards revised by the Ministry of Finance (MOF) of the People's Republic of China (PRC) in 2017 since January 1, 2019 (see Note III.29).

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 MOF of PRC. These financial statements present truly and completely the consolidated financial position and financial position of the Bank as at 31 December 2019, 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

(1) 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.13). 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 or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition(see Note III.9(2)); Any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognized in prior reporting periods in transferred to retained earnings and surplus reserve at the date of acquisition.

(2) 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 equity investment at fair value through other comprehensive income, 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Recognition and initial 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.

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.

(2) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

-it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement of financial assets

Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Debt instruments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and amortised cost.

Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

For the financial liabilities designated as at FVTPL, the gains and losses arose are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognize the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit and loss. When these liabilities are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to retained earnings.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

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) Derecognition of financial assets and financial liabilities

Financial assets is derecognized when one of the following conditions is met:

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

-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 assets.

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

-the carrying amount of the transferred financial asset;

-the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognizes directly in other comprehensive income for the part derecognized.

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

When the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, but it retains control over the transferred asset. The Group continues to recognize relevant financial assets according to the degree of continuous involvement in the transferred financial assets, and recognizes relevant liabilities accordingly.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for ECL on:

-Financial assets measured at amortised cost;

-Debt instruments measured at FVOCI;

-Loan commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt investments or equity securities measured at FVTPL, equity securities designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note XIII.1 credit risk for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note XIII.1credit risk for the definition of creditimpaired financial assets.

Presentation of allowance for ECL

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income. The Group recognises loss allowances for loan commitments and financial guarantee contracts through other liabilities (allowance for impairment losses on off-balance-sheet assest).

Write-off

The book value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Modification of loan contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms. If the renegotiation or modification does not result in derecognition, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(8) 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.

(9) 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 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.

9 Long-term equity investments

(1) 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.

(2) 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. 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.14.

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.

For the impairment of the investments in joint ventures and associates, refer to Note III.14.

(3) 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.

10 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.14). Construction in progress is stated in the balance sheet at cost less impairment loss (see Note III.14).

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.

11 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.14). 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.

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.

12 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.14.

13 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.14). 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.

14 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.15) 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.

15 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.

16 Employee benefits

(1) 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.

(2) 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.

(3) 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.

(4) 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.

17 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.

18 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.

19 Operating leases

(1) 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.

(2) 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.10. Impairment losses are recognised in accordance with the accounting policies described in Note III.14. 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.

20 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.

21 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. The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and bank acceptance. The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (refer to Note III.7 (6)) and the amount initially recognised less the cumulative amount of income. Any increase in the liability relating to a financial guarantee is taken to the statement of profit or loss.

22 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.

23 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:

(1) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost;

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

(2) 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.

(3) 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.

(4) Other income

Other income is recognised on an accrual basis.

24 Expenses

(1) 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.

(2) Other expenses

Other expenses are recognised on an accrual basis.

25 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.

26 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.

27 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.

28 Significant accounting estimates and judgments

The preparation of the financial statements requires management to make estimates, judgments and assumptions based on historical experience and other factors, including reasonable expectations of future events, which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results in the future may differ from these judgments, estimates and assumptions. The group continuously evaluates these judgments, estimates and assumptions, and 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.10 and 11) and provision for impairment of various types of assets (see Notes V.1, 2, 3, 6, 8, 10, 11, 13, 14, 15, 16, 17, 18 and 20). Other significant accounting estimates are as follows:

(i) Note V.19: 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.34: 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.

29 Changes in significant accounting policies and accounting estimates

In 2019, the group implemented the following accounting standards for business enterprises and the revision of statement format issued by the MOF in recent years:

- CAS Bulletin No.22 - Recognition and Measurement of Financial Instruments (Revised)

- CAS Bulletin No.23 - Transfer of Financial Assets (Revised)

- CAS Bulletin No.24 - Hedge Accounting (Revised)

- CAS Bulletin No.37 - Presentation of Financial Instruments (Revised) (above 4 collectively the "new financial instrument standards")

- Notice on Revision of the 2018 Illustrative Financial Statements (Caikuai [2018] No.36) (New financial statement format of financial enterprise)

- CAS Bulletin No.7 - Exchange of Non Monetary Assets (Revised)("CAS 7(2019)")

- CAS Bulletin No.12 - Debt Restructuring (Revised) ("CAS 12(2019)")

(1) New financial instrument standards and new financial statement format of financial enterprises

The new financial instrument standards revised "CAS Bulletin No.22 - Recognition and Measurement of Financial Instruments", "CAS Bulletin No.23 - Transfer of Financial Assets", "CAS Bulletin No.24 - Hedge Accounting", which issued by the MOF in 2006 and "CAS Bulletin No.37 - Presentation of Financial Instruments" revised by the MOF in 2014 (collectively the "original financial instrument standards").

The new financial instrument standards divide financial assets into three basic categories: measured at (1) amortised cost, (2) FVOCI and (3) FVTPL. The classification for financial assets is determined based on the Group's business model for managing the financial instruments and the contractual cash flow characteristics of the assets. The new financial instruments standards cancel the three classification categories stipulated in the original financial instruments standards: held-to-maturity investments, loans and Investment securities classified as receivables, and available-for-sale financial assets. According to the new financial instrument standards, embedded derivatives are no longer separated from the main contract of financial assets, but the relevant provisions on the classification of financial assets are generally applied to hybrid financial instruments.

The new impairment model in the new financial instrument standards replaces the "incurred loss" model in the original financial instrument standards with an "expected credit losses ("ECL")" model. The ECL model requires continuous assessment of the credit risk of financial assets. Therefore, under the new financial instrument standards, the Group's credit loss is recognized earlier than the original financial instrument standard.

The new financial instrument standards revise the subsequent measurement of financial liabilities designated at fair value through profit or loss, financial guarantee liabilities, and loan commitments. In addition, the new financial instruments standards have not substantially changed the accounting policies for financial liabilities.

The Group adjusted the classification and measurement (including impairment) of financial instruments that were not derecognised on the implementation date of the new financial instruments standards (January 1, 2019) on a retrospective basis in accordance with the reconciliations requirements under the new financial instrument standards. The Group did not adjust the comparative figures of consolidated financial statements, but any difference between original book value and new book value at the implementation date of financial instruments should be included in the retained earnings or other comprehensive income at the beginning of the year.

According to the principle of importance and in combination with the actual situation, the Group adjusted the relevant financial statement items in accordance with the new financial statement format of financial enterprises.

The following table lists the impact of the new financial instrument standards and the relevant requirements of the new financial enterprise financial statement format on the Group's related assets and liabilities on January 1, 2019:

	31 December 2018	Reclassification	Remeasurment	1 January 2019
Assets				
Cash and deposits with central bank	145,105,775	60,274	(4)	145,166,045
Deposits with banks and other financial institutions	15,090,430	59,378	(39,264)	15,110,544
Placements with banks and other financial institutions	115,344,352	626,023	(329,227)	115,641,148
Financial assets at fair value through profit or loss	17,874,361	(17,874,361)	-	N/A
Financial assets held under resale agreements	36,368,624	180,463	(871,224)	35,677,863
Interests receivable	9,760,277	(9,760,277)	-	N/A
Loans and advances to customers	818,360,196	2,871,808	1,637,757	822,869,761
Financial investment:				
- Financial assets held for trading	N/A	351,389,625	497,239	351,886,864
- Debt investments	N/A	466,131,468	1,765,278	467,896,746
- Other debt investments	N/A	46,711,070	403,657	47,114,727
- Investments in other equity instruments	N/A	612,153	1,440	613,593
Available-for-sale financial assets	401,779,521	(401,779,521)	-	N/A
Held-to-maturity investments	310,643,240	(310,643,240)	-	N/A
Investment securities classified as receivables	128,764,840	(128,764,840)	-	N/A
Deferred tax assets	9,690,070	-	95,425	9,785,495
Other assets	11,035,163	179,977	(2,535)	11,212,605
Sub-total	2,019,816,849	-	3,158,542	2,022,975,391
Liabilities				
Borrowings from central bank	102,942,000	1,480,501	-	104,422,501
Deposits from banks and other financial institutions	368,968,350	2,373,661	-	371,342,011
Placements from banks and other financial institutions	68,336,138	412,362	-	68,748,500
Financial assets sold under repurchase agreements	61,151,258	35,052	-	61,186,310
Deposits from customers	1,042,489,605	12,619,625	-	1,055,109,230
Interests payable	17,383,127	(17,383,127)	-	N/A
Provisions	-	30,713	3,476,214	3,506,927
Debt securities issued	189,375,530	461,926	-	189,837,456
Other liabilities	6,527,355	(30,713)	-	6,496,642
Sub-total	1,857,173,363	-	3,476,214	1,860,649,577
Total impact on shareholders' equity at the beginning of the period		-	(317,672)	

The following table adjusts the Group's book value of financial assets measured in accordance with the original standards to the book value measured in accordance with the new standards issued on January 1, 2019:

	Note	31 December 2018	Reclassification	Remeasurment	1 January 2019
Financial assets measured at amortised cost					
Cash and deposits with central bank					
Balance under original standards		145,105,775			
Add: from interests receivable	i		60,274		
Remeasurment: provision for expected credit losses				(4)	
Balance under new standards					145,166,045
Deposits with banks and other financial institutions					
Balance under original standards		15,090,430			
Add: from interests receivable	i		59,378		
Remeasurment: provision for expected credit losses				(39,264)	
Balance under new standards					15,110,544
Placements with banks and other financial institutions					
Balance under original standards		115,344,352			
Add: from interests receivable	i		626,023		
Remeasurment: provision for expected credit losses				(329,227)	
Balance under new standards					115,641,148
Financial assets held under resale agreements					
Balance under original standards		36,368,624			
Add: from interests receivable	i		180,463		
Remeasurment: provision for expected credit losses				(871,224)	
Balance under new standards					35,677,863
Interests receivable	i				
Balance under original standards		9,760,277			
Less: to cash and deposits with central bank			(60,274)		
Less: to deposits with banks and other financial institutions			(59,378)		
Less: to placements with banks and other financial institutions			(626,023)		
Less: to financial assets held under resale agreements			(180,463)		
Less: to loans and advances to customers			(2,871,808)		
Less: to financial assets held for trading			(275,179)		
Less: to debt investments			(4,858,256)		
Less: to other debt investments			(641,943)		
Less: to other assets			(186,953)		
Balance under new standards					N/A
Loans and advances to customers					
Balance under original standards		818,360,196			
Add: from interests receivable	i		2,871,808		
Less: to loans and advances to customers measured at FVOCI	ii		(38,472,595)		
Less: to loans and advances to customers measured at FVTPL	iii		(783,147)		
Remeasurment: reversal of impairment allowance under original standards				898,651	
Balance under new standards					782,874,913

	Note	31 December 2018	Reclassification	Remeasurment	1 January 2019
Debt investments					
Balance under original standards		N/A			
Add: from interests receivable	iv		25,109,386		
Add: from held-to-maturity investments	v		307,445,012		
Add: from investment securities classified as receivables	v		128,718,814		
Add: from interests receivable	i		4,858,256		
Remeasurment: reversal of impairment allowance under original standards				1,765,278	
Balance under new standards					467,896,746
Held-to-maturity investments					
Balance under original standards		310,643,240			
Less: to financial assets held for trading	vi		(3,198,228)		
Less: to debt investments	v		(307,445,012)		
Balance under new standards					N/A
Investment securities classified as receivables					
Balance under original standards		128,764,840			
Less: to financial assets held for trading	vi		(46,026)		
Less: to debt investments	v		(128,718,814)		
Balance under new standards					N/A
Other assets					
Balance under original standards		11,035,163			
Add: from interests receivable	i		186,953		
Less: to financial assets held for trading	vi		(6,976)		
Remeasurment: reversal of impairment allowance under original standards				(2,535)	
Balance under new standards					11,212,605
Sub-total financial assets measured at amortised cost		**1,590,472,897**	**(18,314,708)**	**1,421,675**	**1,573,579,864**
Financial assets measured at FVTPL					
Financial assets measured at fair value through profit or loss					
Balance under original standards		17,874,361			
Less: Financial assets held for trading	vii		(17,874,361)		
Balance under new standards					N/A
Financial assets held for trading					
Balance under original standards		N/A			
Add: from financial assets measured at fair value through profit or loss	vii		17,874,361		
Add: from available-for-sale financial assets	vi		329,988,855		
Add: from held-to-maturity investments	vi		3,198,228		
Add: from investment securities classified as receivables	vi		46,026		
Add: from other assets	vi		6,976		
Add: from interests receivable	i		275,179		
Remeasurment: reversal of impairment allowance under original standards				1,501,479	
Remeasurment: from amortised cost to fair value				(1,004,240)	
Balance under new standards					351,886,864

	Note	31 December 2018	Reclassification	Remeasurment	1 January 2019
Loans and advances to customers					
Balance under original standards		-			
Add: from loans and advances to customers measured at amortised cost	iii		783,147		
Remeasurment: reversal of impairment allowance under original standards				35,574	
Remeasurment: from amortised cost to fair value				3,525	
Balance under new standards					822,246
Sub-total financial assets measured at FVTPL		17,874,361	334,298,411	536,338	352,709,110
Financial assets measured at FVOCI					
Loans and advances to customers					
Balance under original standards		-			
Add: from from loans and advances to customers measured at amortised cost	ii		38,472,595		
Remeasurment: reversal of impairment allowance under original standards				580,318	
Remeasurment: from amortised cost to fair value				119,689	
Balance under new standards					39,172,602
Other debt investments					
Balance under original standards		N/A			
Add: from available-for-sale financial assets	viii		46,069,127		
Add: from interests receivable	i		641,943		
Remeasurment: reversal of impairment allowance under original standards				403,657	
Balance under new standards					47,114,727
Other equity investments					
Balance under original standards		N/A			
Add: from available-for-sale financial assets	ix		612,153		
Remeasurment: reversal of impairment allowance under original standards				1,440	
Balance under new standards					613,593
Available-for-sale financial assets					
Balance under original standards		401,779,521			
Less: to financial assets held for trading	vi		(329,988,855)		
Less: to debt investments	iv		(25,109,386)		
Less: to other debt investments	viii		(46,069,127)		
Less: to investments in other equity instruments	ix		(612,153)		
Balance under new standards					N/A
Sub-total financial assets measured at FVOCI		401,779,521	(315,983,703)	1,105,104	86,900,922
Deferred tax assets					
Balance under original standards		9,690,070			
Remeasurment				95,425	
Balance under new standards					9,785,495
Total		2,019,816,849	-	3,158,542	2,022,975,391

(i) According to the requirements of the new financial statement format for financial enterprises, the Group reclassifies the financial instruments' interests based on the actual interest rate method into the book balance of the corresponding financial instrument. Interests related to financial instruments that have been due but not yet received have been reclassified to other assets.

(ii) Certain loans and advances to customers held by the Group were held within a business model in which objective at the date of initial application was both collecting contractual cash flows and selling financial assets. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal amount outstanding. Therefore, these assets were classified as financial assets measured at FVOCI under the new financial instruments standards. And according to the requirements of the new financial statement format for financial enterprises, these assets were reclassified as loans and advances measured at FVOCI.

(iii) Certain loans and advances to customers held by the Group, their contractual cash flows were not identified as solely payments of principal and interest on the principal outstanding. These assets were classified as financial assets measured at FVTPL under the new financial instruments standards. And according to the requirements of the new financial statement format for financial enterprises, these assets were reclassified as loans and advances measured at FVTPL.

(iv) Certain debt instruments originally classified as available-for-sale financial assets were held within a business model whose objective at the date of initial application was to collect contractual cash flows. In addition, their contractual cash flows were identified as solely payments of principal and interest on the principal outstanding. Therefore, these assets were classified as debt investments under the new financial instruments standards. And according to the requirements of the new financial statement format for financial enterprises, these assets were reclassified as debt instrument. The fair value of these instruments as at 31 December 2019 was RMB 20,962 million. Assuming that these financial assets were not reclassified upon transition to the new financial instruments standards, the gain arising from changes in their fair value during the year that would have been recognized in other comprehensive income was not significant.

(v) According to the requirements of the new financial statement format for financial enterprises, the accounts of held-to-maturity investments and investment securities classified as receivables are no longer used. Certain debt instruments originally classified as held-to-maturity investments and investment securities classified as receivables have been reclassified to debt instruments and there are no changes in their measurement.

(vi) Certain financial instruments originally classified as held-to-maturity investments, investment securities classified as receivables, available-for-sale financial assets and other assets, their contractual cash flows were not identified as solely payments of principal and interest on the principal outstanding. These assets were classified as financial assets measured at FVTPL under the new financial instruments standards. And according to the requirements of the new financial statement format for financial enterprises, these assets were reclassified as trading assets.

(vii) According to the requirements of the new financial statement format for financial enterprises, the account of financial assets measured at FVTPL is no longer used. Instruments originally classified as financial assets measured at FVTPL have been reclassified to trading assets and there is no change in its measurement.

Under the original financial instruments standards, certain debt instruments held by the Group were designated as financial assets measured at FVTPL, which no longer met the criteria under the new financial instruments standards for designation as financial assets measured at FVTPL. Therefore, the Group revoked its previous designation of these financial assets and their contractual cash flows were not identified as solely payments of principal and interest on the principal outstanding. These assets were classified as financial assets measured at FVTPL under the new financial instruments standards. And according to the requirements of the new financial statement format for financial enterprises, these assets were reclassified as trading assets.

(viii) According to the requirements of the new financial statement format for financial enterprises, the account of available-for-sale financial assets is no longer used. Certain debt instruments originally classified as available-for-sale financial assets have been reclassified to other debt investments and there is no change in its measurement.

(ix) On the implementation date of the new financial instruments standards, the Group chose to irrevocably designate certain non-tradable equity investments that were originally classified as available-for-sale financial assets as financial investments measured at fair value through other comprehensive income. And according to the requirements of the new financial statement format for financial enterprises, these assets were reclassified as other equity investments.

The table below adjusts the impairment allowance measured on December 31, 2018 based on the incurred loss model of original financial instruments standards to the impairment allowance and provisions measured on January 1, 2019 based on the expected credit loss model of the new financial instruments standards:

	Impairment allowance / Estimated liabilities recognized under the original financial instruments standards as at 31 December 2018	Reclassification	Remeasurment	Impairment allowance / provisions recognized under the new financial instruments standards as at 1 January 2019
Financial assets measured at amortised cost				
Cash and deposits with central bank	-	-	4	4
Deposits with banks and other financial institutions	-	-	39,264	39,264
Placements with banks and other financial institutions	36,223	-	329,227	365,450
Financial assets held under resale agreements	230,418	-	871,224	1,101,642
Loans and advances to customers	32,335,459	(615,892)	(898,651)	30,820,916
Debt investments	N/A	6,043,563	(1,765,278)	4,278,285
Held-to-maturity investments	827,419	(827,419)	-	N/A
Investment securities classified as receivables	6,010,530	(6,010,530)	-	N/A
Other assets	134,810	(98,334)	2,535	39,011
Sub-total	39,574,859	(1,508,612)	(1,421,675)	36,644,572
Financial assets measured at FVOCI				
Loans and advances to customers	-	580,318	1,044,970	1,625,288
Available-for-sale financial assets	1,013,856	(1,013,856)	-	N/A
Other debt investments	N/A	403,657	(44,694)	358,963
Investments in other equity instruments	N/A	1,440	(1,440)	N/A
Sub-total	1,013,856	(28,441)	998,836	1,984,251
Provisions	-	30,713	3,476,214	3,506,927
Total	40,588,715	(1,506,340)	3,053,375	42,135,750

(2) CAS 7 (2019)

CAS 7 (2019) further clarifies the scope of the standard, specifies the timing for recognition of assets received and derecognition of assets given up, and the accounting treatment for cases in which the timing of recognition and derecognition are inconsistent. The standard modifies the principle of measurement for multiple assets received or given up simultaneously in exchanges of non-monetary assets measured at fair value. It also requires the disclosure of whether exchanges of non-monetary assets have commercial substance and the reasons why they do or do not have commercial substance.

The effective date of CAS 7 (2019) is 10 June 2019. Exchanges of non-monetary assets that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 7 (2019). Retrospective adjustment is not required for exchanges of non-monetary assets prior to 1 January 2019. The adoption of CAS 7 (2019) has no material effect on the financial position and financial performance of the Group.

(3) CAS 12 (2019)

CAS 12 (2019) modifies the definition of debt restructuring to specify the scope of this standard, as well as the application of relevant financial instruments standards with respect to the recognition, measurement and presentation of financial instruments involved in debt restructuring. For debt restructuring in which a debt is settled by the transfer of assets, CAS 12 (2019) modifies the principle of measurement for initial recognition of non-financial assets received by the creditor, and gains or losses of the debtor from debt restructuring are recognised without distinguishing whether they are gains or losses from asset transfer or debt restructuring. For debt restructuring in which a debt is settled by the issuance of equity instruments to the creditor, CAS 12 revises the principle of measurement for initial recognition of its share of equity by the creditor, and provides more guidance on the principle of measurement for initial recognition of equity instruments by the debtor.

The effective date of CAS 12 (2019) is 17 June 2019. Debt restructuring that occurred between 1 January 2019 and the effective date shall be adjusted according to CAS 12 (2019). Retrospective adjustment is not required for debt restructuring prior to 1 January 2019. The adoption of CAS 12 (2019) has no material effect 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.

V. Notes to the consolidated financial statements

1 Cash and deposits with central bank

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cash on hand		1,713,428	2,127,633	1,700,995	2,114,180
Deposits with domestic central bank					
- Statutory deposit reserves	(i)	120,206,218	118,433,114	119,971,813	118,180,554
- Surplus deposit reserves	(ii)	16,887,314	24,257,734	16,799,828	24,126,432
- Fiscal deposits		976,193	172,986	976,192	172,986
- Foreign exchange risk reserves	(iii)	407,610	92,842	407,610	92,842
Deposits with overseas central banks	(iv)	4,217	21,466		
Sub-total		138,481,552	142,978,142	138,155,443	142,572,814
Accrued interest		61,945	N/A	61,839	N/A
Total				139,918,277	144,686,994
Less: Provision for impairment losses	V. 21	(1)	-		
Total		140,256,924	145,105,775		

(i) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations.

(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 valet 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

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deposits in mainland China					
- Banks		6,179,310	6,846,596	4,942,726	6,186,608
- Other financial institutions		3,616,643	4,304,178	3,597,016	4,302,018
Deposits outside mainland China					
- Banks		4,813,121	3,939,656	4,073,916	2,731,245
Total		14,609,074	15,090,430	12,613,658	13,219,871
Accrued interest		10,994	N/A	7,410	N/A
Less: Provision for impairment losses	V. 21	(61,525)	-	(57,321)	-
Carrying amount		14,558,543	15,090,430	12,563,747	13,219,871

3 Placements with banks and other financial institutions

Analysed by type and location of counterparty

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Placements in mainland China					
- Banks		2,998,234	1,375,900	2,998,234	1,375,900
- Other financial institutions		161,685,725	110,694,805	161,685,788	110,584,950
Placements outside mainland China					
- Banks		4,184,219	2,277,945	3,970,217	756,745
- Other financial institutions		1,044,794	1,031,925	1,044,794	1,031,925
Total		169,912,972	115,380,575	169,699,033	113,749,520
Accrued interest		666,173	N/A	670,499	N/A
Less: Provision for impairment losses	V. 21	(480,077)	(36,223)	(479,304)	(32,683)
Carrying amount		170,099,068	115,344,352	169,890,228	113,716,837

At 31 December 2019, the Group's placements with its own non-principal-guaranteed wealth management products amounted to RMB7,958 million (RMB14,951 million as at 31 December 2018). In 2019, the Group's maximum exposure of placements with its own non-principal-guaranteed wealth management products amounted to RMB13,959 million (2018: RMB22,317 million).

4 Financial assets at fair value through profit or loss

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Debt instruments held for trading					
- Government		N/A	687,875	N/A	671,015
- Policy banks		N/A	3,356,693	N/A	3,356,693
- Banks and other financial institutions		N/A	750,023	N/A	750,023
- Other entities	(i)	N/A	12,697,506	N/A	12,697,506
Sub-total	(ii)	N/A	17,492,097		
Equity instruments held for trading					
- Stocks	(iii)	N/A	173,748		
- Fund	(iv)	N/A	167,838		
- Other		N/A	20,675		
Sub-total		N/A	362,261		
Debt instruments designated at fair value through profit or loss					
- Other institutions	(ii)	N/A	20,003		
Total		N/A	17,874,361	N/A	17,475,237

(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 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 unlisted RMB bills issued by 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.

5 Derivative financial assets and liabilities

	31 December 2019					
	The Group			The Bank		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives						
- Currency forwards and swaps	1,705,945,693	11,161,738	(11,247,424)	1,700,139,963	11,141,211	(11,229,945)
- Currency options	25,848,318	187,450	(220,984)	25,848,318	187,450	(220,984)
- Currency interest rate swaps	8,960,969	102,753	(60,645)	8,960,969	102,753	(60,645)
- Currency futures	87,066	-	(1,105)			
Interest rate derivatives	1,368,699,074	4,697,769	(4,868,645)	1,367,418,424	4,690,441	(4,866,415)
Commodity derivatives	10,340,421	294,205	(289,609)	10,340,421	294,205	(289,609)
Other derivatives	299,850	-	(2,260)	299,850	-	(2,260)
Total	3,120,181,391	16,443,915	(16,690,672)	3,113,007,945	16,416,060	(16,669,858)

	31 December 2018					
	The Group			The Bank		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives						
- Currency forwards and swaps	380,638,626	759,957	(597,828)	372,480,140	744,938	(560,386)
- Currency options	6,548,729	81,495	(96,448)	6,548,729	81,495	(96,448)
- Currency interest rate swaps	13,058,072	364,103	(87,166)	13,058,072	364,103	(87,166)
Interest rate derivatives	1,262,722,187	32,024	(41,906)	1,261,667,308	18,239	(36,802)
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)**

The notional amount 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	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Securities					
- Government bonds		-	4,455,000	-	4,455,000
- Bonds issued by banks and other financial institutions		-	3,205,800	-	3,205,800
- Bonds issued by other institutions		-	5,999,400	-	5,999,400
Sub-total		**-**	**13,660,200**	**-**	**13,660,200**
Bank certificate of deposit		1,030,030	14,744,316	1,030,030	14,744,316
Equity		1,288,400	8,194,526		
Total		**2,318,430**	**36,599,042**	**1,030,030**	**28,404,516**
Accrued interest		130	N/A	130	N/A
Less: Provision for impairment losses	V. 21	(51,505)	(230,418)	(2,416)	-
Carrying amount		**2,267,055**	**36,368,624**	**1,027,744**	**28,404,516**

(2) Analysed by type and location of counterparty

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
In mainland China					
- Banks		-	4,951,000	-	4,951,000
- Other financial institutions		2,318,430	31,648,042	1,030,030	23,453,516
Total		2,318,430	36,599,042	1,030,030	28,404,516
Accrued interest		130	N/A	130	N/A
Less: Provision for impairment losses	V. 21	(51,505)	(230,418)	(2,416)	-
Carrying Amount		2,267,055	36,368,624	1,027,744	28,404,516

7 Interests receivable

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Debt instruments		N/A	5,801,284	N/A	5,748,488
Loans and advances to customers		N/A	3,032,855	N/A	2,936,431
Placements with banks and other financial institutions		N/A	626,023	N/A	626,505
Financial assets held under resale agreements		N/A	180,463	N/A	161,646
Deposits with central bank, banks and other financial institutions		N/A	119,652	N/A	113,907
Total		N/A	9,760,277	N/A	9,586,977

From January 1, 2019, according to the requirements of the new financial statement format for financial enterprises, the Group reclassifies the financial instruments' interests based on the actual interest rate method into the book balance of the corresponding financial instrument, and the "interest receivable" item is no longer listed separately. Interests related to financial instruments that have been due but not yet received have been reclassified to other assets. The group does not restate the comparative figures.

8 Loans and advances to customers

(1) Analysed by measurement methods

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Loans and advances to customers					
- Measured at amortised cost	(i)	905,473,512	850,695,655	887,607,358	831,125,984
- Measured at FVOCI	(ii)	66,716,053	N/A	66,716,053	N/A
- Measured at FVTPL	(iii)	315,113	N/A	315,113	N/A
Total		972,504,678	850,695,655	954,638,524	831,125,984
Accrued interest		3,706,345	N/A	3,593,855	N/A
Less: Provision for impairment losses - Loans and advances to customers measured at amortised cost	V. 21	(34,990,396)	(32,335,459)	(34,650,051)	(31,971,021)
Carrying amount		941,220,627	818,360,196	923,582,328	799,154,963

(i) Loans and advances to customers measured at amortised cost

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Corporate loans and advances	583,483,017	534,269,554	566,582,863	515,703,898
Personal loans and advances				
- Personal consumption loans	175,058,957	157,475,662	174,706,383	157,059,630
- Property mortgages	94,450,383	72,768,999	94,403,029	72,735,842
- Credit cards	33,522,102	30,953,025	33,522,102	30,953,025
- Personal business loans	18,747,397	15,623,530	18,198,919	15,087,765
Sub-total	321,778,839	276,821,216	320,830,433	275,836,262
Discounted bills	211,656	39,604,885	194,062	39,585,824
Loans and advances to customers measured at amortised cost	905,473,512	850,695,655	887,607,358	831,125,984

(ii) Loans and advances to customers measured at FVOCI

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Discounted bills	66,716,053	N/A	66,716,053	N/A

(iii) Loans and advances to customers measured at FVTPL

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Corporate loans and advances	315,113	N/A	315,113	N/A

On the balance sheet date, part of the above loans and advances are used as collateral for repurchase agreement transactions, as detailed in note X. 1

(2) Analysed by type of collateral

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Unsecured loans	297,944,940	294,628,602	294,134,054	292,648,265
Guaranteed loans	183,535,200	159,186,326	173,071,317	149,699,190
Loans secured by tangible assets	310,308,416	275,575,575	308,960,131	274,543,166
Loans secured by monetary assets	180,716,122	121,305,152	178,473,022	114,235,363
Gross balance	972,504,678	850,695,655	954,638,524	831,125,984
Accrued interest	3,706,345	N/A	3,593,855	N/A
Less: Provision for impairment losses	(34,990,396)	(32,335,459)	(34,650,051)	(31,971,021)
Carrying amount	941,220,627	818,360,196	923,582,328	799,154,963

(3) Analysed by industrial sector

	31 December 2019				31 December 2018			
	The Group		The Bank		The Group		The Bank	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate	154,391,365	15.89	150,228,390	15.73	128,229,633	15.07	124,123,624	14.93
Leasing and commercial services	139,439,435	14.34	137,790,273	14.43	122,709,591	14.42	121,372,242	14.60
Manufacturing	75,886,752	7.80	74,251,163	7.78	65,573,181	7.71	65,258,177	7.85
Public utilities	54,856,988	5.64	54,605,640	5.72	48,972,712	5.76	48,597,685	5.85
Wholesale and retail	51,370,308	5.28	50,267,318	5.27	51,152,970	6.01	49,940,265	6.01
Financial services	21,951,036	2.26	15,524,414	1.63	23,517,516	2.76	14,788,720	1.78
Construction	21,500,402	2.21	21,216,929	2.22	25,368,172	2.98	25,099,966	3.02
Communication, software and IT services	17,736,281	1.82	17,685,727	1.85	16,646,874	1.96	16,119,544	1.94
Culture, sports and entertainment	12,398,525	1.27	12,302,676	1.29	11,225,369	1.32	11,128,465	1.34
Transportation, storage and postal services	10,104,445	1.04	9,718,745	1.02	15,249,265	1.79	14,774,939	1.78
Education and research	7,039,088	0.72	6,455,416	0.68	5,557,595	0.65	4,801,151	0.58
Mining	5,163,653	0.53	5,163,653	0.54	6,904,682	0.81	6,904,682	0.83
Agriculture and farming	5,112,044	0.53	5,062,594	0.53	6,248,852	0.73	6,099,405	0.73
Others	6,847,808	0.70	6,625,038	0.69	6,913,142	0.83	6,695,033	0.81
Sub-total of corporate loans and advances	**583,798,130**	**60.03**	**566,897,976**	**59.38**	**534,269,554**	**62.80**	**515,703,898**	**62.05**
Personal loans and advances	**321,778,839**	**33.09**	**320,830,433**	**33.61**	**276,821,216**	**32.54**	**275,836,262**	**33.19**
Discounted bills	**66,927,709**	**6.88**	**66,910,115**	**7.01**	**39,604,885**	**4.66**	**39,585,824**	**4.76**
Gross balance	**972,504,678**	**100.00**	**954,638,524**	**100.00**	**850,695,655**	**100.00**	**831,125,984**	**100.00**
Accrued interest	3,706,345		3,593,855		N/A		N/A	
Less: Provision for impairment losses	(34,990,396)		(34,650,051)		(32,335,459)		(31,971,021)	
Carrying amount	**941,220,627**		**923,582,328**		**818,360,196**		**799,154,963**	

(4) Analysed by geographical sector

	31 December 2019		31 December 2018	
	The Group	The Bank	The Group	The Bank
Shanghai	462,774,073	460,918,890	423,022,897	421,442,898
Yangtze River Delta (excluding Shanghai)	204,635,016	204,206,171	158,915,211	158,510,797
Pearl River Delta (including Hong Kong)	173,808,324	158,519,430	143,944,535	126,686,014
Bohai Rim	100,241,154	100,241,154	97,434,522	97,434,522
Central and Western	31,046,111	30,752,879	27,378,490	27,051,753
Gross balance	**972,504,678**	**954,638,524**	**850,695,655**	**831,125,984**
Accrued interest	3,706,345	3,593,855	N/A	N/A
Less: Provision for impairment losses	(34,990,396)	(34,650,051)	(32,335,459)	(31,971,021)
Carrying amount	**941,220,627**	**923,582,328**	**818,360,196**	**799,154,963**

(5) Overdue loans and advances (excluding accrued interest) analysed by type of collateral and overdue period

	The Group				
	31 December 2019				
	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	2,901,496	2,366,420	287,960	-	5,555,876
Guaranteed loans	364,977	1,104,068	3,640,189	36,547	5,145,781
Loans secured by tangible assets	2,276,997	915,880	715,615	21,425	3,929,917
Loans secured by monetary assets	988,696	73,008	330,803	-	1,392,507
Total	6,532,166	4,459,376	4,974,567	57,972	16,024,081

	The Group				
	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 Bank				
	31 December 2019				
	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	2,900,811	2,365,662	287,950	-	5,554,423
Guaranteed loans	336,190	1,102,785	3,628,905	36,547	5,104,427
Loans secured by tangible assets	2,276,607	903,505	714,039	21,425	3,915,576
Loans secured by monetary assets	988,696	73,008	330,803	-	1,392,507
Total	6,502,304	4,444,960	4,961,697	57,972	15,966,933

	The Bank				
	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

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.

(6) Movements of provision for impairment losses

(i) Loans and advances to customers measured at amortised cost

	The Group			
	2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	16,451,326	6,259,579	8,110,011	30,820,916
Transfer:				
- to stage 1	1,687,362	(1,653,156)	(34,206)	-
- to stage 2	(1,397,236)	1,400,818	(3,582)	-
- to stage 3	(75,709)	(1,261,344)	1,337,053	-
(Reverse)/charge	(1,194,695)	3,863,402	8,876,209	11,544,916
Write-offs	-	-	(8,686,368)	(8,686,368)
Recoveries	-	-	1,403,439	1,403,439
Other movements	7,345	1,143	(100,995)	(92,507)
As at 31 December	15,478,393	8,610,442	10,901,561	34,990,396

	The Group			
	2018			
	Provision for impaired loans and advances(Note (a))			
	Provision for impairment losses which is collectively assessed	collective assessement	individual assessement	Total
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 Bank			
	2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	16,231,770	6,234,410	7,950,693	30,416,873
Transfer:				
- to stage 1	1,687,362	(1,653,156)	(34,206)	-
- to stage 2	(1,390,038)	1,393,620	(3,582)	-
- to stage 3	(68,247)	(1,260,420)	1,328,667	-
(Reverse)/charge	(1,278,074)	3,875,754	8,925,878	11,523,558
Write-offs	-	-	(8,579,434)	(8,579,434)
Recoveries	-	-	1,382,861	1,382,861
Other movements	1,315	743	(95,865)	(93,807)
As at 31 December	15,184,088	8,590,951	10,875,012	34,650,051

	The Bank			
	2018			
	Provision for impaired loans and advances(Note (a))			
	Provision for impairment losses which is collectively assessed	collective assessment	individual assessment	Total
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

(a) 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.

(ii) Loans and advances to customers measured at FVOCI

	The Group and The Bank			
	2019			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January	1,600,105	25,183	-	1,625,288
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	(677)	677	-	-
- to stage 3	(381)	-	381	-
Charge/(reverse)	1,320,168	(17,730)	21,618	1,324,056
As at 31 December	2,919,215	8,130	21,999	2,949,344

(7) Rescheduled loans and advances to customers (excluding accrued interest)

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Rescheduled loans and advances to customers	880,323	1,161,948	849,112	1,150,886

9 Financial assets held for trading

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial investment held for trading purposes					
Debt instruments					
- Government		1,921,254	N/A	1,578,866	N/A
- Policy banks		532,900	N/A	532,900	N/A
- Banks and other financial institutions		2,518,285	N/A	1,280,818	N/A
- Other institutions	(i)	13,523,940	N/A	13,286,370	N/A
Sub-total of debt instruments	(ii)	18,496,379	N/A	16,678,954	N/A
Equity instruments					
- Fund	(iii)	228,061	N/A	-	N/A
- Stocks	(iv)	276,247	N/A	-	N/A
- Others		28,730	N/A	-	N/A
Sub-total of equity instruments		533,038	N/A	-	N/A
Sub-total		19,029,417	N/A	16,678,954	N/A
Financial investments measured at fair value through profit or loss (standard requirements)					
Debt instruments					
- Banks and other financial institutions	(ii)	86,739,345	N/A	86,739,345	N/A
Equity instruments					
- Fund	(iii)	211,504,160	N/A	213,227,252	N/A
- Stocks	(iv)	74,705	N/A	74,705	N/A
- Others		707,718	N/A	365,440	N/A
Sub-total of equity instruments		212,286,583	N/A	213,667,397	N/A
Sub-total		299,025,928	N/A	300,406,742	N/A
Total	(v)	318,055,345	N/A	317,085,696	N/A

(i) Debt instruments issued by other institutions are mainly corporate bonds.

(ii) The debt instruments are mainly invested in bonds traded in China's onshore interbank bond market and wealth management products issued by commercial banks.

(iii) The above funds mainly invest in money funds and bond funds issued in China.

(iv) The stocks investments are mainly in listed stocks issued in China.

(v) As at the balance sheet date, part of financial investments measured at FVTPL was pledged as guaranty (See Note X.1). No other investments were subject to material restrictions on the realisation.

10 Debt investments

(1) Analysed by type of issuer and geographical location

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Issued in mainland China:					
- Government		363,548,059	N/A	363,548,059	N/A
- Policy banks		18,326,420	N/A	18,249,419	N/A
- Banks and other financial institutions	(i)	134,180,688	N/A	135,400,051	N/A
- Other institutions	(ii)	32,862,508	N/A	32,688,333	N/A
Issued outside mainland China					
- Banks and other financial institutions	(i)	5,206,143	N/A	4,578,072	N/A
- Other institutions	(ii)	5,306,029	N/A	3,550,119	N/A
Total		**559,429,847**	**N/A**	**558,014,053**	**N/A**
Accrued interest		6,436,587	N/A	6,403,136	N/A
Less: Provision for impairment losses	V. 21	(5,556,900)	N/A	(5,557,667)	N/A
Carrying amount	**(iii)**	**560,309,534**	**N/A**	**558,859,522**	**N/A**

(i) Mainly represent bonds issued by banks and other financial institutions inside and outside mainland China, asset-backed securities, income certificates and asset management plans set up by asset management companies and trust companies.

The group invests directly or through a structured entity in relevant debt instruments and obtains fixed or identifiable income, in which the underlying assets invested through a structured entity include interbank deposits and credit assets. For information on the group's interest in the relevant structured entity through direct holding investments, see Note VI.

(ii) Bonds issued by other institutions in and outside China mainly respresent bonds issued by all kinds of enterprise companies.

(iii) As at the balance sheet date, part of debt investments was pledged as guaranty (See Note X.1). No other investments were subject to material restrictions on the realisation.

(2) Movements of provision for impairment losses

	The Group				The Bank			
	2019				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at 1 January	1,404,342	1,068,284	1,805,659	4,278,285	1,441,302	1,975,888	1,805,659	5,222,849
Transfer:								
- to stage 1	68,759	(68,759)	-	-	68,759	(68,759)	-	-
- to stage 2	(111,240)	111,240	-	-	(111,240)	111,240	-	-
- to stage 3	(137)	(307,102)	307,239	-	(137)	(307,102)	307,239	-
Charge/(reverse)	637,984	24,634	732,886	1,395,504	552,702	(833,881)	732,886	451,707
Write-offs	-	-	(116,889)	(116,889)	-	-	(116,889)	(116,889)
As at 31 December	**1,999,708**	**828,297**	**2,728,895**	**5,556,900**	**1,951,386**	**877,386**	**2,728,895**	**5,557,667**

11 Other debt investments

(1) Analysed by type of issuer and geographical location

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Issued in mainland China					
- Government		2,140,974	N/A	2,140,974	N/A
- Policy banks		4,750,588	N/A	4,750,588	N/A
- Banks and other financial institutions	(i)	15,393,595	N/A	15,124,382	N/A
- Other institutions	(ii)	3,974,367	N/A	3,121,746	N/A
Issued outside mainland China					
- Government		1,060,697	N/A		
- Banks and other financial institutions	(i)	5,895,837	N/A	3,802,356	N/A
- Other institutions	(ii)	5,417,164	N/A	2,089,587	N/A
Sub-total		38,633,222	N/A	31,029,633	N/A
Accrued interest		428,242	N/A	385,721	N/A
Total	(iii)	39,061,464	N/A	31,415,354	N/A

(i) Mainly represent bonds issued by banks and other financial institutions.

(ii) Bonds issued by other institutions in and outside China mainly respresent bonds issued by all kinds of enterprise companies.

(iii) Part of other debt investments was pledged as guaranty (see Note X.1). No other investments were subject to material restrictions on the realization.

(2) Fair value analysis of other debt investments

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cost	39,000,824	N/A	31,417,562	N/A
Fair value	39,061,464	N/A	31,415,354	N/A
Fair value change included in OCI	60,640	N/A	(2,208)	N/A

(3) Movements of provision for impairment losses

	The Group				The Bank			
	2019				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
As at 1 January	97,449	-	261,514	358,963	86,123	-	261,514	347,637
Transfer:								
- to stage 1	-	-	-	-	-	-	-	-
- to stage 2	-	-	-	-	-	-	-	-
- to stage 3	-	-	-	-	-	-	-	-
Reverse	(14,533)	-	(14,775)	(29,308)	(31,880)	-	(14,775)	(46,655)
As at 31 December	82,916	-	246,739	329,655	54,243	-	246,739	300,982

12 Investments in other equity instruments

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Unlisted equity investments	515,374	N/A	485,374	N/A

Fair value analysis of Investments in other equity instruments

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Cost	382,371	N/A	352,371	N/A
Fair value	515,374	N/A	485,374	N/A
Fair value change included in OCI	133,003	N/A	133,003	N/A

13 Available-for-sale financial assets

(1) Available-for-sale financial assets

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Debt instruments measured by fair value (analysed by issuer)					
In mainland China					
- Government		N/A	2,032,270	N/A	1,911,153
- Policy banks		N/A	8,534,150	N/A	8,331,522
- Banks and other financial institutions		N/A	194,737,547	N/A	193,730,396
- Other institutions	(i)	N/A	7,435,033	N/A	6,980,129
Outside mainland China					
- Government		N/A	1,151,972	N/A	200,005
- Banks and other financial institutions		N/A	6,623,126	N/A	4,688,611
- Other institutions	(i)	N/A	2,075,831	N/A	333,448
Sub-total	(ii) / (iii)	N/A	222,589,929	N/A	216,175,264
Equity instruments (analysed by measurement)					
In mainland China					
- Measured by fair value	(iii) / (iv)	N/A	167,532,016	N/A	167,250,059
- Measured by cost	(v)	N/A	99,588	N/A	64,327
Outside mainland China					
- Measured by fair value	(iii)	N/A	11,557,988	N/A	13,211,946
Sub-total		N/A	179,189,592	N/A	180,526,332
Total		N/A	401,779,521	N/A	396,701,596

(2) Fair value analysis of available-for-sale financial assets

	Note	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)

(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.1 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.

(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.

14 Held-to-maturity investments

Analysed by type of issuer and geographical location

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Issued in mainland China					
- Government		N/A	262,851,272	N/A	262,851,272
- Banks and other financial institutions		N/A	28,884,645	N/A	27,995,504
- Other institutions	(i)	N/A	10,064,524	N/A	10,043,749
Issued outside mainland China					
- Commercial banks and other financial institutions		N/A	4,896,361	N/A	4,185,043
- Other institutions	(i)	N/A	4,773,857	N/A	2,968,880
Total		N/A	311,470,659	N/A	308,044,448
Less: Provision for impairment losses	V. 21	N/A	(827,419)	N/A	(827,419)
Carrying amount	(ii)	N/A	310,643,240	N/A	307,217,029

(i) Debt securities issued by other institutions inside and outside mainland China mainly represent bonds 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.1). No other investments were subject to material restrictions on the realisation.

15 Investment securities classified as receivables

Analysed by type of issuer and geographical location

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Issued in mainland China					
- Government	(i)	N/A	7,735,978	N/A	7,735,978
- Commercial Banks	(ii) / (iv)	N/A	928,877		
- Other non-bank financial institutions	(iii) / (iv)	N/A	125,810,515	N/A	138,909,745
- Other institutions	(v)	N/A	300,000	N/A	300,000
Sub-total		N/A	134,775,370	N/A	146,945,723
Less: Provision for impairment losses	V. 21	N/A	(6,010,530)	N/A	(6,352,702)
Carrying amount	(vi)	N/A	128,764,840	N/A	140,593,021

(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, trust companies and securities companies and the structured notes 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. 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) As at 31 December 2018, part of the investment classified as receivables was pledged as guaranty (see Note X.1). No other investments were subject to material restrictions on the realization.

16 Long-term equity investments

	Note	The Group	
		31 December 2019	31 December 2018
Investments in associates	(i)	422,778	402,120

	Note	The Bank	
		31 December 2019	31 December 2018
Investments in associate	(ii)	404,997	382,399
Investments in subsidiaries	(iii)	3,870,724	3,870,724
Total		4,275,721	4,253,123

(i) Changes in the Group's long-term equity investments in associate are as follows:

Investee	2019					
	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")	19,521	-	-	(1,940)	17,581	-
Shanghai ShangCheng Consumer Finance Corporation Limited ("ShangCheng Finance")	382,399	-	-	22,598	404,997	-
Shangyin Yihao Equity Investment Fund Partnership Company("Shangyin Yihao")	100	-	(100)	-	-	-
Shangyin Zhonghe Hengtai Investment Partnership Company("Zhonghe Hengtai")	100	-	-	-	100	-
Shangyin Zhongtuo Lianjian Investment Partnership Company("Zhongtuo Lianjian")	-	100	-	-	100	-
Total	402,120	100	(100)	20,658	422,778	-

Investee	2018					
	Balance at 1 January	Increase in capital	Decrease in capital	Investment gains recognised under equity method	Balance at 31 December	Balance of provision for impairment losses at 31 December
Shangkang Yinchuang	19,016	-	-	505	19,521	-
ShangCheng Finance	375,115	-	-	7,284	382,399	-
Shenzhen Yushi Supply Chain Science & Technology Service Co. ,Ltd.	1,000	-	(1,000)	-	-	-
Shangyin Yihao	-	100	-	-	100	-
Zhonghe Hengtai	-	100	-	-	100	-
Total	395,131	200	(1,000)	7,789	402,120	-

(ii) Changes in the Bank's long-term equity investments in associates are as follows:

Investee	2019				
	Balance at 1 January	Increase in capital	Investment imcome recognised under equity method	Balance at 31 December	Balance of provision for impairment losses at 31 December
ShangCheng Finance	382,399	-	22,598	404,997	-

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	-

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	2019			
	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	-

Investee	2018			
	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.

17 Fixed assets

	The Group					
	Premises	Construction in progress	Electronic equipment	Furniture and fixtures	Motor vehicles	Total
Cost						
As at 1 January 2019	7,336,663	70,993	56,761	2,338,114	107,719	9,910,250
Additions	11,473	15,022	1,270	207,785	5,004	240,554
Disposals	(9,999)	(13,853)	(149)	(177,742)	(10,229)	(211,972)
As at 31 December 2019	7,338,137	72,162	57,882	2,368,157	102,494	9,938,832
Accumulated depreciation						
As at 1 January 2019	(2,219,519)	-	(51,140)	(1,771,289)	(88,631)	(4,130,579)
Charge for the year	(238,496)	-	(3,157)	(177,656)	(5,578)	(424,887)
Disposals	4,261	-	109	168,546	9,718	182,634
As at 31 December 2019	(2,453,754)	-	(54,188)	(1,780,399)	(84,491)	(4,372,832)
Carrying amount						
As at 1 January 2019	5,117,144	70,993	5,621	566,825	19,088	5,779,671
As at 31 December 2019	4,884,383	72,162	3,694	587,758	18,003	5,566,000

	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**

As at 31 December 2019 the carrying amount of the Group's premises for operating leases was RMB 494 million (31 December 2018: RMB 491 million).

As at 31 December 2019, there was no significant amounts of temporarily idle fixed assets (31 December 2018: Nil).

As at 31 December 2019, title deeds were not yet finalised for the Group's premises with a carrying amount of RMB 103 million (31 December 2018: RMB 110 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.

18 Intangible assets

	The Group			
	Land use right	Computer software	Others	Total
Cost				
As at 1 January 2019	278,832	1,120,118	5,625	1,404,575
Additions	9,999	460,424	-	470,423
As at 31 December 2019	**288,831**	**1,580,542**	**5,625**	**1,874,998**
Accumulated amortisation				
As at 1 January 2019	(91,273)	(775,099)	(2,060)	(868,432)
Amortised for the year	(10,181)	(252,473)	(272)	(262,926)
As at 31 December 2019	**(101,454)**	**(1,027,572)**	**(2,332)**	**(1,131,358)**
Carrying amount				
As at 1 January 2019	**187,559**	**345,019**	**3,565**	**536,143**
As at 31 December 2019	**187,377**	**552,970**	**3,293**	**743,640**

	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)
Amortised for the year	(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**

19 Deferred tax assets and liabilities

(1) Analysed by nature

	Note	The Group				
		31 December 2019				
		Deductible temporary differences	Deferred tax assets	Taxable temporary differences	Deferred tax liabilities	Net balance
Deferred tax assets						
Provision for impairment losses		49,905,063	12,457,697	-	-	12,457,697
Employee benefits payable		4,255,031	1,060,163	-	-	1,060,163
Accrued expense		471,276	117,819	-	-	117,819
Fair value change		-	-	(578,083)	(139,156)	(139,156)
Others	(i)	165,210	41,067	-	-	41,067
Total		**54,796,580**	**13,676,746**	**(578,083)**	**(139,156)**	**13,537,590**

	Note	The Group				
		31 December 2018				
		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**

(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

	The Group			
	2019			
	1 January 2019	Recognised in profit or loss	Recognised in equity	31 December 2019
Deferred tax assets				
Deferred tax				
- Provision for impairment losses	9,045,127	3,412,570	-	12,457,697
- Employee benefits payable	885,037	175,126	-	1,060,163
- Accrued expenses	-	117,819	-	117,819
- Fair value change	(186,436)	6,340	40,939	(139,157)
- Others	41,767	(699)	-	41,068
Net balance	**9,785,495**	**3,711,156**	**40,939**	**13,537,590**

	The Group			
	2018			
	1 January 2018	Recognised in profit or loss	Recognised in equity	31 December 2019
Deferred tax assets				
Deferred tax				
- Provision for impairment losses	5,877,529	3,301,113	-	9,178,642
- Employee benefits payable	708,101	176,936	-	885,037
- Fair value change	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**

	The Group			
	2018			
	1 January 2018	Recognised in profit or loss	Recognised in equity	31 December 2019
Deferred tax				
- Provision for impairment losses	22,200	(22,200)	-	-
- Fair value change	(77,577)	-	77,577	-
- Others	(364)	364	-	-
Net balance	**(55,741)**	**(21,836)**	**77,577**	**-**

20 Other assets

	Note	The Group	
		31 December 2019	31 December 2018
Suspense account for clearing		6,974,758	3,697,256
Precious metals		3,048,232	3,889,072
Receivables		1,989,352	1,736,618
Prepayments	(i)	505,309	663,475
Interest receivables	(ii)	357,170	-
Long-term deferred expenses	(iii)	323,632	267,034
Pledged deposits		278,404	389,331
Repossessed assets	(iv)	-	105,310
Others		740,061	421,877
Total		14,216,918	11,169,973
Less: Provision for impairment losses	V. 21	(192,832)	(134,810)
Net balance		14,024,086	11,035,163

(i) Prepayments mainly represent prepayments for office buildings, decorations for branches and other projects.

(ii) From January 1, 2019, according to the requirements of the new financial statement format for financial enterprises, the Group reclassifies the financial instruments' interests based on the actual interest rate method into the book balance of the corresponding financial instrument , and the "interest receivable" item is no longer listed separately. Interests related to financial instruments that have been due but not yet received have been reclassified to other assets. The group does not restate the comparative figures.

(iii) Long-term deferred expenses

	The Group			
	Year ended 31 December 2019			
	As at 1 January	Additions	Amortisation charged for the year	As at 31 December
Leasehold improvements	221,651	162,022	(109,992)	273,681
Others	45,383	9,881	(5,313)	49,951
Total	267,034	171,903	(115,305)	323,632

	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

(iv) Repossessed assets represent shares in third parties. From January 1, 2019, these assets were classified as financial assets measured at FVTPL under the new financial instruments standards. According to the requirements of the new financial statement format for financial enterprises, the Group reclassifies the repossessed assets as financial assets held for trading. The group does not restate the comparative figures.

21 Provision for impairment losses

Impaired items	Note	The Group			
		As at 1 January 2019	Charge/ (recoveries) for the year	Write-off and others	As at 31 December 2019
Cash and deposits with central bank	V. 1	4	(3)	-	1
Deposits with banks and other financial institutions	V. 2	39,264	22,261	-	61,525
Placements with banks and other financial institutions	V. 3	365,450	114,627	-	480,077
Financial assets held under resale agreements	V. 6	1,101,642	(1,050,137)	-	51,505
Loans and advances to customers					
- measured at amortised cost	V. 8	30,820,916	11,544,916	(7,375,436)	34,990,396
- measured at FVOCI	V. 8	1,625,288	1,324,056	-	2,949,344
Debt investments	V. 10	4,278,285	1,395,504	(116,889)	5,556,900
Other debt investments	V. 11	358,963	(29,308)	-	329,655
Other assets	V. 20	39,011	165,951	(12,130)	192,832
Total		38,628,823	13,487,867	(7,504,455)	44,612,235

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. 13	730,535	583,321	-	(300,000)	1,013,856
Held-to-maturity investments	V. 14	3,596	823,823	-	-	827,419
Investment securities classified as receivables	V. 15	7,611,853	-	(1,495,438)	(105,885)	6,010,530
Other assets	V. 20	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 Bank			
		As at 1 January 2019	Charge/ (recoveries) for the year	Write-off and others	As at 31 December 2019
Deposits with banks and other financial institutions	V. 2	36,399	20,922	-	57,321
Placements with banks and other financial institutions	V. 3	363,383	115,921	-	479,304
Financial assets held under resale agreements	V. 6	194,038	(191,622)	-	2,416
Loans and advances to customers					
- measured at amortised cost	V. 8	30,416,873	11,523,558	(7,290,380)	34,650,051
- measured at FVOCI	V. 8	1,625,288	1,324,056	-	2,949,344
Debt investments	V. 10	5,222,849	451,707	(116,889)	5,557,667
Other debt investments	V. 11	347,637	(46,655)	-	300,982
Other assets	V. 20	11,293	4,265	-	15,558
Total		38,217,760	13,202,152	(7,407,269)	44,012,643

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 other 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. 13	730,535	583,321	-	(300,000)	1,013,856
Held-to-maturity investments	V. 14	3,596	823,823	-	-	827,419
Investment securities classified as receivables	V. 15	7,848,140	-	(1,495,438)	-	6,352,702
Other assets	V. 20	11,304	95,789	-	-	107,093
Total		28,966,981	18,300,557	(3,052,147)	(3,910,617)	40,304,774

22 Deposits from banks and other financial institutions

Analysed by type and geographical location of counterparty

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deposits in mainland China				
- Banks	121,380,131	100,731,341	122,078,693	101,374,879
- Other financial institutions	218,637,264	218,590,388	218,735,362	218,691,923
Deposits outside mainland China				
- Banks	52,836,639	49,646,621	52,836,676	49,652,851
Accrued interest	1,763,478	N/A	1,765,306	N/A
Total	394,617,512	368,968,350	395,416,037	369,719,653

23 Placements from banks and other financial institutions

Analysed by type and geographical location of counterparty

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Placements in mainland China				
- Banks	31,504,695	34,539,844	31,156,345	34,539,844
- Other financial institutions	-	200,000	-	200,000
Placements outside mainland China				
- Banks	42,229,539	33,596,294	37,759,285	29,976,410
Accrued interest	430,777	N/A	413,084	N/A
Total	74,165,011	68,336,138	69,328,714	64,716,254

24 Financial liabilities held for trading

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial liabilities held for trading				
- Short position in bond	300,120	-	300,120	-
- Others	-	7,168	-	-
Sub-total	300,120	7,168	300,120	-
Financial liabilities designated at fair value through profit or loss	100,307	-	-	-
Total	400,427	7,168	300,120	-

25 Financial assets sold under repurchase agreements

(1) Analysed by type of collateral

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Securities				
- Government bonds	33,524,500	34,575,900	33,524,500	34,575,900
- Policy bank bonds	7,354,320	9,982,040	7,354,320	9,982,040
- Commercial bank and other financial institution bonds	276,382	-	-	-
- Enterprise bonds	215,786	-	-	-
Sub-total	41,370,988	44,557,940	40,878,820	44,557,940
Bank deposit receipt	-	296,000	-	296,000
Commercial bills	21,950,385	16,297,318	21,950,385	16,297,318
Accrued interest	28,292	N/A	26,926	N/A
Total	63,349,665	61,151,258	62,856,131	61,151,258

(2) Analysed by type and geographical location of counterparty

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
In mainland China				
- Banks	40,310,989	42,740,356	40,310,989	42,740,356
- Other financial institutions	22,518,216	18,410,902	22,518,216	18,410,902
Outside mainland China				
- Banks	492,168	-	-	-
Accrued interest	28,292	N/A	26,926	N/A
Total	63,349,665	61,151,258	62,856,131	61,151,258

26 Deposits from customers

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Demand deposits				
- Corporate customers	368,772,704	336,208,174	366,848,619	334,726,519
- Personal customers	71,408,626	63,933,594	71,312,051	63,658,570
Sub-total	440,181,330	400,141,768	438,160,670	398,385,089
Time deposits (include call deposits)				
- Corporate customers	437,949,819	393,687,032	426,964,604	384,895,878
- Personal customers	220,329,750	166,373,714	219,447,640	165,967,911
Sub-total	658,279,569	560,060,746	646,412,244	550,863,789
Pledged deposits	87,610,513	82,287,091	86,993,548	81,752,484
Accrued interest	17,480,140	N/A	17,366,719	N/A
Total	1,203,551,552	1,042,489,605	1,188,933,181	1,031,001,362

27 Employee benefits payable

	Note	The Group	
		31 December 2019	31 December 2018
Short-term employee benefits	(i)	3,205,626	2,592,986
Post employment benefits – defined contribution plans	(ii)	-	-
Termination benefits		877	1,643
Other long-term employee benefits	(iii)	1,177,932	1,105,539
Total	(iv)	4,384,435	3,700,168

(i) Short-term employee benefits

	The Group			
	As at 1 January 2019	Increased during the year	Decreased during the year	As at 31 December 2019
Salaries, bonuses, allowances	2,577,691	4,067,990	(3,460,009)	3,185,672
Staff welfare	-	192,189	(192,189)	-
Social insurance				
- Medical insurance	-	203,460	(203,460)	-
- Maternity insurance	-	18,972	(18,972)	-
- Work-related injury insurance	-	3,037	(3,037)	-
Housing fund	-	261,843	(261,843)	-
Labour union fee, staff and workers' education fee	14,153	85,655	(84,481)	15,327
Others	1,142	239,330	(235,845)	4,627
Total	2,592,986	5,072,476	(4,459,836)	3,205,626

	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)	-
- Maternity insurance	-	17,332	(17,332)	-
- Work-related injury insurance	-	2,996	(2,996)	-
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

(ii) Post employment benefits – defined contribution plans

	The Group			
	As at 1 January 2019	Increased during the year	Decreased during the year	As at 31 December 2019
Basic pension insurance	-	353,346	(353,346)	-
Unemployment insurance	-	10,270	(10,270)	-
Annuity	-	183,779	(183,779)	-
Others	-	718	(718)	-
Total	-	548,113	(548,113)	-

	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)	-

(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.

28 Taxes payable

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Income tax payable		4,491,637	2,942,867	4,397,341	2,901,021
VAT and surcharges payable		1,015,569	1,344,608	1,012,198	1,332,561
Others	(i)	8,815	5,977	5,752	5,854
Total		5,516,021	4,293,452	5,415,291	4,239,436

(i) Others include property tax, land use tax and etc.

29 Interests payable

	The Group			
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deposits from customers	N/A	12,619,625	N/A	12,557,735
Deposits from banks and other financial institutions	N/A	2,373,661	N/A	2,375,404
Borrowings from central bank	N/A	1,480,501	N/A	1,480,442
Debt securities issued	N/A	461,926	N/A	359,884
Placements from banks and other financial institutions	N/A	412,362	N/A	393,211
Financial assets sold under repurchase agreements	N/A	35,052	N/A	35,052
Total	N/A	17,383,127	N/A	17,201,728

From January 1, 2019, according to the requirements of the new financial statement format of financial enterprises, the interest of the financial instrument calculated and withdrawn based on the effective interest rate method is included in the book balance of the corresponding financial instrument, and the "interest payable" item is no longer listed separately. The group does not restate prior comparisons.

30 Provision

Analysed by the nature

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Provision for credit losses on off-balance-sheet assets	7,168,161	-	7,125,801	-

31 Debt securities issued

	Note	The Group		The Bank	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Negotiable certificates of deposit issued	(i)	149,411,386	166,365,370	149,411,386	166,365,370
Subordinated debts and tier 2 capital bonds issued	(ii)	34,996,006	14,992,736	34,996,006	14,992,736
Other Note instruments	(iii)	3,464,067	3,425,033	-	-
Certificate of deposit	(iv)	2,304,290	4,592,391	-	-
Accrued interest		536,633	N/A	474,404	N/A
Total		190,712,382	189,375,530	184,881,796	181,358,106

Analysis of the movement of Debt securities issued (excluding accrued interest):

	Note	The Group				
		2019				
		1 January 2019	Issued for the year	Repaid for the year	Amortisation of discounts or premiums	31 December 2019
Negotiable certificates of deposit issued	(i)	166,365,370	817,210,000	(834,400,000)	236,016	149,411,386
Subordinated debts and tier 2 capital bonds issued	(ii)	14,992,736	20,000,000	-	3,270	34,996,006
Other Note instruments	(iii)	3,425,033	-	-	39,034	3,464,067
Certificate of deposit	(iv)	4,592,391	2,089,588	(4,414,991)	37,302	2,304,290
Total		189,375,530	839,299,588	(838,814,991)	315,622	190,175,749

	Note	The Group				
		2018				
		1 January 2018	Issued for the year	Repaid for the year	Amortisation 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
Other Note instruments	(iii)	651,100	3,418,107	(651,100)	6,926	3,425,033
Certificate of deposit	(iv)	1,871,788	8,967,590	(6,344,994)	98,007	4,592,391
Total		168,148,078	890,225,697	(868,826,094)	(172,151)	189,375,530

	Note	The Bank				
		2019				
		1 January 2019	Issued for the year	Repaid for the year	Amortisation of discounts or premiums	31 December 2019
Negotiable certificates of deposit issued	(i)	166,365,370	817,210,000	(834,400,000)	236,016	149,411,386
Subordinated debts and tier 2 capital bonds issued	(ii)	14,992,736	20,000,000	-	3,270	34,996,006
Total		181,358,106	837,210,000	(834,400,000)	239,286	184,407,392

	Note	The Bank				
		2018				
		1 January 2018	Issued for the year	Repaid for the year	Amortisation 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

(i) As at 31 December 2019, the Group and the Bank held 84 unmature negotiable certificates of deposit that were issued in the inter-bank market. The maximum maturity is 366 days. The interest rate ranges from 2.81% to 3.30% (As at 31 December 2018, 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 2.80% to 4.50%).

(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	31 December 2019	31 December 2018
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)	4,996,791	4,995,701
Fixed-rate tier 2 capital bonds maturing in May 2025	(c)	4,999,215	4,997,035
Fixed-rate tier 2 capital bonds maturing in November 2029	(d)	20,000,000	-
Total		34,996,006	14,992,736

(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.

(d) The Group issued 10-years fixed-rate tier 2 capital bonds with face value RMB20 billion on 8 November 2019. The coupon interest rate per annum is 4.18%. The Group has the option to redeem all of the bonds at face value on 12 November 2024 upon regulatory approval.

(iii) As at 31 December 2019 and 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%.

(iv) Certificates of deposit issued by the Group were issued publicly by Hong Kong Subsidiary in the Hong Kong market. As at 31 December 2019, the Group held 6 unmature certificates of deposit. The maximum maturity is 1095 days. The interest rate ranges from 1.16% to 3.29% (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%).

32 Other liabilities

	The Group	
	31 December 2019	31 December 2018
Suspense account for clearing	3,125,573	4,284,172
Accrued expenses	471,275	332,929
Dormant accounts	469,232	359,753
Deferred income	437,578	370,142
Payment and collection clearance accounts	348,814	352,317
Dividend payable	232,461	192,422
Payables for purchase of long-term assets	158,780	152,788
Others	874,037	482,832
Total	6,117,750	6,527,355

33 Share capital

	The Group and the Bank		
	1 January 2019	Share capital increased by capital reserve transfer	31 December 2019
Share capital listed in mainland China	10,928,099	3,278,430	14,206,529

As explained in Note V.39, pursuant to the Shareholders' resolutions approved on 14 June 2019, the Bank increased 3 shares per 10 shares from capital reserve on basis of the share capital at the end of 2018 which was 10,928,099 thousand shares. The share capital of the Bank was subsequently increased by RMB 3.278 billion.

34 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
Less: issuance cost						(42,830)			
Total						19,957,170			

(2) Major terms

(i) Dividend

This preferred stock adopts a dividend rate that can be adjusted in stages , 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's capital adequacy ratio meets regulatory requirements, and the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions. 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 does 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. Paying the dividends in full indicates that the Bank determines to restart 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 previous years.

(iv) Order of distribution and liquidation method

Preferred stockholders have priority over common stockholders in allocating residual property. 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 current 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

	31 December 2019	31 December 2018
Equity attributable to shareholders of the Company	176,708,612	161,276,549
- Equity attributable to ordinary shareholders of the Company	156,751,442	141,319,379
- Equity attributable to holders of the Company's other equity instruments	19,957,170	19,957,170
Equity attributable to non-controlling shareholders	518,019	492,059
- Equity attributable to non-controlling ordinary shareholders	518,019	492,059
- Equity attributable to non-controlling shareholders of other equity instruments	-	-

35 Capital reserve

	The Group			
	As at 1 January 2019	Additions during the year	Decrease during the year (i)	As at 31 December 2019
Share premium	25,329,889	-	(3,278,430)	22,051,459
Other capital reserve	1,475	-	-	1,475
Total	**25,331,364**	**-**	**(3,278,430)**	**22,052,934**

	As at 1 January 2018	Additions during the year(ii)	Decrease during the year (iii)	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**

	The Bank			
	As at 1 January 2019	Additions during the year	Decrease during the year (i)	As at 31 December 2019
Share premium	25,329,889	-	(3,278,430)	22,051,459

	As at 1 January 2018	Additions during the year	Decrease during the year (iii)	As at 31 December 2018
Share premium	28,452,203	-	(3,122,314)	25,329,889

(i) As explained in Note V.39, pursuant to the Shareholders' resolutions approved on 14 June 2019, the Bank increased 3 shares per 10 shares from capital reserve on basis of the share capital at the end of 2018 which was 10,928,099 thousand shares. The share capital of the Bank was subsequently increased by RMB 3.278 billion.

(ii) 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.

(iii) As explained in Note V.39, 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.

36 Other comprehensive income

Item	The Group 2019								
	Balance at the end of the prior year attributable to shareholders of the Bank	Adjustment on the changes of accounting policies	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 not be reclassified to profit or loss									
Gains or losses arising from changes in fair value of the financial investments designated at FVOCI	N/A	173,416	173,416	(98,219)	-	24,555	(73,664)	-	99,752
Items that may be reclassified to profit or loss									
Including:									
Gains or losses arising from changes in fair value of the debt financial investments measured at FVOCI	N/A	42,274	42,274	314,467	(217,968)	16,384	112,883	-	155,157
Credit loss of the financial investments measured at FVOCI	N/A	1,984,251	1,984,251	1,324,057	(29,308)	-	1,294,749	-	3,279,000
Gains or losses arising from changes in fair value of available-for-sale financial assets	386,617	(386,617)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Translation differences arising from translation of foreign currency financial statements	240,837	-	240,837	75,172	-	-	75,172	-	316,009
Total	627,454	1,813,324	2,440,778	1,615,477	(247,276)	40,939	1,409,140	-	3,849,918

Item	The Bank 2019							
	Balance at the beginning of the year attributable to shareholders of the Bank	Adjustment on the changes of accounting policies	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	Other comprehensive Balance at the end of the year
Items that may not be reclassified to profit or loss								
Gains or losses arising from changes in fair value of the Financial investments designated at FVOCI	N/A	173,416	173,416	(98,219)	-	24,555	(73,664)	99,752
Items that may be reclassified to profit or loss								
Including:								
Gains or losses arising from changes in fair value of the debt financial investments measured at FVOCI	N/A	169,667	169,667	114,768	(204,084)	22,329	(66,987)	102,680
Credit loss of the financial investments measured at FVOCI	N/A	1,972,925	1,972,925	1,324,056	(46,655)	-	1,277,401	3,250,326
Gains or losses arising from changes in fair value of available-for-sale financial assets	499,252	(499,252)	N/A	N/A	N/A	N/A	N/A	N/A
Total	499,252	1,816,756	2,316,008	1,340,605	(250,739)	46,884	1,136,750	3,452,758

Item	The Group						
	2018						
	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:							
Gains or losses 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

Item	The Bank					
	2018					
	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	Balance at the end of the year
Items that may be reclassified to profit or loss						
Gains or losses 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

37 Surplus reserve

	The Group and The Bank		
	Statutory surplus reserve	Discretionary surplus reserve	Total
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
As at 1 January 2019	11,220,850	19,748,704	30,969,554
Appropriation	1,768,044	3,536,088	5,304,132
As at 31 December 2019	12,988,894	23,284,792	36,273,686

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 2018, 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 22 June 2018 and 14 June 2019.

38 General reserve

	The Group		The Bank	
	2019	2018	2019	2018
As at 1 January	25,804,758	25,780,256	25,630,000	25,630,000
Appropriation	2,629,605	24,502	2,700,000	-
As at 31 December	28,434,363	25,804,758	28,330,000	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.

39 Appropriation of profits

(i) According to the resolution made in the 12th session of the 5th Board Meeting on October 25, 2019, 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, 2019.

(ii) In accordance with the resolution of the shareholders' meeting of the Bank on 14 June 2019, the shareholders approved the following profit appropriations and capital reserve addition for the year ended 31 December 2018:

- Appropriation for statutory surplus reserve at 10% of 2018 after-tax profits;
- Appropriation for discretionary surplus reserve at 20% of 2018 after-tax profits;
- RMB2.7 billion for the general reserve;
- RMB4.50 per 10 shares (including tax) with the aggregate amount of RMB4.918 million as cash dividend to the shareholders on the register;
- Converting capital reserve into new shares on the basis of 10,928,099,000 shares of the total share capital at the end of 2018, by three shares for every ten existing shares with the total new shares amounting to RMB3,278 million.

(iii) 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.

(iv) In accordance with the resolution of the shareholders' meeting of the Bank on 22 June 2018, the shareholders approved the following profit appropriations and share capital increase from capital reserve for the year ended 31 December 2017:

- Appropriation for statutory surplus reserve at 10% of 2017 after-tax profits;
- Appropriation for discretionary surplus reserve at 20% of 2017 after-tax profits;
- 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;
- 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.

40 Net interest income

	The Group		The Bank	
	2019	2018	2019	2018
Loans and advances to customers				
- Corporate loans and advances	27,927,491	24,633,460	27,119,049	23,781,525
- Personal loans and advances	18,470,897	13,831,166	18,410,397	13,770,297
- Discounted bills	1,841,690	1,453,720	1,841,069	1,452,776
Investment in debt instruments	21,490,170	25,860,958	21,281,807	26,386,209
Placements with banks and other financial institutions	5,643,127	5,583,690	5,628,624	5,591,047
Deposits with central bank	1,939,006	2,049,359	1,934,503	2,044,871
Financial assets held under resale agreements	935,345	1,542,899	721,845	874,001
Deposits with banks and other financial institutions	236,295	774,946	213,233	758,444
Others	127,074	146,862	118,942	128,547
Interest income	78,611,095	75,877,060	77,269,469	74,787,717
Deposits from customers				
- Corporate customers	(18,132,255)	(14,714,175)	(17,826,883)	(14,488,814)
- Individual customers	(6,249,190)	(4,761,674)	(6,231,563)	(4,749,368)
Deposits from banks and other financial institutions	(11,243,188)	(10,359,384)	(11,262,807)	(10,374,772)
Debt securities issued	(5,723,275)	(8,129,648)	(5,507,533)	(7,891,378)
Borrowings from central bank	(2,966,704)	(3,035,941)	(2,963,977)	(3,033,060)
Placements from banks and other financial institutions	(2,327,250)	(3,202,327)	(2,203,857)	(3,156,642)
Financial assets sold under repurchase agreements	(1,621,494)	(1,731,349)	(1,619,243)	(1,716,903)
Others	(27,130)	(5,733)	(14,833)	(1,717)
Interest expense	(48,290,486)	(45,940,231)	(47,630,696)	(45,412,654)
Net interest income	30,320,609	29,936,829	29,638,773	29,375,063

41 Net fee and commission income

	The Group		The Bank	
	2019	2018	2019	2018
Agent service fees	2,252,967	1,531,473	2,113,197	1,359,470
Bank card fees	1,972,339	1,802,351	1,972,339	1,802,351
Advisory service fees	1,364,647	1,394,235	1,223,480	1,303,783
Custodian and other fiduciary service fees	689,953	904,570	689,764	904,019
Settlement and clearing fees	187,357	198,639	187,311	198,395
Electronic banking service fees	99,708	86,566	99,708	86,566
Others	841,384	826,661	816,602	790,643
Fee and commission income	7,408,355	6,744,495	7,102,401	6,445,227
Settlement and clearing charges	(229,457)	(73,475)	(229,348)	(73,345)
Bank card charges	(196,325)	(415,604)	(196,311)	(415,604)
Agency expenses	(161,111)	(101,217)	(161,111)	(101,217)
Others	(254,263)	(174,660)	(238,150)	(161,948)
Fee and commission expense	(841,156)	(764,956)	(824,920)	(752,114)
Net fee and commission income	6,567,199	5,979,539	6,277,481	5,693,113

42 Net investment gains

	The Group		The Bank	
	2019	2018	2019	2018
Net gains/(losses) during the period in which financial instruments are held				
- Financial investments held for trading	6,595,694	N/A	6,581,433	N/A
- Investments in other equity instruments	38,364	N/A	38,364	N/A
- Available-for-sale financial assets	N/A	7,330,723	N/A	7,311,935
- Others	-	(1,267)	-	(2,045)
Net gains / (losses) from disposal of financial instruments				
- Financial investments held for trading	3,991,571	N/A	3,869,114	N/A
- Precious metal	319,258	213,516	319,258	213,516
- Loans and advances measured at FVOCI	128,904	N/A	128,904	N/A
- Other debt investments	89,064	N/A	75,180	N/A
- Derivatives	(108,345)	4,868	(110,929)	118,289
- Available-for-sale financial assets	N/A	294,629	N/A	190,370
- Financial assets at fair value through profit or loss	N/A	55,827	N/A	81,785
Gains from long-term equity investments accounted for using equity method	20,658	7,789	22,598	7,284
Gains from disposal of long-term equity investment	-	48	7,841	10,810
Total	11,075,168	7,906,133	10,931,763	7,931,944

43 Net gains from changes in fair value

	The Group		The Bank	
	2019	2018	2019	2018
Financial investments held for trading	1,004,755	N/A	938,451	N/A
Precious metal	483,479	(13,922)	483,479	(13,922)
Loans and advances measured at FVOCI	(8,582)	N/A	(8,582)	N/A
Derivatives	(116,479)	4,609,425	(112,791)	4,624,281
Financial assets at fair value through profit or loss	N/A	56,979	N/A	92,535
Total	1,363,173	4,652,482	1,300,557	4,702,894

44 General and administrative expenses

	The Group		The Bank	
	2019	2018	2019	2018
Staff costs				
- Short-term employee benefits	5,072,476	4,574,791	4,782,577	4,353,988
- Post-employment benefits – defined contribution plans	548,113	520,059	538,348	512,337
- Termination benefits	(238)	(400)	(238)	(400)
- Other long-term employee benefits	353,582	329,377	353,582	326,347
Sub-total	5,973,933	5,423,827	5,674,269	5,192,272
Premises and equipment expenses				
- Rental and property management expenses	826,631	799,935	781,348	754,897
- Depreciation and amortisation	803,118	744,166	785,583	718,833
- Utility charges	83,003	86,437	81,333	84,591
- Others	22,966	32,702	22,666	32,379
Sub-total	1,735,718	1,663,240	1,670,930	1,590,700
Other general and administrative expenses	2,238,905	1,919,324	2,170,679	1,870,196
Total	9,948,556	9,006,391	9,515,878	8,653,168

45 Credit losses

	The Group		The Bank	
	2019	2018	2019	2018
Loans and advances measured at amortised cost	11,544,916	N/A	11,523,558	N/A
Provision	3,661,234	N/A	3,653,332	N/A
Debt investments	1,395,504	N/A	451,707	N/A
Loans and advances measured at FVOCI	1,324,056	N/A	1,324,056	N/A
Other assets	165,951	N/A	4,265	N/A
Placements with inter-banks and other financial institutions	114,627	N/A	115,921	N/A
Deposits with inter-banks and other financial institutions	22,261	N/A	20,922	N/A
Deposits with central bank	(3)	N/A		
Other debt investments	(29,308)	N/A	(46,655)	N/A
Financial assets held under resale agreements	(1,050,137)	N/A	(191,622)	N/A
Total	17,149,101	N/A	16,855,484	N/A

From January 1, 2019, the Group reflects the credit losses recognized by the provision for credit losses of financial instruments in the "credit losses" according to the requirements of the new financial statement format of financial enterprises. The Group does not restate prior comparisons.

46 Impairment losses

	The Group		The Bank	
	2019	2018	2019	2018
Loans and advances to customers	N/A	15,302,201	N/A	15,235,031
Held-to-maturity investments	N/A	823,823	N/A	823,823
Available-for-sale financial assets	N/A	583,321	N/A	583,321
Placements with inter-banks and other financial institutions	N/A	9,424	N/A	5,884
Investment securities classified as receivables	N/A	(1,495,438)	N/A	(1,495,438)
Others	N/A	108,570	N/A	95,789
Total	N/A	15,331,901	N/A	15,248,410

From January 1, 2019, the Group reflects credit losses recognized by the provision for credit losses of financial instruments in the "credit losses" according to the requirements of the new financial statement format of financial enterprises. The Group does not restate prior comparisons.

47 Income tax expenses

(1) Income tax expenses

	The Group		The Bank	
	2019	2018	2019	2018
Current tax	6,223,774	3,653,111	6,095,835	3,541,261
Deferred tax	(3,711,156)	(2,297,526)	(3,680,609)	(2,294,291)
Tax filling differences	(468,388)	(171,548)	(467,109)	(160,048)
Total	2,044,230	1,184,037	1,948,117	1,086,922

(2) Reconciliations between income tax expenses and accounting profit:

	Note	The Group		The Bank	
		2019	2018	2019	2018
Profit before tax		22,377,089	19,251,872	21,889,458	18,767,364
Expected income tax at statutory tax rate of 25%		5,594,272	4,812,968	5,472,365	4,691,841
Effect of different tax rates applied by certain subsidiaries		(27,822)	(26,141)	-	-
Tax effect of non-taxable income	(i)	(3,908,137)	(3,607,727)	(3,906,612)	(3,600,416)
Tax effect of non-deductible expenses	(ii)	374,860	31,128	370,030	21,319
Adjustments for prior years		11,057	(26,191)	12,334	(25,822)
Income tax expenses		2,044,230	1,184,037	1,948,117	1,086,922

(i) Non-taxable income mainly represents 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, donations and impairment losses on credit.

48 Note to the statement of cash flow

(1) Reconciliation of net profit to cash flows from operating activities:

	The Group		The Bank	
	2019	2018	2019	2018
Profit for the year	20,332,859	18,067,835	19,941,341	17,680,442
Adjustments:				
Credit losses	17,149,101	N/A	16,855,484	N/A
Impairment losses	N/A	15,331,901	N/A	15,248,410
Unwinding of discount	N/A	(117,926)	N/A	(114,688)
Depreciation and amortisation	803,118	744,166	785,583	718,833
Net losses from disposal of fixed assets, intangible assets and other long-term assets	8,485	6,867	8,485	6,867
Net gains from changes in fair value	(1,363,173)	(4,652,482)	(1,300,557)	(4,702,894)
Foreign exchange losses / (gains)	1,326,662	(321,222)	1,322,591	(334,553)
Net investment gains	(10,321,946)	(7,631,922)	(10,323,819)	(7,518,354)
Interest income from investment in debt instruments	(21,490,170)	(25,115,509)	(21,281,807)	(25,803,424)
Interest expenses on debt securities issued	5,723,275	8,129,648	5,507,533	7,891,378
Deferred taxation	(3,711,156)	(2,297,526)	(3,680,609)	(2,294,291)
Increase in operating receivables	(186,228,565)	(208,399,938)	(193,971,093)	(204,114,051)
Increase in operating payables	169,839,115	184,523,114	164,839,634	186,292,730
Net cash outflow from operating activities	(7,932,395)	(21,732,994)	(21,297,234)	(17,043,595)

(2) Changes in cash and cash equivalents:

	The Group		The Bank	
	2019	2018	2019	2018
Cash and cash equivalents at the end of the year	47,309,014	85,401,765	45,071,409	81,202,279
Cash and cash equivalents at the beginning of the year	(85,401,765)	(85,072,926)	(81,202,279)	(81,721,170)
Net (decrease) / increase in cash and cash equivalents	(38,092,751)	328,839	(36,130,870)	(518,891)

(3) Cash and cash equivalents:

	The Group		The Bank	
	2019	2018	2019	2018
Cash on hand	1,713,428	2,127,633	1,700,995	2,114,180
Balance with central bank other than restricted deposits	16,891,531	24,279,200	16,799,828	24,126,432
Deposits with banks and other financial institutions with original maturity of three months or less	11,167,720	9,885,309	9,362,305	8,129,751
Placements with banks and other financial institutions with original maturity of three months or less	16,506,305	25,704,607	16,178,251	23,426,900
Financial assets held under resale agreements with original maturity of three months or less	1,030,030	23,405,016	1,030,030	23,405,016
Cash and cash equivalents at the end of the year	47,309,014	85,401,765	45,071,409	81,202,279

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 sharehold-ing percentage (i)	The Bank's voting rights percentage (i)	Registered captial	Place of operation and registration and date of establish-ment	Primary business
BOSC International Company Limited ("BOSC International")	100%	100%	HKD780 million	Hong Kong, 5 Mar 2014	Investment 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

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 captial	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 2019, the net assets of the structured entities included in the consolidated financial statements are RMB3.8 billion (31 December 2018: RMB14.3 billion). The interests held by the Bank and its subsidiaries in the above structured entities are recognised as Financial assets held for trading, debt investments and other debt investments in their balance sheets, totalling RMB2 billion and RMB1.5 billion and RMB0.2 billion respectively (31 December 2018: RMB2 billion of available-for-sale financial assets and RMB12.1 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 concludes 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	
	31 December 2019	31 December 2018
Associates		
- Non-significant associates	422,778	402,120

(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
Zhonghe Hengtai	0.34%	Investment	RMB29.1 million	Shenzhen	Shenzhen	No
Zhongtuo Lianjian	0.01%	Investment	RMB678.1 million	Shenzhen	Shenzhen	No

(ii) Summary financial information on non-significant associates

	The Group	
	31 December 2019	31 December 2018
Carry amount of investment	422,778	402,120

	The Group	
	31 December 2019	31 December 2018
Calculated based on shareholding percentage		
- Net profit	20,658	7,789
- Other comprehensive income	-	-
- Total comprehensive income	20,658	7,789

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 2019 and 31 December 2018, 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:

	31 December 2019			
	Financial assets held for trading	Debt investments	Other debt investments	Total
Asset management plans	74,465	86,242,138	-	86,316,603
Wealth management products	83,351,708	-	-	83,351,708
Investment funds	211,732,221	-	-	211,732,221
Debt investment plans	-	20,962,332	-	20,962,332
Asset-backed securities	316,438	7,751,169	268,640	8,336,247
Total	**295,474,832**	**114,955,639**	**268,640**	**410,699,111**

	31 December 2018				
	Financial assets at fair value through profit or loss	Avail-able-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**

The maximum loss exposure of the asset management plans and asset-backed securities is the amortised cost at the reporting date depending on classification of financial instruments in balance sheet. The maximum loss exposure of the management products and investment funds is the fair value at the reporting date. The maximum loss exposure of the asset-backed security is the fair value or the amortised cost 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 2019 and 31 December 2018, 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:

	31 December 2019			
	Financial assets held for trading	Debt investments	Other debt investments	Total
Asset management plans	74,465	86,242,138	-	86,316,603
Wealth management products	83,351,708	-	-	83,351,708
Investment funds	200,579,045	-	-	200,579,045
Debt investment plans	-	20,962,332	-	20,962,332
Asset-backed securities	316,438	7,751,169	268,640	8,336,247
Total	284,321,656	114,955,639	268,640	399,545,935

	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

The maximum loss exposure of the asset management plans and asset-backed securities is the amortised cost at the reporting date depending on classification of financial instruments in balance sheet. The maximum loss exposure of the management products and investment funds is the fair value at the reporting date. The maximum loss exposure of the asset-backed security is the fair value or the amortised cost 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 2019, the carrying amount of the Group's management fees receivable in the consolidated balance sheet was RMB218 million (31 December 2018: RMB450 million).

As at 31 December 2019 and 31 December 2018, 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:

	31 December 2019
	Financial assets held for trading
Investment funds	11,153,176

	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

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 2019, the Group's commission income from such non-principal-guaranteed wealth management products was RMB304.8 billion (2018: RMB252.7 billion). The balance of investment funds and wealth management products issued by the Group amounted to RMB92.2 billion (2018: RMB137.5 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 2019:

In 2019, the Group's commission income from such non-principal-guaranteed wealth management products was RMB260 million (2018: RMB270 million). In 2019, the total volume of matured non-principal-guaranteed wealth management products issued by the Group amounted to RMB116.9 billion (2018: RMB166 billion).

In 2019, the Group's income from such asset management plan and investment fund was immaterial (2018: 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	
	31 December 2019	31 December 2018
	Debt investments	Held-to-maturity Investment
Debt securities lending transactions Carrying amount of transferred financial assets	2,960,783	6,422,043

2 Transferor's continuing involvement in transferred financial assets that are derecognised in their entirety

At 31 December 2019 and 31 December 2018, the Group and the Bank did not hold any financial assets that were derecognised with continuing involvement.

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	
	31 December 2019	31 December 2018
Credit card commitments	51,456,275	36,816,594
Irrevocable loan commitments		
- original contractual maturity less than 1 year	138,027	-
- original contractual maturity more than 1 year (inclusive)	33,319,129	19,980,739
Sub-total	84,913,431	56,797,333
Bank acceptances	90,103,934	60,756,977
Guarantees		
- Financing guarantees	40,315,390	51,445,789
- Non-financing guarantees	13,858,450	8,600,885
Letters of credit		
- Sight letter of credit	1,790,293	2,546,039
- Usance letter of credit	5,663,889	4,504,941
Sub-total	151,731,956	127,854,631
Total	236,645,387	184,651,964

2 Credit risk weighted amount

	The Group	
	31 December 2019	31 December 2018
Credit risk weighted amount of credit commitments	142,943,809	97,007,044

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).

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:

	31 December 2019	31 December 2018
Within 1 year (inclusive)	572,073	519,887
After 1 year but within 2 years (inclusive)	428,515	378,248
After 2 years but within 3 years (inclusive)	273,395	255,527
After 3 years but within 5 years (inclusive)	260,621	225,627
Above 5 years	69,982	69,145
Total	**1,604,586**	**1,448,434**

4 Capital commitments

As at the balance sheet date, the authorized capital commitment of the Group is as follows:

	31 December 2019	31 December 2018
Contracted for but not paid	185,163	302,399
Authorised but not contracted for	299,532	95,739

5 Underwriting and redemption commitments

(1) As at 31 December 2019, there were no unexpired commitments for underwriting bonds of the Group (31 December 2018: 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:

	31 December 2019	31 December 2018
Redemption commitments	7,560,019	7,059,968

6 Unresolved litigations and disputes

As at 31 December 2019, the total related amount of litigations and disputes whereby the Group acted as defendants was RMB1,210 million (31 December 2018: RMB105 million). According to the opinion of the Group's lawyers and external lawyers, the Group recognised the related litigation provision (see Note V. 30), which they believed to be reasonable and sufficient.

As at 31 December 2019, 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	
	31 December 2019	31 December 2018
Entrusted loans	137,544,480	172,875,342
Entrusted funds	137,544,480	172,875,342

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, financial liabilities measured at fair value through profit or loss and other liabilities at the end of the relevant periods.

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Borrowings from central bank	92,170,000	102,897,000	92,100,000	102,832,000
Financial liabilities measured at FVOCI	100,307	-	-	-
Financial assets sold under repurchase agreements	63,321,373	61,151,258	62,829,205	61,151,258
Deposits from customers	47,437,200	36,660,520	47,437,200	36,660,520
Other liabilities	-	89,715	-	-
Total	203,028,880	200,798,493	202,366,405	200,643,778

In addition, the Group provided pledged assets for bonds which were held from debt securities borrowing transactions. As at 31 December 2019, the fair value of the relevant bonds amounted to RMB 1.44 billion (31 December 2018: RMB182 million).

Transactions above are conducted under customary terms of relevant businesses.

(1) Carrying value of pledged assets (excluding accrued interest) analysed by asset type

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Securities				
- Government bonds	193,158,032	189,041,875	193,158,032	189,041,875
- Bank and other financial institution bonds	7,701,566	14,545,305	7,394,893	14,469,848
- Corporate bonds	408,368	180,037	70,539	-
Sub-total	201,267,966	203,767,217	200,623,464	203,511,723
Commercial bills	22,008,726	15,869,139	22,008,726	15,869,139
Credit assets	135,870	1,511,477	-	1,433,120
Bank certificate of deposit	-	291,267	-	291,267
Total	223,412,562	221,439,100	222,632,190	221,105,249

(2) Carrying value of pledged assets (excluding accrued interest) analysed by statement of financial position classification

	The Group		The Bank	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Loans and advances to customers	22,144,596	17,380,616	22,008,726	17,302,259
Financial assets held for trading	100,307	N/A	-	-
Financial investments measured at amortised cost	199,700,115	N/A	199,700,114	N/A
Other debt investments	1,467,544	N/A	923,350	N/A
Available-for-sale financial assets	N/A	839,422	N/A	583,928
Held-to-maturity investments	N/A	203,219,062	N/A	203,219,062
Total	223,412,562	221,439,100	222,632,190	221,105,249

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	
	31 December 2019	31 December 2018
Shanghai Lianhe Investment Co., Ltd. ("Lianhe Investment")	13.84%	13.38%
Shanghai International Port (Group) Co., Ltd. ("SIPG")	8.30%	7.34%
Santander Central Hispano S.A. ("Santander")	6.54%	6.50%
TCL Corporation Co.,Ltd. ("TCL")	5.14%	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%	3.00%
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.

2 Major shareholders of the Group

Company name	Legal representative	Place of registration	Registered capital as at 31 December 2019
Lianhe Investment	Qin Jian	Shanghai	RMB10 billion
SIPG	Gu Jinshan	Shanghai	RMB23.174 billion
Santander	Ana Botin	Santander	EUR8.1 billion
TCL Corporation Co.,Ltd.	Li Dongsheng	Guangdong	RMB13.528 billion
China Jianyin Investment Co., Ltd.	Dong Shi	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	Huang Jianrong	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; wholesale, import and export of port lifting equipment, handling machinery, electromechanical equipment and accessories.

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: 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 and 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.

3 Transactions with related parties

The Group's material transactions and balances with its related parties are summarised as follows:

	Lianhe Investment and its related parties	SIPG and its related parties	Santander and its related parties	TCL and its related parties	Other major shareholders and their related parties	Other related corporations	Related natural person	Total	Ratio to similar transactions
Transactions with related parties during the year ended 31 December 2019:									
Interest income	22,560	24,928	46,496	-	31,535	186,170	5,090	316,779	0.40%
Interest expense	(25,050)	(20,264)	(354)	(3)	(57,937)	(128,866)	(1,226)	(233,700)	0.48%
Fee and commission income	707	9	1	4	19,660	2,878	7	23,266	0.31%
Fee and commission expense	(10,841)	-	-	-	-	(3,689)	-	(14,530)	1.73%
Net investment gains	-	14,603	-	-	15,715	108,774	-	139,092	1.26%
Net (losses) / gains from changes in fair value	-	(4,959)	-	-	9,690	(153,229)	-	(148,498)	10.89%
Net foreign exchange gains	-	5,637	7,172	-	-	1,097	-	13,906	4.53%
Other operating income	34	-	-	-	1	51	4	90	0.08%
Other comprehensive income, net of tax	-	-	-	-	803	(66,658)	-	(65,855)	4.67%
Payment of preferred stock dividends	-	(52,000)	-	-	-	(52,000)	-	(104,000)	10.00%
Balances with related parties as at 31 December 2019:									
Deposit with banks and other financial institutions	-	-	4,074	-	964,351	30,674	-	999,099	6.86%
Placements with banks and other financial institutions	-	-	1,444,522	-	-	1,705,250	-	3,149,772	1.85%
Derivative financial assets	-	26,280	89,451	-	5,719	1,072,876	-	1,194,326	7.26%
Loans and advances to customers	656,874	500,683	-	-	379,515	2,738,293	119,986	4,395,351	0.47%
Financial investment									
- Financial assets held for trading	-	644,286	-	-	1,005,899	2,114,309	-	3,764,494	1.18%
- Financial investments measured at amortised cost	-	-	-	-	102,131	-	-	102,131	0.02%
- Other debt investments	-	-	-	-	106,328	1,738,679	-	1,845,007	4.72%
- Investments in other equity instruments	-	-	-	-	-	484,774	-	484,774	94.06%
Long-term equity investments	-	-	-	-	-	422,778	-	422,778	100%
Other assets	-	-	-	-	-	1,365,551	-	1,365,551	9.74%
Deposits from banks and other financial institutions	-	-	(175,684)	(2)	(2,446,872)	(1,747,347)	-	(4,369,905)	1.11%
Placements from banks and other financial institutions	-	-	-	-	-	(488,608)	-	(488,608)	0.66%
Derivative financial liabilities	-	(9,966)	(83,778)	-	(1,343)	(1,237,379)	-	(1,332,466)	7.98%
Deposits from customers	(4,329,249)	(2,772,661)	-	(65)	(1,251,337)	(17,332,647)	(84,233)	(25,770,192)	2.14%
Other equity instruments	-	(1,000,000)	-	-	-	(1,000,000)	-	(2,000,000)	10.00%

	Lianhe Investment and its related parties	SIPG and its related parties	Santander and its related parties	TCL and its related parties	Other major shareholders and their related parties	Other related corporations	Related natural person	Total	Ratio to similar transactions
Significant off-balance sheet items with related parties as at 31 December 2019:									
Loan commitments	3,288,599	-	-	-	-	-	-	3,288,599	9.83%
Guarantees	106,608	800	-	-	2,604	1,432,086	-	1,542,098	2.85%
Letters of credit	259,266	-	-	-	-	549,190	-	808,456	10.85%
Loans guaranteed by related parties	271,198	500,000	-	-	279,021	125,000	-	1,175,219	0.17%
Entrusted loans	2,684,686	8,440,000	-	-	-	-	-	11,124,686	8.09%
Entrusted funds	2,708,187	8,440,000	-	-	-	-	-	11,148,187	8.11%
Bank acceptances	-	-	-	-	325,000	239,261	-	564,261	0.63%

	Lianhe Investment and its related parties	SIPG and its related parties	Santander and its related parties	TCL and its related parties	Other major shareholders and their related parties	Other related corporations	Related natural person	Total	Ratio to similar transactions
Transactions with related partiesduring the year ended 31 December 2018:									
Interest income	31,071	67,255	48,255	-	57,263	300,065	6,093	510,002	0.67%
Interest expense	(30,681)	(9,127)	(465)	(2,067)	(118,109)	(156,427)	(2,620)	(319,496)	0.70%
Interest expense	993	11	-	6	322	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	-	5,201	(1,499)	62	9,534	(56,265)	-	(42,967)	0.92%
Other operating income	41	1	-	-	1	156	4	203	0.21%
Other comprehensive income, net of tax	-	-	-	-	7,664	(33,835)	-	(26,171)	2.22%
Payment of preferred stock dividends	-	(52,000)	-	-	-	(52,000)	-	(104,000)	10.00%
Balances with related parties as at 31 December 2018:									
Deposit with banks and other financial institutions	-	-	2,947	-	873,808	36,521	-	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	-	79,333	-	-	585	-	-	79,918	6.46%
Interests receivable	1,127	1,046	130	-	14,128	22,046	195	38,672	0.40%
Loans and advances to customers	792,239	750,000	-	-	655,780	2,825,635	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%

	Lianhe Investment and its related parties	SIPG and its related parties	Santander and its related parties	TCL and its related parties	Other major shareholders and their related parties	Other related corporations	Related natural person	Total	Ratio to similar transactions
Balances with related parties as at 31 December 2018:									
Other assets	-	-	-	-	-	1,191,789	-	1,191,789	10.80%
Deposits from banks and other financial institutions	-	-	(3,733)	(756)	(13,141,969)	(1,220,098)	-	(14,366,556)	3.89%
Placements from banks and other financial institutions	-	-	-	-	-	(191,424)	-	(191,424)	0.28%
Derivative financial liabilities	-	(64,013)	(1,499)	-	-	(4,138)	-	(69,650)	8.40%
Deposits from customers	(9,677,921)	(2,742,850)	(3,640)	(1,636)	(4,711,450)	(8,575,825)	(44,299)	(25,757,621)	2.47%
Interests payable	(4,250)	(8,645)	(2)	(1)	(71,687)	(28,588)	(889)	(114,062)	0.66%
Other equity instruments	-	(1,000,000)	-	-	-	(1,000,000)	-	(2,000,000)	10.00%
Significant off-balance sheet items with related parties as at 31 December 2018:									
Loan commitments	3,372,722	168,880	-	-	-	-	-	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	1,551,833	4,507,000	-	-	80,000	-	-	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%

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.

The Group recognizes the related parties according to the Administrative Measures on Information Disclosure by Listed Companies issued by the CSRC, Administrative Measures on Affiliated Transactions between Commercial Banks and their Insiders or Shareholders and Provisional Measures on Administration of Equities of Commercial Banks issued by the CBRC.

The basic information of related parties and transactions under the rules of the CSRC and the CBRC, as well as the specific information of major transactions with related parties under the rules of the CBRC can be found in the Related Transactions of the body text of the 2019 annual report of the Group.

4 Transactions with key management personnel

The remuneration of key management personnel during the Relevant Periods were as follows:

	2019	2018
Remuneration of key management personnel	13,138	19,621

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 2019, 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 2019.

5 Transactions between the Bank and its subsidiaries

Significant transactions with subsidiaries:

	2019	2018
Interest income	20,420	52,587
Interest expense	(19,652)	(15,389)
Fee and commission income	2,717	3,344
Net investments income	7,841	10,809
Other operating income	3,483	669

Significant balances outstanding as at the balance sheet date:

	31 December 2019	31 December 2018
Deposits with banks and other financial institutions	50,660	50,000
Placements with banks and other financial institutions	2,096,079	756,797
Interests receivable	N/A	3,098
Other Assets	262	992
Deposits from banks and other financial institutions	(798,513)	(751,396)
Deposits from customers	(25,363)	(28,001)
Interests payable	N/A	(1,743)
Other Liabalities	(589)	(334)
Guarantees	5,696,559	3,876,654

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. 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.

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.

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 accounting periods to acquire fixed assets, intangible assets and other long-term assets.

	The Group			
	2019			
	Wholesale Financial Business	Retail Financial Business	Others	Total
External net interest income	17,997,065	12,316,263	7,281	30,320,609
Inter-segment net interest income / (expense)	947,639	(947,639)	-	-
Net interest income	18,944,704	11,368,624	7,281	30,320,609
Fee and commission income	4,276,184	2,980,611	151,560	7,408,355
Fee and commission expense	(416,332)	(424,824)	-	(841,156)
Net fee and commission income	3,859,852	2,555,787	151,560	6,567,199
Other income	-	-	66,764	66,764
Net investment gains	10,900,298	-	174,870	11,075,168
Net gains from changes in fair value	1,285,254	-	77,919	1,363,173
Net foreign exchange gains	284,204	22,451	-	306,655
Other operating income	7,002	-	102,207	109,209
Losses from asset disposals	-	-	(8,485)	(8,485)
Operating income	35,281,314	13,946,862	572,116	49,800,292
Tax and surcharges	(299,760)	(169,534)	(1,662)	(470,956)
General and administrative expenses	(6,067,413)	(3,757,178)	(123,965)	(9,948,556)
Impairment losses	(11,973,663)	(4,982,243)	(193,195)	(17,149,101)
Other operating expenses	(1,263)	-	(3)	(1,266)
Operating expenses	(18,342,099)	(8,908,955)	(318,825)	(27,569,879)
Operating profit	16,939,215	5,037,907	253,291	22,230,413
Add: Non-operating income	101,447	138,843	170	240,460
Less: Non-operating expenses	(11,410)	(7,525)	(74,849)	(93,784)
Profit before tax	17,029,252	5,169,225	178,612	22,377,089
Segment assets	1,913,438,679	321,834,630	1,808,634	2,237,081,943
Segment liabilities	1,753,757,921	305,841,492	255,899	2,059,855,312
Other segment information:				
Credit commitments	185,202,722	51,442,665	-	236,645,387
Depreciation and amortization	(428,133)	(372,291)	(2,694)	(803,118)
Capital expenditure	(470,653)	(409,265)	(2,962)	(882,880)

	The Group			
	2018			
	Wholesale Financial Business	Retail Financial Business	Others	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 amortization	(396,122)	(344,537)	(3,507)	(744,166)
Capital expenditure	(1,224,276)	(1,064,847)	(10,839)	(2,299,962)

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 of Directors assumes ultimate responsibility for risk management and is responsible for determining overall risk management strategies and making significant decisions. The Board of Directors has established the Risk Management and Customers' Right and Interest Protection Committee, the Related Transaction Control Committee and the Audit Committee, which are primarily responsible for risk management. The Board of Supervisors is responsible for supervising and inspecting the performance of the risk management responsibilities of the Board of Directors and senior management. Under the authority of the Board of Supervisors, a Supervisory committee shall supervise and evaluate the performance of the risk management responsibilities and the effect of overall risk management of the Board of Directors and senior management. Senior management is the highest executive level of the risk management, responsible for promoting the strategy, policies and measures of risk management in the whole bank, realizing the comprehensive coverage and specialization of risk management, assessing the overall risk and all kinds of important risk management status and reporting to the Board of Directors. There are Risk management committee, Asset and Liability Management committee and other professional committees to organize, coordinate, review, make decisions and supervise various risk management work.

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, which include "first line of defense" directly managed by the Head Office and Branch business management Department, "second lines of defense" remanaged by the Risk Internal Control Department and "the third line of defense" resupervised by the Audit Supervision Department. Through the positioning of "three lines of defense", promote the first line of defense to carry out self-risk management, improve the capability of refined and differentiated risk management of the second lines of defense, and strengthen the vertical audit management of the thrid lines of defense.

The Group sets up a comprehensive risk management system and basically realized the full coverage of risk management categories and management scope. The risk management category has covered the major risks of the company's operation, such as credit, market, operation, liquidity, law, reputation, strategy, information technology, money laundering and country risk. At the same time, the Group implements consolidated risk management, and integrates the subsidiaries at the group level into the unified risk management framework. The Group sets up various risk management and control processes and mechanisms, including risk identification, assessment, measurement, monitoring, reporting, release and control. The Group implements full process risk management on the credit business.

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 commercial bank. It arises primarily from the Group's credit businesses and treasury businesses such as investment in debt securities.

The Board of Directors, the Board of Supervisors and senior management of the group fully understand the credit risks in various businesses and supervise the organization on the identification, measurement, control and release of credit risk. The Board of Directors and underling Risk Management and Consumer Protection Committee established credit risk management strategies, review credit risk preferences and significant credit risk management policies and procedures and supervise senior management to take necessary measures to identify, measure, monitor and control credit risks. The Board of Supervisors effectively supervises on the Board of Directors and senior management. Senior management and underlying Risk Management Committee continuously improved credit risk management framework, establish credit risk management policies and procedures, make risk limits according to the risk preference reviewed by the Board of Directors, make execution and accountability policies, supervise risk preference, risk limits, strategy and procedure execution, assess credit risk status and report to the Board of Directors routinely.

Credit business

To identify, assess, monitor and manage credit risk, the Group has established a reporting structure, credit policies and procedures of credit risk management, improves risk management system, improves its credit approval process, reinforces its credit risk management through its processes, clarifies functions and responsibilities of the credit approval cycle, establish the credit policies, management framework, upgrades risk management tools and risk management systems, establishes credit risk monitoring, warning and withdrawal management systems, implement pledge and other risk mitigation measures, conducts credit business risk management continuously 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.

The Group has established a series of policies to mitigate credit risks through various methods. To obtain the collateral, the deposit and the guarantee of the company or individual is one of the most important methods for the Group to control credit risk. The specific pledges that can be accepted by the Group include cash and cash equivalents, securities, real estate, land use rights, machinery and equipment, transportations, charging rights, spot commodities, etc.

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 regulation and rules, 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 non-performing loans. In general, loans are considered to be non-performing when one or more events demonstrate that there is objective evidence that losses will be incurred.

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.

Measurement of Expected Credit Loss ("ECL")

According to the new standard, the Group divided the financial instruments that require ECL provision recognition into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortised cost or at fair value through other comprehensive income, as well as its loan commitments and financial guarantee contracts.

Financial instrument risk stage division

The Group applies a 'three-stage model' for measuring expected credit loss forfinancial instruments based on changes in credit quality since initial recognition.

The three stages are defined as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

Judgment of significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk gradings, debt-servicing capacity, operating capabilities and repayment records, etc.

The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the risk classification has been downgraded to assess deterioration.

Definition of credit-impaired financial assets

In order to evaluate whether a financial asset is impaired, the Group considers the following factors:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- The principal, advance or interest of a financial asset or bonds is overdue for more than 90 days;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

Parameters for ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- Probability of default (PD): represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;

- Loss Given Default (LGD): is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;

- Exposure at Default (EAD): refers to the total amount of on and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet risk conversion factor etc., and may vary by product types.

Forward-looking information incorporated in the ECL

The judgment of significant increase in credit risk and calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio; the forecasts of these economic variables are provided periodically and the most relevant variables are picked and estimated by the Group. The Group mainly uses regressive analysis to determine the relationship among these economic indexes, probability of default and the loss given default. External information used includes macroeconomic data, and forecasting information released by the government or regulatory, such as: Gross Domestic Product (GDP), Broad Monetary (M2) and Purchase Management Index (PMI), etc.

When calculating the ECL in corresponding situations, the Group combines macro-statistical analysis and expert judgment results to set corresponding economic forecast scenarios (higher, flat, and lower) and corresponding measurement coefficients.

During the reporting period, there has been no significant change in the estimation or key assumptions of the ECL measurement parameters.

Pledged Assets Held

As at 31 December 2019, impaired loans and advances to customers of the Group and the Bank are 13.36 billion and 13.03 billion respectively (31 December 2018: The Group and the bank were 9.71 billion and 9.48 billion respectively). Among them, the collaterals of the Group and the Bank covering such loans are RMB 4.73 billion and RMB 4.72 billion respectively (31 December 2018: The Group and the bank were 4.32 billion and 4.32 billion respectively).

(1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note VIII.

(2) Financial assets analysed by credit quality

As at 31 December 2019, the Group's financial asset risk stages are as follows:

	As at 31 December 2019							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortized cost								
Cash and deposits with central bank	140,256,925	-	-	140,256,925	(1)	-	-	(1)
Deposits with banks and other financial institutions	14,620,068	-	-	14,620,068	(61,525)	-	-	(61,525)
Placements with banks and other financial institutions	170,579,145	-	-	170,579,145	(480,077)	-	-	(480,077)

	As at 31 December 2019							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortized cost								
Financial assets held under resale agreements	1,030,160	1,288,400	-	2,318,560	(2,416)	(49,089)	-	(51,505)
Loans and advances to customers	802,238,495	93,602,465	13,338,897	909,179,857	(15,478,393)	(8,610,442)	(10,901,561)	(34,990,396)
Financial investments	554,646,507	7,801,507	3,418,420	565,866,434	(1,999,708)	(828,297)	(2,728,895)	(5,556,900)
Sub-total	1,683,371,300	102,692,372	16,757,317	1,802,820,989	(18,022,120)	(9,487,828)	(13,630,456)	(41,140,404)
Financial assets measured at FVOCI								
Loans and advances to customers	66,524,660	168,236	23,157	66,716,053	(2,919,215)	(8,130)	(21,999)	(2,949,344)
Financial investments	39,047,966	-	13,498	39,061,464	(82,916)	-	(246,739)	(329,655)
Sub-total	105,572,626	168,236	36,655	105,777,517	(3,002,131)	(8,130)	(268,738)	(3,278,999)
Credit Commitments	231,557,132	5,048,011	40,244	236,645,387	(4,704,166)	(364,425)	(29,436)	(5,098,027)
Total	2,020,501,058	107,908,619	16,834,216	2,145,243,893	(25,728,417)	(9,860,383)	(13,928,630)	(49,517,430)

Note: Simplified method was adopted to other financial assets measured at amortized cost when measure impairment provision, thus the classification of stages is not applicable.

Financial assets analysed by credit quality as at 31 December 2018 are summarised as follows:

	As at 31 December 2018				
	Deposits / placements with banks and other financial institutions	Financial assets held under resale agreements	Loans and advances	Investments (note (i))	Others (note (ii))
Impaired					
Individually assessed gross amount	-	-	8,018,557	3,432,720	-
Provision for impairment losses	-	-	(5,004,967)	(2,081,471)	-
Net amount	-	-	3,013,590	1,351,249	-
Collectively assessed gross amount	-	-	1,693,140	-	-
Provision for impairment losses	-	-	(1,430,128)	-	-
Net amount	-	-	263,012	-	-
Overdue but not impaired					
Less than 3 months (inclusive)	-	-	5,874,009	900,000	-
Provision for impairment losses	-	-	(1,588,844)	(122,900)	-
Net amount	-	-	4,285,165	777,100	-
Neither overdue nor impaired gross amount	130,471,005	36,599,042	835,109,949	683,027,754	16,926,408
Provision for impairment losses	(36,223)	(230,418)	(24,311,520)	(5,645,994)	(126,052)
Net amount	130,434,782	36,368,624	810,798,429	677,381,760	16,800,356
Carrying amount	130,434,782	36,368,624	818,360,196	679,510,109	16,800,356

(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, interest receivables 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 credit-impaired / neither overdue nor impaired are rated with reference to major rating agencies recognised by the PBOC.

	The Group	
	31 December 2019	31 December 2018
Neither overdue nor credit-impaired / neither overdue nor impaired		
- A to AAA	117,432,403	99,433,511
- Unrated	69,408,073	67,636,536
Sub-total	186,840,476	167,070,047
Accrued interest	677,297	N/A
Provision for impairment losses	(593,107)	(266,641)
Carrying amount	186,924,666	166,803,406

(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	
	31 December 2019	31 December 2018
Credit-impaired / impaired items		
- C	133,498	275,437
- Unrated	3,296,823	3,157,283
Sub-total	3,430,321	3,432,720
Provision for impairment losses	(2,728,895)	(2,081,471)
Net amount	701,426	1,351,249
Overdue but not credit-impaired / overdue but not impaired items		
- Unrated	350,000	900,000
Provision for impairment losses	(24,500)	(122,900)
Net amount	325,500	777,100
Neither overdue nor credit-impaired / neither overdue nor impaired items		
- AAA	285,186,818	226,914,172
- AA- to AA+	23,951,519	12,261,433
- A- to A+	12,388,456	11,656,757
- Lower than A	11,959,894	11,035,914
- Unrated	366,031,785	421,159,478
Sub-total	699,518,472	683,027,754
Provision for impairment losses	(2,803,505)	(5,645,994)
Net amount	696,714,967	677,381,760
Accrued interest	6,864,829	N/A
Carrying amount	704,606,722	679,510,109

(5) Credit risk concentrations of financial investments

Geographic concentration

As at the balance sheet date, the financial assets and credit commitments held by the Group are mainly concentrated in mainland China. For the geographical concentration of loans and advances, see Note V. 8 (4).

Industry concentration

The industry concentration of loans and advances issued by the Group as at the balance sheet date is detailed in Note V. 8 (3).

2 Market risk

Market risk is the risk of loss, in respect of commercial banks' 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.

The market risk management of the Group oversees the whole process of identifying, measuring, monitoring and controlling market risk. The Group established the market risk management framework in accordance with the requirements of the CBRC. The Board of Directors and underlying Risk Management and Consumer Rights Protection Committee take the ultimate responsibility for monitoring market risk management and are responsible for reviewing and approving the overall market risk management strategy, policies, procedures and risk preference. The Board of Supervisors is responsible for supervises the performance of market risk management of the Board of Directors and senior management. Senior management and underlying Asset and Liability Management Committees, Risk Management and Consumer Rights Protection committees are authorized by the Board of Directors to be responsible for the construction of market risk management systems; establish a clear division of market risk management organization structure, authority structure and responsibility mechanism; review the specific system of market risk management; establish a mechanism to regularly review and supervise the implementation of market risk management policies, procedures and operating procedures, and timely acquire understanding of status and management of market risk. The Risk Management Department is responsible for the construction of the Group 's market risk management system, establishing market risk preference and risk limits and submitting them to the Board of Directors and senior management for approval; monitoring the implementation of market risk limits, and submitting market risk management reports to the Board of Directors and senior management. The Planning and Finance Department, the Financial Markets Department, the Investment Banking Department and other departments implement market risk management strategies within their responsibilities.

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 banking 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 transactions during the years and as at the balance sheet date are summarised as below:

	The Group			
	As at 31 December	Average	Maximum	Minimum
2019	77,490	80,042	125,769	24,212
2018	27,052	38,942	65,084	25,129

As a supplement to VaR analysis, stressing test is performed based on the characteristics of trading portfolios 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 trading portfolios, enhancing the Group's market risk management capabilities.

(2) Interest rate risk exposure

Interest rate risk is the likelihood of a loss to returns and market value of financial instruments and overall position that may arise from adverse changes in the market interest rate and maturity mismatch. 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 following tables indicate the financial assets and financial liabilities as at the end of the Relevant Periods by the expected next repricing dates or by maturity dates, depending on which is earlier.

	The Group					
	As at 31 December 2019					
	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	2,187,795	138,069,129	-	-	-	140,256,924
Deposits and placements with banks and other financial institutions	991,248	85,984,401	73,513,718	24,168,244	-	184,657,611
Financial assets held under resale agreements	130	2,266,925	-	-	-	2,267,055
Loans and advances to customers (Note (i))	3,706,345	375,731,702	424,006,791	112,275,753	25,500,036	941,220,627
Financial investments (Note (ii))	220,199,824	65,770,043	139,089,261	369,915,425	122,967,164	917,941,717
Other financial assets	25,850,767	-	-	-	-	25,850,767
Total financial assets	**252,936,109**	**667,822,200**	**636,609,770**	**506,359,422**	**148,467,200**	**2,212,194,701**
Financial liabilities						
Borrowings from central bank	(1,011,724)	(335,000)	(91,835,000)	-	-	(93,181,724)
Deposits and placements from banks and other financial institutions	(2,194,255)	(339,536,882)	(127,051,386)	-	-	(468,782,523)
Financial liabilities at FVTPL	(300,120)	(100,307)	-	-	-	(400,427)
Financial assets sold under repurchase agreements	(28,292)	(60,414,996)	(2,906,377)	-	-	(63,349,665)
Deposits from customers	(17,480,140)	(654,705,664)	(282,418,224)	(248,947,524)	-	(1,203,551,552)
Debt securities issued	(536,633)	(122,484,197)	(29,231,480)	(5,964,066)	(32,496,006)	(190,712,382)
Other financial liabilities	(22,110,748)	-	-	-	-	(22,110,748)
Total financial liabilities	**(43,661,912)**	**(1,177,577,046)**	**(533,442,467)**	**(254,911,590)**	**(32,496,006)**	**(2,042,089,021)**
Total	**209,274,197**	**(509,754,846)**	**103,167,303**	**251,447,832**	**115,971,194**	**170,105,680**

	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	-	-	-	2,267,055
Loans and advances to customers (Note (i))	-	518,516,730	226,277,025	68,180,175	5,386,266	818,360,196
Investments (Note (iii))	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**

	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 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 FVTPL	(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

(i) For loans and advances to customers, the category "Within three months" includes overdue amounts (net of provision for impairment losses) of RMB5,767 million as at 31 December 2019 (31 December 2018: RMB6,909 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) Financial investments comprise financial assets held for trading, debt investments, other debt investments, and investments in other equity instruments. These investments that are mature within three month include RMB1,029 million overdue (net of provision for impairment losses) as at 31 December 2019.

(iii) 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.

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 other debt investments / available for sale financial assets held at year end on equity as a result of changes in interest rates.

	The Group	
	Sensitivity of net interest income	
	31 December 2019	31 December 2018
Change in interest rate (basis points)		
+100	(1,519,936)	(1,392,848)
-100	1,519,936	1,392,848
	Sensitivity of equity	
	31 December 2019	31 December 2018
Change in interest rate (basis points)		
+100	(449,980)	(476,558)
-100	454,659	494,983

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:

(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

Foreign currency rate risk mainly includes currency risk arising from foreign exchange self-operated bonds, foreign exchange deposits and placements and other foreign exchange transactions, as well as currency risk arising from currency mismatch of deposits and loans.

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 above sensitivity analysis is based on assets and liabilities with a static exchange rate risk structure. It has not taken into account the measures that the Group and the Bank may take to eliminate the adverse impact of foreign exchange exposure on net profit and equity. Therefore, above impact may be different with the actual situation.

The Group's exposure to currency risk at balance sheet date are as follows:

	The Group			
	As at 31 December 2019			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets				
Cash and deposits with central bank	134,678,769	5,431,866	146,289	140,256,924
Deposits and placements with banks and other financial institutions	171,757,948	10,377,358	2,522,305	184,657,611
Financial assets held under resale agreements	2,267,055	-	-	2,267,055
Loans and advances to customers	864,621,529	67,358,137	9,240,961	941,220,627
Financial investments (Note (i))	872,566,200	42,782,372	2,593,145	917,941,717
Other financial investments	25,526,125	208,568	116,074	25,850,767
Total financial assets	2,071,417,626	126,158,301	14,618,774	2,212,194,701

	The Group			
	As at 31 December 2019			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Financial liabilities				
Borrowings from central bank	(93,181,724)	-	-	(93,181,724)
Deposits and placements from banks and other financial institutions	(333,446,076)	(133,628,760)	(1,707,687)	(468,782,523)
Financial liabilities at FVTPL	(400,427)	-	-	(400,427)
Financial assets sold under repurchase agreements	(62,856,132)	(493,533)	-	(63,349,665)
Deposits from customers	(1,098,050,117)	(100,255,442)	(5,245,993)	(1,203,551,552)
Debt securities issued	(184,881,797)	(5,830,585)	-	(190,712,382)
Other financial liabilities	(20,975,860)	(898,717)	(236,171)	(22,110,748)
Total financial liabilities	(1,793,792,133)	(241,107,037)	(7,189,851)	(2,042,089,021)
Net position	277,625,493	(114,948,736)	7,428,923	170,105,680
Credit commitments	199,274,155	29,010,063	8,361,169	236,645,387
Net notional amount of derivative financial instruments	(116,803,974)	121,371,470	(5,146,650)	(579,154)

	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 (ii))	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 FVTPL	-	(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

(i) Financial investments comprise financial assets held for trading, debt investments, other debt investments, and investments in other equity instruments.

(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.

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	
	Sensitivity of net profit and equity	
	31 December 2019	31 December 2018
Change in foreign currency exchange rate		
Appreciation against RMB by 100 bps	9,373	12,707
Depreciation against RMB by 100 bps	(9,373)	(12,707)

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 gains or losses recognised as a result of a 100-basis point fluctuation in foreign currency exchange rates against RMB on 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.

3 Liquidity risk

Liquidity risk is the risk that commercial banks 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's Board of Directors, its special committees, and the senior management constitute a decision-making system, which is responsible for reviewing and formulating liquidity risk strategies, important policies, and procedures. The Planning and Finance Department is responsible for liquidity risk management. It also forms an execution system with Financial Market Department, Asset Management Department and other business departments, Risk Management Department, the Board Office, the Office and other mid-desk and back-desk departments and various branches, responsible for the specific work of liquidity risk management. The Board of Supervisors and the Audit Department form a supervision system. Above systems perform the decision-making, execution and supervision functions of liquidity risk management according to the their responsibilities.

The Group sets various proportional indicators and business limits to manage liquidity risk according to the situation of overall assets and liabilities and market conditions; and meet the unpredictable payment needs that may occur in daily operations by holding sufficient liquid assets.

The Group mainly uses the following means to monitor and analyze the liquidity situation:

- Liquidity gap analysis;

- Liquidity indicator monitoring and forecasting arrangements (including but not limited to liquidity coverage ratio, net stable capital ratio, liquidity ratio, liquidity gap ratio, excess reserve ratio and other regulatory indicators and internal management objectives); and

- Stress testing.

On this basis, the Group has established a periodic reporting mechanism for liquidity risk, and timely reports latest situation of liquidity risk to the Board of Directors and the senior management.

Daily management of liquidity risk management includes: projecting the fund inflows and outflows according to the market trend to maintain an adequate funding base for the Group; continuously monitoring the maturity matching of assets and liabilities cash flow, and establishing multi-layer liquidity safeguarding measures; enhancing the foundation of liability business, maintaining sound financing capability; performing periodic liquidity stress tests to identify indicators which may lead to any liquidity risk at the earliest stage; establishing liquidity risk early warning mechanism and emergency plan, and regularly carrying out emergency drills.

(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 2019							
	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	121,590,021	18,666,903	-	-	-	-	-	140,256,924
Deposits and placements with banks and other financial institutions	-	13,944,487	57,611,410	15,036,852	73,801,739	24,263,123	-	184,657,611
Financial assets held under resale agreements	-	-	2,267,055	-	-	-	-	2,267,055
Loans and advances to customers	-	5,766,916	70,761,627	65,143,677	391,891,315	261,304,319	146,352,773	941,220,627
Financial investments (Note (i))	213,334,995	22,883,516	11,701,686	31,111,045	143,783,533	371,373,390	123,753,552	917,941,717
Other financial assets	-	9,406,852	2,282,263	2,934,463	6,630,152	4,544,772	52,265	25,850,767
Total financial assets	334,925,016	70,668,674	144,624,041	114,226,037	616,106,739	661,485,604	270,158,590	2,212,194,701
Financial liabilities								
Borrowings from central bank	-	-	(308,936)	(35,029)	(92,837,759)	-	-	(93,181,724)
Deposits and placements from banks and other financial institutions	-	(93,050,564)	(178,432,034)	(69,968,614)	(127,331,311)	-	-	(468,782,523)
Financial liabilities at FVTPL	-	(300,120)	-	(100,307)	-	-	-	(400,427)
Financial assets sold under repurchase agreements	-	-	(51,322,607)	(9,120,681)	(2,906,377)	-	-	(63,349,665)
Deposits from customers	-	(446,439,788)	(115,425,439)	(110,320,577)	(282,418,224)	(248,947,524)	-	(1,203,551,552)
Debt securities issued	-	-	(72,754,541)	(49,791,885)	(29,705,884)	(5,964,066)	(32,496,006)	(190,712,382)
Other financial liabilities	-	(5,420,076)	(2,139,328)	(2,948,003)	(6,924,432)	(4,626,378)	(52,531)	(22,110,748)
Total financial liabilities	-	(545,210,548)	(420,382,885)	(242,285,096)	(542,123,987)	(259,537,968)	(32,548,537)	(2,042,089,021)
Net position	334,925,016	(474,541,874)	(275,758,844)	(128,059,059)	73,982,752	401,947,636	237,610,053	170,105,680
Notional amount of derivative financial instruments	-	-	515,763,871	480,216,440	1,419,201,461	701,859,619	3,140,000	3,120,181,391

	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 (ii))	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 FVTPL	-	(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

(i) Financial investments comprise financial assets held for trading, debt investments, other debt investments, and investments in other equity instruments.

(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.

(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 2019								
	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	(93,181,724)	(95,184,646)	-	-	(309,450)	(35,963)	(94,839,233)	-	-
Deposits and placements from banks and other financial institutions	(468,782,523)	(470,621,265)	-	(93,050,567)	(178,539,613)	(70,168,841)	(128,862,244)	-	-
Financial liabilities at FVTPL	(400,427)	(400,427)	-	(300,120)	-	(100,307)	-	-	-
Financial assets sold under repurchase agreements	(63,349,665)	(63,595,146)	-	-	(51,413,173)	(9,219,684)	(2,962,289)	-	-
Deposits from customers	(1,203,551,552)	(1,250,583,592)	-	(464,018,248)	(119,802,687)	(114,508,733)	(293,465,399)	(258,788,525)	-
Debt securities issued	(190,712,382)	(202,135,978)	-	-	(72,853,305)	(50,056,949)	(31,407,086)	(9,780,138)	(38,038,500)
Other financial liabilities	(5,420,076)	(5,420,076)	-	(5,420,076)	-	-	-	-	-
Total non-derivative financial liabilities	**(2,025,398,349)**	**(2,087,941,130)**	**-**	**(562,789,011)**	**(422,918,228)**	**(244,090,477)**	**(551,536,251)**	**(268,568,663)**	**(38,038,500)**
Derivative financial instruments									
Derivative financial instruments settled on gross basis of which									
-Total inflow		296,882,796	-	-	135,846,601	49,944,236	104,483,583	6,608,376	-
-Total outflow		(296,859,160)	-	-	(135,852,761)	(49,929,382)	(104,263,202)	(6,813,815)	-
Derivative financial instruments settled on net basis		(586,931)	-	-	149,030	(26,432)	(534,499)	(174,764)	(266)
Total derivative financial instruments		**(563,295)**	**-**	**-**	**142,870**	**(11,578)**	**(314,118)**	**(380,203)**	**(266)**
Credit commitments		**236,645,387**	**-**	**55,210,742**	**17,183,170**	**22,403,021**	**88,384,196**	**35,483,740**	**17,980,518**

	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 FVTPL	(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									
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**

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 risks faced by the Group primarily include internal fraud, external fraud, employment system and workplace security incidents, customer, product and business activity incidents, damage to physical assets, business interruptions and information technology system failure incidents, execution, delivery and processes management incidents, etc.

The Group has established a "three lines of defense" operational risk management framework. The Board of Directors takes the ultimate responsibility for monitoring the effectiveness of operational risk management; the Board of Supervisors fulfils its supervisory responsibility for operational risk management; the senior management is responsible for implementing the operational risk management strategy, overall policy and system approved by the Board of Directors. Business and functional departments and branches form the first line of defense for operational risk management, and are primarily responsible for operational risk prevention; operational risk, internal control, case prevention and other management promotion departments constitute the second line of defense for operational risk management; the audit department is the third line of defense for operational risk management.

The Group has formed management process to identify, assess, measure, monitor, control, mitigate and report operational risks, based on the “three lines of defense” operational risk management structure. The Group constructs operation risk management information system, and 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, and monitor operational risks. The Group has established an operational risk reporting system, through which branches or head office departments and subsidiaries report operational risk information in a timely manner.

In combination with relevant internal control regulations, the Group has adopted risk control strategies such as risk avoidance, reduction, transfer or undertaking, and implemented risk mitigation strategies through manners such as business continuity management, outsourcing management, and insurance management, to control operational risk losses within acceptable levels.

The Group has established an operational risk management assessment incentive and restraint mechanism. It also strengthens employee accountability management, provides employee training, regularly appraises employees to improve their performance of duties, and guide employees to establish correct operational risk management values and codes of conduct.

Each business and functional department of the Group is responsible for formulating and implementing relevant regulations on internal control of operational risks, including the following relevant regulations on internal control, as an effective means of operational risk management:

- 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;
- internal controls and management procedures;
- 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 of Directors.

The Group commenced the computation of its capital adequacy ratios in accordance with Administrative Measures on the Capital of Commercial Banks (for Trial Implementation) and other relevant regulations. Commercial banks needs to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (for Trial Implementation). Systemically important banks are required to meet 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. Non-systemically important banks are required to meet 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 2019 and 31 December 2018.

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 Administrative Measures on the Capital of Commercial Banks (for Trial Implementation) and relevant requirements as below:

	31 December 2019	31 December 2018
Core tier one capital adequacy ratio	9.66%	9.83%
Tier one capital adequacy ratio	10.92%	11.22%
Capital adequacy ratio	13.84%	13.00%
Capital composition		
Core tier one capital:		
- Paid-in capital	14,206,529	10,928,099
- Qualified portion of capital	22,307,843	25,717,981
- Surplus reserve	36,273,686	30,969,554
- General reserve	28,434,363	25,804,758
- Retained earnings	51,934,012	47,658,150
- Qualified portion of non-controlling interests	97,765	89,082
- Others (Note i)	316,009	240,837
Total core tier one capital	153,570,207	141,408,461
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)	(554,192)	(346,312)
- Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(3,773)	(6,528)
Net core tier one capital	153,010,663	141,054,042
Other tier one capital:		
- Other tier one capital instruments and related premium	19,957,170	19,957,170
- Qualified portion of non-controlling interests	13,035	11,878
Net tier one capital	172,980,868	161,023,090
Tier two capital:		
- Tier two capital instruments and related premium	28,000,000	9,000,000
- Qualified portion of surplus provision for loan impairment	18,236,319	16,632,336
- Qualified portion of non-controlling interests	26,071	23,755
Net capital	219,243,258	186,679,181
Total risk-weighted assets	1,584,413,590	1,435,652,196

(i) Others are the translation reserve for the Group in accordance with Administrative Measures on Capital of Commercial Banks (For Trial Implementation).

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.

The tables 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	As at 31 December 2019			
	The Group			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Assets				
Derivative financial assets	-	16,443,915	-	16,443,915
Loans and advances to customers				
- Measured at fair value through profit or loss	-	-	315,113	315,113
- Measured at fair value through other comprehensive income	-	49,928,267	16,787,786	66,716,053
Financial assets held for trading				
- Debt instrument	-	21,884,016	83,351,708	105,235,724
- Equity instrument	167,604,115	44,507,789	707,717	212,819,621
Other debt investments	-	39,061,464	-	39,061,464
investments in other equity instruments	-	-	515,374	515,374
Total assets measured at fair value on a recurring basis	167,604,115	171,825,451	101,677,698	441,107,264
Liabilities				
Financial liabilities held for trading	-	(300,120)	(100,307)	(400,427)
Derivative financial liabilities	-	(16,690,672)	-	(16,690,672)
Total liabilities measured at fair value on a recurring basis	-	(16,990,792)	(100,307)	(17,091,099)

Recurring fair value measurement	As at 31 December 2018			
	The Group			
	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 designated 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	(7,168)	-	-	(7,168)
Derivative financial liabilities	-	(829,640)	-	(829,640)
Total liabilities measured at fair value on a recurring basis	(7,168)	(829,640)	-	(836,808)

(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

Financial assets held for trading, debt instruments in financial assets measured at fair value through profit or loss, other debt investments and stocks in available-for-sale financial assets, negotiable certificate of deposits and asset-backed securities, short selling of debts in financial liabilities measured at FVTPL 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.

Equity instruments included in financial assets measured at FVTPL and 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.

Stocks included in financial assets held for trading and financial assets at fair value through profit or loss, 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.

Loans and advances to customers at FVOCI are mainly bank acceptances, whose fair value 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 pricing model based on Black-Scholes 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.

(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 2019	Valuation technique	Unobservable inputs	Range (weighted average)
Assets				
Loans and advances to customers	17,102,899	Discounted cash price method	Risk-adjusted discount rate	[3.45%，7.13%]
Wealth management product	83,351,708	Discounted cash price method	Risk-adjusted discount rate	[3.50%，4.14%]
Unlisted equity instrument	421,047	Comparison of listed companies	Discounted liquidity	20%
Unlisted equity instrument	482,147	Refer to the recent trading market	N/A	N/A
Unlisted convertible corporate bonds	319,897	Discounted cash price method	Risk-adjusted discount rate	[11.00%，12.00%]
Liabilities				
Unlisted convertible corporate bonds	(100,307)	Discounted cash price method	Risk-adjusted discount rate	11.00%

	Fair value as at 31 December 2019	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 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%

The group uses the valuation technique which include unobserved market data for part of loans and advances to customers, wealth management product, unlisted convertible loans, unlisted RMB bills and debt investment plan. 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 part of unlisted equity instruments, and makes adjustments by discounting its liquidity. The liquidity discounts in the above models are unobservable inputs.

As at 31 December 2019 and 31 December 2018, 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:

	2019						
	The Group						
		Total gains or losses during the year (Note)		Additions and settlements			
	As at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Additions	Settlement	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
Assets							
Loans and advances to customers							
- At fair value through profit or loss	822,246	25,836	-	273,765	(806,734)	315,113	(8,582)
- At fair value through other comprehensive income	955,117	322,140	88,618	45,894,533	(30,472,622)	16,787,786	-
Financial assets held for trading							
- Debt instruments	150,326,871	4,581,979	-	173,750,000	(245,307,142)	83,351,708	839,141
- Equity instruments	215,599	45,231	-	1,225,040	(778,153)	707,717	12,078
Investments in other equity instruments	613,593	38,364	(98,219)	-	(38,364)	515,374	-
Total	**152,933,426**	**5,013,550**	**(9,601)**	**221,143,338**	**(277,403,015)**	**101,677,698**	**842,637**
Liabilities							
Financial liabilities held for trading	-	(307)	-	(100,000)	-	(100,307)	(307)

	2018						
	The Group						
		Total gains or losses during the year (Note)		Additions and settlements			
	As at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Additions	Settlement	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
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							
- Debt instruments	159,708,428	5,572,258	-	238,550,000	(228,956,003)	174,874,683	(282,374)
- 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)**

Note: Details of the above gains or losses charged to profit or loss or other comprehensive income recognised by the Group at 31 December 2019 and at 31 December 2018 are as follows:

	2019	
	Item	Amount
Realised gains or losses recognised in profit or loss during the year	Investment income	3,860,975
	Interest income	309,938
Sub-total		**4,170,913**
Unrealised gains or losses recognised in profit or loss during the year	Losses on changes in fair value of loans and advances to customers measured at FVTPL	(8,582)
	Gains on changes in fair value of financial assets held for trading	851,219
	Losses on changes in fair value of financial liabilities held for trading	(307)
Sub-total		**842,330**
Gains or losses recognised in other comprehensive income	Losses on changes in fair value of investments in other equity instruments	(98,219)
	Gains on changes in fair value of loans and advances to customers measured at FVOCI	88,618
Sub-total		**(9,601)**

	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 Gains on changes in fair value	3
	Impairment losses	(194,406)
Total		**(194,403)**
Gains or losses recognised in other comprehensive income	Losses on changes in fair value of available-for-sale financial assets	(55,605)

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 loans and advances to customers, 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 part of unlisted equity instruments, and makes adjustments by discounting its liquidity discount. Fair value measurement and liquidity are negatively correlated. As at 31 December 2019, when all other variables remain constant, an increase or decrease of 5% in liquidity discount will result in an decrease or increase of RMB19.74 million in the Group’s other comprehensive income (31 December 2018: decrease or increase of RMB24.34 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 2019 and 31 December 2018.

	31 December 2019			
	Level 2	Level 3	Fair value	Carrying amount
Financial assets				
Debt investments	446,902,983	118,677,136	565,580,119	560,309,534
Financial liabilities				
Debt securities issued	189,127,773	2,304,290	191,432,063	190,712,382
	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

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 part of bonds under debt investments, held-to-maturity financial assets, investment securities classified as receivables, as well as 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 bonds, asset management plans, structured notes and wealth management products of commercial banks in debt investments and investment classified as receivables, and certificate of deposit in debit securities issued on the active market. As a result, the Group estimates the fair value of these debt investments, 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 financial investment measured at amortised cost, investment classified as receivables and the financial liabilities for debit securities issued at the end of reporting year.

XVI. Subsequent Events

1 The Board of Directors approved on 24 April 2020 the profit appropriations for the year ended 31 December 2019. The proposal is subject to approval by the shareholder's general meeting.

2 Evaluation of the impact of COVID-19

Since COVID-19 broke out through the country in January 2020, the prevention and control works are continuing nationwide. The Bank will effectively implement the requirements of relevant regulatory and strengthen financial support for epidemic prevention and control. COVID-19 will have a certain impact on China's overall economic operation and business operations, which may affect the asset quality and asset return level of the Bank's credit assets and investment assets to a certain extent. The degree of impact will depend on the situation and duration of epidemic prevention and control and the implementation of various regulatory policies. The Bank will continue to pay close attention to the development of COVID-19, and assess and actively respond to its impact on the Bank's financial situation and operating result. As of the date of this report, the assessment is still in progress.

XVII. Comparative Figures

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures.

Bank of Shanghai Company Limited Supplementary Financial Information

(Expressed in thousands of Renminbi unless otherwise stated)

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	2019	2018
Income from bank card overdue fee		110,817	91,043
Income from the compensation of litigation and breach of contract		96,338	62,509
Government grants		66,764	42,998
Income from clean up the suspense account		68	42
Net losses from disposal of other assets		(7,756)	(8,958)
Net losses from disposal of fixed assets		(8,485)	(6,867)
Donation expenditure		(34,432)	(12,412)
Other profit and loss		(18,359)	35,329
Net amount of extraordinary gains and losses	(1)	204,955	203,684
Tax effect	(2)	(64,340)	(55,742)
Total		140,615	147,942
Including:			
Net amount of extraordinary gains and losses affecting the net profit of the Bank's shareholders		138,181	146,833
Net amount of extraordinary gains and losses affecting the net profit of the Group's minority shareholders		2,434	1,109

Notes: (1) The extraordinary gains and losses shall be accounted in other income, 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 financial investments credit loss provision, possession and disposal of financial assets held for trading or financial assets at fair value through profit or loss, financial liabilities measured at FVTPL and other debt investments or available-for-sale financial assets and custodian fee income received as trustee 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, net losses on disposal of other assets, non-public donations, compensations, liquidated damages and fines included in other profit 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:

	2019	2018
Weighted average number of ordinary shares outstanding (in thousand shares)	14,206,529	10,928,099
Weighted average number of ordinary shares outstanding after adjustment (in thousand shares)	14,206,529	14,206,529
Earnings per share before deducting extraordinary gains and losses		
- Net profit attributable to equity holders of the Bank	19,257,588	16,994,040
- Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)	1.36	1.20
Earnings per share after deducting extraordinary gains and losses		
- Net profit attributable to equity holders of the Bank after deducting extraordinary gains and losses	19,119,407	16,847,207
- Basic and diluted earnings per share attributable to equity holders of the Bank after deducting extraordinary gains and losses	1.35	1.19

According to the resolution of the 2018 annual general meeting of shareholders approved by the Bank on June 14, 2019, the number of total common stock shares issued before the implementation of the plan was 10,928,099,000. The Bank converted capital reserve to share capital on the basis of 0.4 shares for every share offered to all the registered common stock shareholders on the record of date. Upon the completion of such conversion, the total common stock share capital was increased to 14,206,528,700. 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 common stock 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 2019 and 2018.

3 Return on net assets

In accordance with "The Rules for the Information Disclosure and Reporting No.9" issued by the CSRC, the Group's return on net assets are calculated as follows:

	2019	2018
Net asset attributable to equity holders of the Bank	156,751,442	141,319,379
Weighted net asset attributable to equity holders of the Bank	148,876,901	134,172,935
Before deducting extraordinary gains and losses		
- Net profit attributable to equity holders of the Bank	19,257,588	16,994,040
- Weighted average of return on net assets	12.94%	12.67%
After deducting extraordinary gains and losses		
- Net profit attributable to equity holders of the Bank	19,119,407	16,847,207
- Weighted average of return on net assets	12.84%	12.56%

4 Compensation

According to regulations such as Guidelines for Stable Compensation Supervision of Commercial Banks, Administrative Measures on the Capital of Commercial Banks (for Trial Implementation), Implementation Measures of the Municipal SASAC Supervising Enterprise Salary Decision Mechanism Reform, the total salary expenses of all employees of the Group (including basic salary, allowance and performance bonuses) in 2019 were RMB4.421 billion; In 2019, the Bank have 3,456 employees with significant impact on risks performing roles other than directors, supervisors and senior management personnel. Total salary expenditure of these employees is RMB1.786 billion, and the deferred payment of performance compensation is implemented in accordance with the regulations, with deferred payment period of three years.

5 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.

6 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
智 慧 金 融 · 专 业 服 务

Add: No.168, Middle Yincheng Road, Pudong New District, Shanghai, China
Postal code: 200120
Tel: 86-21-68476988
Fax: 86-21-68476215
Website: http://www.bosc.cn