重庆银行
BANK OF CHONGQING

BANK OF CHONGQING CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1963

GLOBAL OFFERING

Sole Sponsor

Goldman Sachs

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs | Morgan Stanley | 交銀國際 BOCOM International

Joint Bookrunners and Joint Lead Managers

CICC 中金香港证券 | 農銀國際 ABC INTERNATIONAL | 建银国际 CCB International

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

重庆银行
BANK OF CHONGQING

BANK OF CHONGQING CO., LTD.*

重 慶 銀 行 股 份 有 限 公 司*

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	**:**	**707,520,000 H Shares (comprising 670,000,000 H Shares to be offered by the Bank and 37,520,000 Sale Shares to be offered by the Selling Shareholders, subject to the Over-Allotment Option)**
Number of Offer Shares in the International Offering	**:**	**636,768,000 H Shares (subject to adjustment and the Over-Allotment Option)**
Number of Hong Kong Offer Shares	**:**	**70,752,000 H Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$6.50 per H Share, plus 1% brokerage, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock Code	**:**	**1963**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix IX — "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date, which is expected to be on or around October 31, 2013 and, in any event not later than November 4, 2013. The Offer Price will be not more than HK$6.50 and is currently expected to be not less than HK$5.60. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$6.50 per Hong Kong Offer Share, unless otherwise announced, together with brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, subject to refund if the Offer Price should be lower than HK$6.50.

The Joint Global Coordinators (on behalf of the Underwriters), may, with our consent (on behalf of ourselves and the Selling Shareholders), reduce the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range will be published at the website of our Bank at www.cqcbank.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, see the "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" sections in this prospectus.

If, for any reason, the Offer Price is not agreed on or before November 4, 2013 between the Joint Global Coordinators (on behalf of the Underwriters) and us on behalf of ourselves and the Selling Shareholders, the Global Offering will not proceed and will lapse.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our Shares. Such differences and risk factors are set forth in the sections entitled "Risk Factors," "Supervision and Regulation," Appendix V — "Summary of Certain Legal and Regulatory Matters" and Appendix VI — "Summary of Articles of Association" of this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set forth in the section entitled "Underwriting — Hong Kong Public Offering — Grounds for Termination" of this prospectus.

* Bank of Chongqing Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

October 25, 2013

EXPECTED TIMETABLE[1]

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk** [4]	11:30 a.m. on October 30, 2013
Application lists open[2]	11:45 a.m. on October 30, 2013
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on October 30, 2013
Latest time to give electronic application instructions to HKSCC[3]	12:00 noon on October 30, 2013
Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on October 30, 2013
Application lists close	12:00 noon on October 30, 2013
Expected Price Determination Date[5]	October 31, 2013
(1) Announcement of: • Offer Price; • the level of applications in the Hong Kong Public Offering; • the level of indications of interest in the International Offering; and • the basis of allotment of the Hong Kong Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Bank's website at www.cqcbank.com on or before	November 5, 2013
(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares — Publication of Results") from	November 5, 2013
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	November 5, 2013
H Share certificates in respect of wholly or partially successful applications to be dispatched on or before[6][7]	November 5, 2013
White Form eIPO e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9]	November 5, 2013
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on	November 6, 2013

Notes:

(1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section entitled "Structure of the Global Offering" of this prospectus.

(2) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on October 30, 2013, the application lists will not open on that day. See the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in the section entitled "How to apply for Hong Kong Offer Shares" of this prospectus.

(3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section entitled "How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS" of this prospectus.

(4) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about October 31, 2013, and in any event no later than November 4, 2013. If, for any reason, the Offer Price is not agreed on or before November 4, 2013, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) The Company will not issue any temporary documents of title in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on November 6, 2013, provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person may do so from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on November 5, 2013. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section entitled "How to Apply for Hong Kong Offer Shares" of this prospectus.

(8) Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the application payment account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions through the **White Form eIPO** service, in the form of refund cheques, by ordinary post at their own risk.

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

CONTENTS

This prospectus is issued by Bank of Chongqing Co., Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or supervisors, or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares.

There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in the section entitled "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the H Shares.

The market share and industry data in this prospectus were derived from data prepared in accordance with PRC GAAP or other applicable local GAAP, which differs from IFRS in certain significant respects.

OVERVIEW

We are one of the leading commercial banks based in Chongqing, the largest and most populous municipality in China. According to the CBRC Chongqing Bureau, we were the fifth largest commercial bank in Chongqing in terms of total assets as of June 30, 2013. As of June 30, 2013, our total assets were RMB188,428 million, our total loans to customers were RMB84,943 million, and our total customer deposits were RMB139,614 million, representing a market share in Chongqing of 6.1%, 4.4% and 5.4%, respectively. From 2010 to 2012, our operating income grew at a CAGR of 29.5% from RMB2.78 billion to RMB4.66 billion and our net profit grew at a CAGR of 32.1% from RMB1.10 billion to RMB1.92 billion. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our non-performing loan ratio was 0.36%, 0.35%, 0.33%, and 0.38%, respectively, and the ratio of our allowance for impairment losses to non-performing loans was 534.0%, 526.7%, 537.7%, and 458.3%, respectively. In 2010, 2011 and 2012 and the six months ended June 30, 2013, our return on average equity was 24.3%, 25.9%, 26.2% and 31.7%, respectively. According to the August 2012 issue of Asia Week, our rate of return on shareholders' equity in 2011 was ranked the 9th highest on the List of the Top 300 Asian Banks.

We have received numerous honors and awards for our business performance, management capability and corporate governance. For example, in November 2012, we were awarded one of "The Most Competitive Regional Urban Commercial Retail Banks 2012" in "The Most Respected Banks and The Best Retail Banks in China 2012" contest organized by Money Week.

As of June 30, 2013, we operated our business through the business department of our head office, our small enterprise loan center, and 106 branches and sub-branches covering all 38 districts and counties of Chongqing as well as three provinces in Western China, namely Sichuan Province, Shaanxi Province and Guizhou Province. Through our network, we provide a broad range of corporate and personal banking products and services, including products and services tailored to the financing needs of small and micro enterprises. While we primarily focus on fulfilling our liquidity needs, we also seek to maximize the return on our funds for non-lending activities by trading and investing in securities.

OUR STRENGTHS

Our core competitive strengths include:

- Well positioned to benefit from the rapid economic growth of Chongqing and Western China and the significant market opportunities created by their economic transformation;
- Leading corporate banking business that corresponds with the region's economic structure and continually captures opportunities from the transformation of Chongqing's industries through innovation;
- Pioneer and expert in small and micro enterprise financing with substantial influence in the Chongqing area;
- Personal banking business with significant potential that leverages our position as the "Citizen's Bank" in Chongqing and our extensive network of outlets covering all 38 districts and counties of Chongqing;
- Prudent risk management and sound asset quality; and
- Experienced management team and a nimble and efficient management structure.

OUR STRATEGIES

Our strategic objective is to become an exemplary commercial bank in Western China. We plan to achieve our objective through the implementation of the following strategic initiatives:

- Capitalize on the opportunities stemming from the rapid economic development of Western China, and continue to expand and strengthen our core corporate banking business and brand;
- Enhance our small and micro enterprises banking business, and maintain our position as a pioneer and leader in financial services for small and micro enterprises;
- Improve the overall competitiveness of our personal banking business, and endeavor to become a leading specialist in personal banking customer services in Western China;
- Promote the steady development of our interbank business, improve liquidity of our assets and optimize resource allocation;
- Strengthen cost control, and enhance our pricing capabilities;
- Strengthen the development of distribution channels, and refine the service system of our marketing network; and
- Improve and enhance risk control standards, and continue to maintain sound asset quality.

RISK FACTORS

There are risks associated with any investment. There are certain risks and considerations relating to an investment in our Shares. You should read "Risk Factors" carefully before you decide to invest in the Offer Shares.

The major risks relating to an investment in our Shares are as follows:

- If we are unable to maintain the quality of our loan portfolio, our net profit and profitability as well as our capital adequacy may be materially and adversely affected;
- Our allowance for impairment losses on loans may not be sufficient to cover the actual losses on our loan portfolio;
- Any adverse change in the economic development or social conditions of Chongqing could materially and adversely affect our business, financial condition, results of operations and prospects;
- We have made substantial investments in trust beneficiary rights issued by trust companies, directional asset management plans managed by securities companies and wealth management products issued by other financial institutions in the PRC with our own funds and funds raised by us through the issuance of wealth management products to our customers, and any adverse development relating to these types of investments could materially and adversely affect our profitability and liquidity;
- We face intense competition from other banking industry participants, as well as from alternative financing providers;
- Our business and operations are highly regulated, and our business, financial condition, results of operations and prospects could be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application; and
- Our financial performance is sensitive to changes in interest rates and other market risks.

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical financial information set forth below in conjunction with our financial information included in the Accountant's Report set forth in Appendix I to this prospectus, which are prepared in accordance with IFRS. The summary historical statement of comprehensive income information for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 (unaudited) and the six months ended June 30, 2013 and the summary historical statement of financial position information as of December 31, 2010, 2011 and 2012 and June 30, 2013 set forth below are derived from the Accountant's Report set forth in Appendix I.

Summary Historical Statement of Comprehensive Income Data

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012 (unaudited)	2013
	(in millions of RMB, except per share data)				
Interest income	3,953	6,107	8,309	4,084	4,930
Interest expense	(1,408)	(2,786)	(4,159)	(2,033)	(2,456)
Net interest income	**2,545**	**3,321**	**4,150**	**2,051**	**2,474**
Net fee and commission income	198	290	368	101	367
Other operating income, net trading (losses)/income and net gains/(losses) on investment securities	32	(40)	139	169	109
Operating income	**2,775**	**3,571**	**4,657**	**2,321**	**2,950**
Operating expenses	(1,108)	(1,451)	(1,901)	(791)	(994)
Impairment losses on loans and advances to customers	(253)	(184)	(240)	(98)	(102)
Operating profit	**1,414**	**1,936**	**2,516**	**1,432**	**1,854**
Share of (losses)/profits of an associate	—	(0)	1	1	1
Profit before income tax	**1,414**	**1,936**	**2,517**	**1,433**	**1,855**
Income tax expense	(312)	(448)	(592)	(322)	(445)
Net profit for the year/period	**1,102**	**1,488**	**1,925**	**1,111**	**1,410**
Total other comprehensive income, net of tax	(14)	36	(19)	29	2
Total comprehensive income for the year/period	**1,088**	**1,524**	**1,906**	**1,140**	**1,412**
Basic and diluted earnings per share (in RMB)	**0.55**	**0.74**	**0.95**	**0.55**	**0.70**

Summary Historical Balance Sheet Data

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Assets				
Loans and advances to customers	51,955	62,825	75,257	83,469
Investment securities	21,084	17,091	32,132	43,287
Financial assets at fair value through profit or loss	415	1,615	2,414	2,316
Cash and balances with central banks	15,065	19,340	25,243	31,236
Due from other banks and financial institutions	18,035	24,340	18,532	24,964
Other[1]	1,772	2,129	2,585	3,156
Total Assets	**108,326**	**127,340**	**156,163**	**188,428**
Liabilities				
Customer deposits	73,856	89,307	114,043	139,614
Due to other banks and financial institutions	26,839	28,446	27,659	30,003
Debt issued	994	995	1,790	4,776
Other[2]	1,607	2,139	4,413	4,506
Total liabilities	**103,296**	**120,887**	**147,905**	**178,899**
Equity				
Share capital	2,021	2,021	2,021	2,021
Capital surplus	1	1	1	1
Other reserves	914	1,309	1,682	2,517
Retained earnings	2,094	3,122	4,554	4,990
Total equity	**5,030**	**6,453**	**8,258**	**9,529**
Total liabilities and equity	**108,326**	**127,340**	**156,163**	**188,428**

(1) Includes investment in an associate, property, plant and equipment, deferred income tax asset and other assets.

(2) Includes current tax liabilities, deferred income tax liabilities and other liabilities.

Selected Financial Ratios

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Profitability indicators				
Return on average total assets(1)	1.16%	1.26%	1.36%	1.64%
Return on average equity(2)	24.3%	25.9%	26.2%	31.7%
Net interest spread(3)	2.70%	2.77%	2.66%	2.61%
Net interest margin(4)	2.78%	2.92%	2.85%	2.79%
Net fee and commission income to operating income	7.1%	8.1%	7.9%	12.4%
Cost-to-income ratio(5)	34.0%	34.3%	34.1%	27.4%

(1) Represents the net profit for the period as a percentage of the average balance of total assets at the beginning and the end of the period.

(2) Represents the net profit for the period as a percentage of the average balance of total equity at the beginning and at the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by daily average balance of total interest-earning assets.

(5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

	Requirement (%)[9]	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013
Capital adequacy indicators					
Calculated based on Capital Adequacy Measures					
Core capital adequacy ratio[1]	≥4	9.17%	9.26%	9.39%	9.81%
Capital adequacy ratio[2]	≥8	12.41%	11.96%	12.63%	12.78%
Calculated based on Capital Administrative Measures					
Core Tier 1 capital adequacy ratio[3]	≥5.5	N/A	N/A	N/A	8.54%
Tier 1 capital adequacy ratio[4]	≥6.5	N/A	N/A	N/A	8.54%
Capital adequacy ratio[5]	≥8.5	N/A	N/A	N/A	11.12%
Total equity to total assets	N/A	4.6%	5.1%	5.3%	5.1%
Asset quality indicators					
Non-performing loan ratio[6]	≤5	0.36%	0.35%	0.33%	0.38%
Allowance to non-performing loans[7]	≥150[10]	534.0%	526.7%	537.7%	458.3%
Allowance to total loans[8]	≥2.5[10]	1.9%	1.9%	1.8%	1.7%
Other indicators					
Loan-to-deposit ratio	≤75	71.7%	71.7%	67.2%	60.8%

(1) Core capital adequacy ratio = (core capital - core capital deductions)/(risk-weighted assets + 12.5 x market risk capital). It is calculated based on Capital Adequacy Measures issued by the CBRC in February 2004.

(2) Capital adequacy ratio = (total capital - capital deductions)/(risk-weighted assets + 12.5 x market risk capital). It is calculated based on Capital Adequacy Measures.

(3) Core Tier 1 capital adequacy ratio = (Core Tier 1 capital - Core Tier 1 capital deductions)/risk-weighted assets . It is calculated based on Capital Administrative Measures issued by the CBRC on June 7, 2012. For the components of regulatory capital and risk-weighted assets, see "Supervision and Regulation — Regulation of Principal Banking Activities — Supervision over Capital Adequacy — Capital Administrative Measures" and "Financial Information — Financial Position — Capital Resources — Capital Adequacy" in this prospectus.

(4) Tier 1 capital adequacy ratio = (Tier 1 capital - Tier 1 capital deductions)/risk-weighted assets. It is calculated based on Capital Administrative Measures.

(5) Capital adequacy ratio = (total capital - capital deductions)/risk-weighted assets. It is calculated based on Capital Administrative Measures.

(6) Non-performing loan ratio = total non-performing loans/total loans and advance to customers.

(7) Allowance to non-performing loans = allowance for impairment losses/total non-performing loans.

(8) Allowance to total loans = allowance for impairment losses/total loans and advances to customers.

(9) The required ratios are calculated in accordance with PRC GAAP.

(10) Not applicable to the Bank until December 31, 2016.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2013

The statistics set forth in the table below are based on the assumption that the Over-Allotment Option is not exercised.

Forecast profit attributable to shareholders of the Company for the year ending December 31, 2013(1)	Not less than RMB2,311 million (equivalent to HK$2,921 million)(3)
Unaudited pro forma forecast earnings per Share(2)	Not less than RMB0.86 (equivalent to HK$1.09)(3)

Notes:

(1) The forecast profit attributable to shareholders of our Bank for the year ending December 31, 2013 is extracted from the section entitled "Financial Information — Profit Forecast For The Year Ending December 31, 2013" of this prospectus. The basis on which the above profit forecast has been prepared is set out in Appendix IV to this prospectus. The Directors have prepared the forecast profit attributable to shareholders of our Bank for the year ending December 31, 2013 based on the audited results of the Company for the six months ended June 30, 2013, and a forecast of the results of the Company for the remaining six months ending December 31, 2013. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those presently adopted by the Company as set out in Note 2 of Section II of the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

(2) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2013 is calculated by dividing the forecast profit attributable to shareholders of our Bank for the year ending December 31, 2013 on the basis that 2,690,618,604 Shares were in issue during the entire period and assuming that the Global Offering had been completed on January 1, 2013. The calculation takes no account of any Shares which may be issued upon exercise of the Over-Allotment Option.

(3) For the purpose of forecast profit attributable to shareholders of the Company and unaudited pro forma forecast earnings per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.79128 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 670,000,000 H Shares are newly issued in the Global Offering, (ii) the Over-Allotment Option for the Global Offering is not exercised, and (iii) 2,690,618,604 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$5.60	**Based on an Offer Price of HK$6.50**
Market capitalization of our Shares	HK$15.07 billion	HK$17.49 billion
Estimated price/earnings multiple(1) pro forma basis	5.14 times	5.96 times
Unaudited pro forma adjusted net tangible assets per Share(2)	RMB4.57 (HK$5.78)	RMB4.74 (HK$5.99)

(1) The calculation of estimated price/earnings multiple is based on the forecast earnings per share for the year ending December 31, 2013, on a pro forma basis at respective Offer Prices of HK$5.60 and HK$6.50 per H Share, assuming a weighted average of 2,690,618,604 Shares issued and outstanding during the year ending December 31, 2013. The weighted average number of Shares, 2,690,618,604, is calculated on the basis that there were 2,020,618,604 Shares issued and outstanding as of December 31, 2012 and 670,000,000 H Shares to be issued pursuant to the Global Offering had been issued on January 1, 2013.

(2) The amount of unaudited pro forma adjusted net tangible assets per share is calculated in accordance with Rule 4.29 of the Listing Rules after the adjustments referred to in "Appendix III — Unaudited Pro Forma Financial Information."

GLOBAL OFFERING

The Global Offering comprises:

(i) the Hong Kong Public Offering of 70,752,000 Offer Shares (subject to adjustment) in Hong Kong as described below in the section entitled "Structure of the Global Offering — the Hong Kong Public Offering" of this prospectus; and

(ii) the International Offering of 636,768,000 Offer Shares (subject to adjustment and the Over-Allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States solely to Qualified Institutional Buyers, or QIBs, as defined in Rule 144A pursuant to an exemption from the registration requirements of the US Securities Act.

Investors may apply for H Shares under the Hong Kong Public Offering or apply for or indicate an interest for H Shares under the International Offering, but may not do both.

References in this prospectus to applications, application forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

DIVIDEND POLICY

Our shareholders decide through holding shareholders' meetings whether to pay any dividends, and in what amount, based on our results of operations, capital adequacy ratios, cash flow, financial condition, status of business operations and future prospects, our shareholders' interests, statutory and regulatory restrictions on the payment of dividends by us and other factors.

We will, after complying with the relevant requirements of banking regulatory authorities on dividend distributions by banks, make distributions in the following manner for the three years after listing: if profit distributions are made after the recovery of our losses and the full appropriation of our statutory surplus reserve, general reserve and discretionary reserve, the profits to be distributed in cash should be no less than 10% of the distributable profit of any given year and the accumulated distributed profits in cash for the previous three years should be no less than 30% of average distributable profits for the previous three years.

USE OF PROCEEDS

We intend to use all net proceeds from the Global Offering (after deducting fees and expenses in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

We have continued to grow our business since June 30, 2013, the date of the latest audited financial information of our Bank, as set forth in the Accountant's Report in Appendix I to this prospectus. Our Directors have confirmed that, since June 30, 2013 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position. Our net interest income for the nine months ended September 30, 2013 was RMB3,803 million, which was higher than the net interest income for the same period in 2012. In addition, our total loans and advances to customers (before subtracting allowance for impairment losses) and total customer deposits as of September 30, 2013 were RMB88,294 million and RMB139,834 million, respectively, which were higher than the corresponding financial data as of December 31, 2012. As of September 30, 2013, our Core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio calculated based on the Capital Administrative Measures and submitted to the CBRC Chongqing Bureau was 8.67%, 8.67% and 11.13%, respectively. There has been no significant non-recurring items in our income statement since June 30, 2013.

We incur listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees. Listing expenses to be borne by our Bank are estimated to be approximately RMB179.3 million. Listing expenses of approximately RMB4.7 million have been incurred as of June 30, 2013. Listing expenses of approximately RMB174.6 million are expected to be incurred after June 30, 2013, of which RMB35.6 million is expected to be charged to our statement of comprehensive income and RMB139.0 million is expected to be accounted for as a deduction from equity.

The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending December 31, 2013.

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

"Application Form(s)"	WHITE, YELLOW and GREEN Application Form(s) or, where the context so requires, any of them
"Articles of Association"	the articles of association of our Bank, adopted by our extraordinary Shareholder meeting held on April 2, 2013 and approved by the CBRC Chongqing Bureau on June 5, 2013, as amended, supplemented or otherwise modified from time to time, which will become effective upon the Listing Date
"ATM"	automated teller machine
"Bank", "Company" or "We"	Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司), a joint stock limited company incorporated in the PRC in accordance with PRC laws
"Banking Disclosure Rules"	the Banking (Disclosure) Rules, Chapter 155M of the Laws of Hong Kong, as the same may be amended, supplemented or otherwise modified from time to time
"Banking Ordinance"	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended from time to time
"Basel I"	1988 Basel Capital Accord
"Basel II"	the Revised Basel Capital Framework promulgated in June 2004
"Basel III"	the Basel Capital Accord promulgated in December 2010
"Basel Accords"	Basel I, Basel II and Basel III, collectively
"Basel Committee"	the Basel Committee on Banking Supervision
"Board" or "Board of Directors"	the board of directors of our Bank
"CAGR"	compound annual growth rate
"Capital Adequacy Measures"	the Measures on the Administration of Capital Adequacy Ratios of Commercial Banks (商業銀行資本充足率管理辦法) promulgated by the CBRC on February 23, 2004, effective as of March 1, 2004 and amended on July 3, 2007
"Capital Administrative Measures"	the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) (商業銀行資本管理辦法(試行)) promulgated by the CBRC on June 7, 2012 and effective as of January 1, 2013

"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CBRC Chongqing Bureau"	China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only and except where the context requires, references in this prospectus to "China" and the "PRC" do not include Hong Kong, Macau or Taiwan
"Chongqing"	the Chongqing Municipality located in Western China and one of the four directly administered municipalities in China (i.e., Beijing, Shanghai, Tianjin and Chongqing)
"Chongqing SASAC"	Chongqing State-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會)
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"Commercial Banks"	all the banking institutions in the PRC other than policy banks, including: the Large Commercial Banks, the Joint Stock Commercial Banks, city commercial banks and urban credit cooperatives, rural cooperative financial institutions, foreign banks and other banking institutions
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)

"Dah Sing Bank"	Dah Sing Bank, Limited, a licensed bank incorporated in Hong Kong on May 1, 1947, and one of our substantial shareholders; details of its shareholding are set forth in the section entitled "Our History, Restructuring and Operational Reform" of this prospectus
"Domestic Shares"	ordinary shares issued by our Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
"Director(s)"	director(s) of our Bank
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Go West Policy" or "Go West Strategy"	the strategy introduced by the PRC central government in 2000 to promote the economic development of Western China
"Green Application Form(s)"	application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"H Shares"	foreign shares listed overseas in the share capital of our Bank, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HKD" or "HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
"Hong Kong Offer Shares"	the H Shares offered pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section entitled "Structure of the Global Offering" of this prospectus

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section entitled "Underwriting — Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 24, 2013 relating to the Hong Kong Public Offering entered into among us, the Joint Global Coordinators and the Hong Kong Underwriters
"IFRS"	International Financial Reporting Standards, its amendments and the related interpretations issued by the International Accounting Standards Board
"independent third party"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Bank within the meaning of the Listing Rules
"International Offer Shares"	the H Shares offered pursuant to the International Offering together, where relevant, with any allotted H Shares that may be issued pursuant to any exercise of the Over-Allotment Option, subject to adjustment as described in the section entitled "Structure of the Global Offering" of this prospectus
"International Offering"	the conditional placement by the International Underwriters of the International Offer Shares, as further described in the section entitled "Structure of the Global Offering" of this prospectus
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering, which is expected to be entered into among our Bank, the Selling Shareholders, the Joint Global Coordinators and the International Underwriters, as further described in the paragraph entitled "The International Offering" under the section headed "Structure of the Global Offering" of this prospectus
"International Underwriters"	the group of underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"Joint Bookrunners"	Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, BOCOM International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, ABCI Capital Limited and CCB International Capital Limited

"Joint Global Coordinators"	Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited and BOCOM International Securities Limited
"Joint Lead Managers"	Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, BOCOM International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, ABCI Securities Company Limited and CCB International Capital Limited
"Joint Stock Commercial Banks"	the banks that are approved by the CBRC to be incorporated under PRC Company Law (中華人民共和國公司法) and PRC Commercial Banking Law (中華人民共和國商業銀行法) with joint stock ownership, including China Merchants Bank, China CITIC Bank, Shanghai Pudong Development Bank, China Everbright Bank, Industrial Bank, China Guangfa Bank, China Minsheng Bank, Hua Xia Bank, Ping An Bank, Evergrowing Bank, China Zheshang Bank and China Bohai Bank
"Large Commercial Banks"	Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank and Industrial and Commercial Bank of China, and their respective predecessors, collectively
"Latest Practicable Date"	October 15, 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Lifan"	Lifan Industry (Group) Co., Ltd. (力帆實業(集團)股份有限公司), a joint stock limited liability company incorporated in the PRC on December 1, 1997, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601777), and a connected person of our Bank; details of its shareholding are set forth in the section entitled "Our History, Restructuring and Operational Reform" of this prospectus
"Listing Committee"	The Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on November 6, 2013 on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Loan Classification Principles"	the Guidelines on Risk-Based Loan Classification (貸款風險分類指導原則) as promulgated by the PBOC on December 24, 2001 and effective as of the same date

"Macau"	the Macau Special Administrative Region of the PRC
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	National Audit Office of the PRC (中華人民共和國審計署)
"NBSC"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"non-performing loan(s)"	for the purpose of this prospectus, is used synonymously to refer to loan(s) identified as 'individually identified loans with impairment allowances' in Notes 3.1.4 and 18(c) to our financial information included in the Accountant's Report in Appendix I to this prospectus
"non-performing loan ratio"	for the purpose of this prospectus, is used synonymously to refer to the loans identified as 'individually identified loans with impairment allowances' in Notes 3.1.4 and 18(c) to the Accountant's Report in Appendix I to this prospectus divided by total loans and advances to customers
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of the brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee) at which the Offer Shares are to be subscribed, to be determined in the manner further described in "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H Shares to be issued pursuant to the exercise of the Over-Allotment Option
"Over-Allotment Option"	the option to be granted by us and the Selling Shareholders to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters under the International Underwriting Agreement, pursuant to which the Joint Global Coordinators may require the Company to issue and allot and the Selling Shareholders to sell additional H Shares representing in aggregate up to 15% of the initial number of Offer Shares, at the Offer Price, to, among other things, cover over-allocations (if any) in the International Offering

"PBOC"	People's Bank of China (中國人民銀行)
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress of the PRC on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations
"Price Determination Date"	the date, expected to be on or around October 31, 2013, but no later than November 4, 2013 on which the Offer Price is fixed for the purposes of the Global Offering
"PwC"	PricewaterhouseCoopers, Certified Public Accountants, Hong Kong
"Qualified Domestic Institutional Investors" or "QDIIs"	qualified domestic institutional investors in the PRC, which are licensed by the CSRC to invest in foreign securities markets
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the 37,520,000 H Shares and, where relevant, any additional H Shares which may be sold pursuant to the exercise of the Over-Allotment Option; for more information please see "Share Capital — Transfer and Sale of State-owned Shares" in this prospectus. The Selling Shareholders will convert an equal number of Domestic Shares held by them to be offered for sale as the Sale Shares, subject to any adjustments as provided in the section headed "Structure of the Global Offering — The Selling Shareholders" in this prospectus; references to "Sale Shares" shall include, where the context requires, the Domestic Shares from which the Sale Shares are converted

"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Securities and Futures (Price Stabilizing) Rules"	the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended from time to time
"Selling Shareholders"	Chongqing Land Group and Chongqing Water Conservancy Investment Group Co., Ltd., only to the extent and in the context of the Sale Shares, holding the Sale Shares as registered holders on behalf of the NSSF, as further described in "Structure of the Global Offering — The Selling Shareholders" in this prospectus
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"Shares"	ordinary shares in the capital of our Bank with a nominal value of RMB1.00 each
"SHIBOR"	Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
"Sole Sponsor"	Goldman Sachs (Asia) L.L.C.
"Special Regulations"	The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), which were promulgated by the State Council on August 4, 1994
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)" or "Board of Supervisors"	supervisor(s) or the board of supervisors of our Bank, respectively
"Track Record Period"	the period comprising the three years ended December 31, 2012 and the six months ended June 30, 2013
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

"Unlisted Foreign Shares"	ordinary shares issued by our Bank, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than Renminbi, or the consideration for which is the injection of assets and are held by persons other than PRC nationals or PRC corporate entities and are not listed on any stock exchange
"US$," "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"United States," "US" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Western China"	Chongqing and the provinces or autonomous regions of Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Xinjiang, Tibet, Inner Mongolia, Guangxi and Qinghai
"White Form eIPO"	the application for Hong Kong Offer Shares to be lodged in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yufu"	Chongqing Yufu Assets Management (Group) Co., Ltd. (重慶渝富資產經營管理集團有限公司), a limited liability company incorporated in the PRC on March 18, 2004 and wholly-owned by the Chongqing Municipal Government, and one of our substantial shareholders

In this prospectus references to:

- the "Bank," "our Bank," "we," "us," and "our" refer to Bank of Chongqing Co., Ltd., and, except as the context otherwise requires, its subsidiaries;

- our "branch outlets" include our head office, branches, sub-branches and other establishments;

- before June 18, 2011, "medium enterprises," "small enterprises," and "SMEs" refer to the enterprises classified respectively under the Interim Provisions on the Standards for Medium and Small Enterprises (中小企業標準暫行規定) jointly promulgated by the State Economic and Trade Commission (國家經濟貿易委員會), the State Development Planning Commission (國家發展計劃委員會), the MOF and the NBSC in 2003; on and after June 18, 2011, "medium enterprises," "small enterprises," "micro enterprises" and "SMEs" refer to the enterprises classified respectively under the Classification Standards of Small and Medium Enterprises (中小企業劃型標準規定) jointly promulgated by the PRC Ministry of Industry and Information

Technology, the NBSC, the NDRC and the MOF in 2011; "large enterprises" refer to the enterprises other than those classified as SMEs; "small and micro enterprises/businesses" refer to small enterprises and micro enterprises collectively; "micro enterprises" in "Wei Qi Tong" Start-up Loans Program refer to the enterprises defined as in the Notice on Issuing Provisional Measurement on Granting Rewards to Micro Enterprises in Chongqing Borrowing Start-up Loans (關於印發《重慶市微型企業創業扶持貸款獎勵暫行辦法》的通知) jointly promulgated by Chongqing Municipal Finance Bureau (重慶市財政局) and Chongqing Administration for Industry and Commerce (重慶市工商行政管理局) in 2012;

- Consistent with the statistical scope in the *Supplemental Notice on Supporting Commercial Banks to Further Improve Financial Services to Small and Micro Enterprises* (關於支持商業銀行進一步改進小型微型企業金融服務的補充通知), our small and micro enterprises business includes both corporate loans to small and micro enterprises and personal business loans to the owners of small and micro enterprises and sole proprietors.

- a "business day" is a day that is not Saturday, Sunday or a public holiday in Hong Kong; and

- the terms "associate," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, in this prospectus, unless otherwise indicated, we use the terms "loans and advances to customers," "loans" and "loans to customers" synonymously.

In this prospectus, the terms "non-performing loans" and "impaired loans" are used synonymously to refer to the loans identified as "individually identified loans with impairment allowances" in Notes 3.1.4 and 18(c) to our financial information included in the Accountant's Report in Appendix I to this prospectus. Under the five-category loan classification system we have adopted pursuant to applicable PRC guidelines, our non-performing loans are classified as substandard, doubtful or loss, as applicable. See "Description of Our Assets and Liabilities — Assets — Asset Quality of Our Loan Portfolio — Loan Classification."

In this prospectus, the term "weighted average of the agreed return" means, as of a certain date, the weighted average of the agreed interest rates of such type of loans or the weighted average of the agreed returns on such type of investments (with the outstanding amount of each loan or investment as the applicable weighting).

In this prospectus, unless otherwise indicated, the discussions on loans are based on our gross loans to customers, before taking into account the related allowance for impairment losses, rather than our net loans to customers. Our loans to customers are reported net of the allowance for impairment losses on our balance sheet.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

The growth rates with respect to our business and financial data presented in this prospectus are calculated based on amounts in millions of Renminbi.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ in material respects from those of other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, see the section entitled "Supervision and Regulation," Appendix V — "Summary of Certain Legal and Regulatory Matters" and Appendix VI — "Summary of Articles of Association" of this prospectus.

RISKS RELATING TO OUR LOAN PORTFOLIO

If we are unable to maintain the quality of our loan portfolio, our net profit and profitability as well as our capital adequacy may be materially and adversely affected.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, our non-performing loan ratio, which is our loans classified as substandard, doubtful and loss, as a percentage of our total loans to customers was 0.36%, 0.35%, 0.33% and 0.38%, respectively. Although our non-performing loan ratio has largely remained low and stable in recent years, we cannot assure you that the quality of our existing or future loan portfolio will not deteriorate or that we will be able to maintain or lower our current non-performing loan ratio in the future. In particular, our strategy to focus on extending loans to small and micro enterprises, which may generally have a higher non-performing loan ratio than loans to larger enterprises, may have a negative impact on our overall asset quality.

Moreover, the actual or perceived deterioration in the creditworthiness of borrowers, such as reduced profitability or cash flow of corporate borrowers and the unemployment of individual borrowers, may cause our asset quality to deteriorate and may lead to significant increases in allowance for impairment losses on loans. If our non-performing loans increase in the future, we may need to significantly increase our allowance for impairment losses on loans, which could materially reduce our net profit and profitability as well as negatively affect our capital adequacy.

Our historical non-performing loan ratios may not fully reflect the actual changes of our asset quality due to government-sponsored disposals and write-off of non-performing loans in the past. The Chongqing government sponsored two separate disposals of part of our non-performing loans in 2004 and 2005, as well as a write-off of part of our non-performing loans by reducing our share capital in 2005, and our overall non-performing loan ratio has benefited from these transactions. See "Our History, Restructuring and Operational Reform — Financial Restructuring — Disposal of Non-Performing Assets." The disposals and the write-off of these non-performing loans were not in the ordinary course of our business.

Our allowance for impairment losses on loans may not be sufficient to cover the actual losses on our loan portfolio.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, our allowance for impairment losses was RMB1,013 million, RMB1,197 million, RMB1,377 million and RMB1,474 million, respectively, representing 1.9%, 1.9%, 1.8% and 1.7%, respectively, of our total loans and advances to customers, and our allowance for impairment losses represented 534.0%, 526.7%, 537.7% and 458.3%, respectively, of our non-performing loans. Our allowance for impairment losses is made in consideration of various factors that affect the quality of our loan portfolio, including, among other things, the financial condition, repayment ability and repayment intention of the borrowers, the realizable value of any collateral, the ability of the guarantors of the borrowers to fulfill their obligations, macroeconomic and industry policies, interest rates, exchange rates, and legal and regulatory environments. Many of these factors are beyond our control, and our assessment and expectations on these factors may differ from actual developments in the future. The adequacy of our allowance for impairment losses on loans depends on the reliable application and effective functioning of our risk assessment system to estimate impairment losses on loans in the future, as well as our ability to collect, process and analyze the relevant statistical data. If our assessment of, and expectations concerning, the factors that affect the quality of our loan portfolio differ from actual developments, if our assessment results prove to be inaccurate, or if our application of the assessment systems or our ability to collect relevant credit data proves to be insufficient, our allowance for impairment losses may not be adequate to cover our actual losses and we may need to make additional allowance for impairment losses, which could significantly decrease our profit before tax and negatively impact our asset quality and capital adequacy.

The collateral or guarantees securing our loans may not be adequate, and we may not be able to realize the full value of the collateral or guarantees in a timely manner or at all.

A significant portion of our loans are secured by collateral or guarantees. As of June 30, 2013, 46.7%, 35.0% and 12.1% of our total loans were secured by mortgages, guarantees and pledges, respectively. The collateral securing our loans primarily comprised real properties, land use rights, time deposits, machinery and equipment and other assets located in the PRC. The value of the collateral securing our loans may fluctuate or decline significantly due to factors beyond our control, including macroeconomic conditions in the PRC. For example, a downturn in the PRC real estate market could result in a decline in the value of the real properties securing our loans to a level significantly below the outstanding balances of such loans. Any decline in the value of such collateral may reduce the amounts we are able to recover from such collateral and increase our need for provision of loan impairment losses. Our policies require that we conduct regular re-valuations of collateral, but we may not have up-to-date valuation of such collateral, and our assessment of the quality of loans secured by such collateral may not be accurate.

The procedures for liquidating or otherwise realizing the value of collateral in the form of non-monetary assets may be protracted in the PRC, and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for us to take control of or liquidate the collateral securing non-performing loans. For example, a court may not evict a borrower or his or her dependents from his or her mortgaged residence during the six-month grace period after the court approves settlement of a loan against such property, nor may we liquidate such property outside court proceedings. In addition, under certain circumstances, our security interest in the collateral may be subordinated to rights of certain other parties, such as the statutory priority granted in bankruptcy to employees regarding outstanding salaries, certain social security payments and other compensations payable as required by law and regulations.

Moreover, certain of our loans are secured by guarantees provided by affiliates of the borrower or other third parties. In particular, a relatively significant percentage of our loans to small and micro enterprises are secured by guarantees provided by financing guarantee companies. A deterioration in the financial condition of guarantors may materially and adversely affect the credit quality of these loans. Furthermore, we are subject to the risk that a court or other judicial or government authorities may declare a guarantee invalid or otherwise decline or fail to enforce a guarantee. As a result, we may not be able to recover all or any part of the amount guaranteed in respect of our loans.

Our focus on the growth of our business with small and micro enterprises and related initiatives may expose us to higher credit risks.

We strategically focus on growing our business with small and micro enterprises. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our loans and advances to small and micro enterprises (including personal business loans) represented 11.9%, 25.2%, 28.6% and 31.5%, respectively, of our total outstanding balances of loans and advances to customers. As of the same dates, the non-performing loan ratio of these loans was 1.50%, 0.74%, 0.35% and 0.35%, respectively. A large number of small and micro enterprises could experience cash flow shortfalls and difficulties in funding their business operations in an environment of tight monetary policy, economic downturn and appreciation of the Renminbi, which may result in their default in repayment of loans. We have adopted specific measures to control delinquency of our small and micro enterprise customers, including our credit guidelines, loan application review processes and post-disbursement management. See "Risk Management — Credit Risk Management — Credit Risk Management for Loans to Small and Micro Enterprises." However, we cannot assure you that the non-performing loan ratio for these loans will not rise in the future, which could have a material adverse effect on our financial condition, results of operations and prospects.

We have substantial exposure to local government financing vehicles. Deterioration in the debt repayment capabilities of, or change in national policies affecting, these local government financing vehicles could materially and adversely affect our asset quality, as well as increase our loan impairment allowances and losses.

Similar to other PRC commercial banks, we have extended substantial amount of loans to local government financing vehicles. In addition, our total exposure to local government financing vehicles also include our investments in local government financing vehicles by means of corporate bonds, trust beneficiary rights and directional asset management plans. See "Business — Our Principal Business Activities — Treasury Operations — Securities Investments." During the Track Record Period, our total exposure to local government financing vehicles increased from RMB13.8 billion as of December 31, 2010 to RMB20.1 billion as of June 30, 2013, primarily due to an increase in our investments in trust beneficiary rights that fund loans to such entities. As a percentage of our total assets, our total exposure to local government financing vehicles as of December 31, 2010, 2011 and 2012, and June 30, 2013, was 12.74%, 10.37%, 12.23% and 10.67%, respectively.

A breakdown of our total exposure to local government financing vehicles during the Track Record Period is as follows: as of December 31, 2010, our total exposure to local government financing vehicles was RMB13.8 billion, including RMB11.7 billion of loans, RMB1.5 billion of bonds, and RMB0.6 billion of investments in trust beneficiary rights; as of December 31, 2011, our total exposure to local government financing vehicles was RMB13.2 billion, including RMB11.2 billion of loans, RMB1.4 billion of bonds, and RMB0.6 billion of investments in trust beneficiary rights; as of December 31, 2012, our total exposure to local government financing vehicles was RMB19.1 billion, including RMB11.2 billion of loans, RMB6.0 billion of investments in trust beneficiary rights, RMB0.6 billion of investments in directional asset management plans, and RMB1.3 billion of bonds; as of June 30, 2013, our total exposure to local government financing vehicles was RMB20.1 billion, including RMB10.7 billion of loans, RMB6.9 billion of investments in trust beneficiary rights, RMB1.5 billion of investments in directional asset management plans, and RMB1.0 billion of corporate bonds.

According to the CBRC, local government financing vehicles are three types of legal entities (government entities, public institutions and business enterprises) that are funded and established by, and whose repayment obligations are jointly and severally borne by, local governments. These vehicles primarily engage in financing activities wholly or partially supported by direct or indirect repayment commitments or direct or indirect guarantees from local governments, and provide support to finance various infrastructure development and quasi-public interest government investment projects. The majority of our loans to local government financing vehicles were extended to Chongqing's local government financing vehicles and secured by mortgages, pledges or guarantees. The principal of, and the return on, all of our investments in trust beneficiary rights and directional asset management plans that fund loans to local government financing vehicles are fully guaranteed by PRC banks or guarantee companies.

The State Council, the CBRC, the PBOC and several other PRC regulatory authorities have promulgated a series of notices, guidelines and other regulatory measures since 2010 that direct PRC banks and other financial institutions to strengthen their risk management measures with respect to loans to local government financing vehicles. See "Supervision and Regulation — Regulation of Principal Banking Activities — Lending." We cannot assure you that any measures we take will be effective or sufficient to protect us against any default by local government financing vehicle borrowers. In addition, unfavorable developments in macroeconomic conditions and changes in governmental policies, deterioration in the financial condition of local governments, a significant downturn in the real estate market and other factors may adversely affect the debt repayment capabilities of local government financing vehicles, which may in turn significantly increase our impairment losses on loans and materially and adversely affect the asset quality of our investments, business, financial condition and results of operations.

Any significant or protracted downturn in, or change in national policies affecting, the real estate market in the PRC may have a material adverse effect on our asset quality as well as future growth.

We have significant exposure to the real estate market in the PRC through corporate loans to the real estate industry, personal residential mortgage loans and other loans secured by real property. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our corporate loans to the real estate industry represented 8.0%, 7.7%, 7.8% and 7.3%, respectively, of balance of our corporate loans outstanding. As of the same dates, our personal residential mortgage loans represented 65.2%, 69.4%, 63.6% and

64.6%, respectively, of balance of our personal loans outstanding. The PRC government has imposed, and may continue to impose, macroeconomic control measures aimed at cooling down the real estate market in the PRC. See "Supervision and Regulation — Regulation of Principal Banking Activities" for further details on these measures. These measures may slow down the growth of our loans to, and negatively affect the financial condition, liquidity and repayment capabilities of, our customers in the real estate sector. These measures may also reduce the demand for residential mortgage loans in the PRC. In addition, any significant or extended decline in property prices in the PRC may have a material and adverse effect on the asset quality of our corporate loan portfolio. If the PRC real estate market experiences a significant downturn, the value of the collateral securing our loans may decrease to a level below the outstanding balances of such loans, which could result in a reduction in the amount we could recover on any defaulting loans secured by real estate properties. We cannot assure you that any measures we take will be effective or sufficient to protect us against the effects of any downtown in the PRC real estate market as a result of macroeconomic conditions, national policies or other factors.

We have a concentration of loans to certain industries and borrowers, and an adverse development in any of these industries or deterioration of the financial condition of any of these borrowers could have a material adverse effect on our asset quality, business, financial condition, results of operations and prospects.

As of June 30, 2013, our loans to the manufacturing, wholesale and retail, and construction sectors in the PRC represented 24.4%, 15.3% and 10.1% of our total balance of corporate loans outstanding, respectively. Any significant or protracted downturn in any of these industries may lead to a significant increase in non-performing loans, and may negatively affect the level of new lending or refinancing of existing loans to borrowers in that industry, which may materially and adversely affect our asset quality, business, financial condition, results of operations and prospects.

As of June 30, 2013, our loans to the ten largest single borrowers totaled RMB3,619 million, which represented 29.36% of our net regulatory capital. As of the same date, our loans to the ten largest single borrowers were classified as pass. If the credit quality of any of these loans deteriorates or becomes non-performing, our asset quality could deteriorate significantly and our financial condition and results of operations could be materially and adversely affected.

Our loan classification and impairment loss provisioning policies may be different in certain respects from those applicable to other Commercial Banks and banks in certain other jurisdictions.

We classify our loans using a five-category loan classification system in accordance with the guidelines set forth by the CBRC. The five categories are pass, special mention, substandard, doubtful and loss. Our five-category loan classification system may differ in certain respects from those of other Commercial Banks and banks incorporated in other countries or regions. As a result, each category in our loan classification may reflect a different degree of risk than what is reported by other Commercial Banks and what would be reported if we were incorporated in other countries or regions.

We assess our loans for impairment, determine a level of allowance for impairment losses on loans and recognize any related provisions made in a year using the concept of impairment under IFRS. See Note 11 to our financial information included in the Accountant's Report set forth in Appendix I to this prospectus. In particular, we perform individual assessments to determine the allowance for impairment losses on loans against individually significant loans, based on the carrying amounts and the present value of the estimated future cash flows of the loans. Individually significant loans for which no evidence of impairment has been individually identified are grouped in portfolios of similar credit risk characteristics for the purpose of assessing collective impairment losses. The allowance for impairment losses on loans on the collectively assessed loans is assessed primarily based on our historical loss experience in similar portfolios and on prevailing economic conditions. See "Description of Our Assets and Liabilities — Assets — Allowance for Impairment Losses on Loans to Customers." Our impairment loss provisioning policies may be different in certain respects from those of other Commercial Banks and banks in other countries or regions. As a result, our allowance for impairment losses on loans, as determined under our provisioning policies, may differ from what is reported by other Commercial Banks and what would be reported if we were established in other countries or regions.

We may not be able to successfully maintain the growth of our loan portfolio, and our business, financial condition, results of operations and prospects may be materially and adversely affected if we fail to do so.

Our loans and advances to customers have grown significantly in recent years, increasing by 60.4% to RMB84,943 million as of June 30, 2013 from RMB52,968 million as of December 31, 2010. The growth in our loan portfolio in 2011 and 2012 was in part attributable to our efforts to expand our business with small and micro enterprises. We cannot assure you, however, that we will be able to maintain the growth of our loan portfolio. Our growth may be influenced by the general state of the PRC economy as well as other macroeconomic factors affecting economy of the PRC or Chongqing, such as growth in GDP, the rate of inflation, changes in interest rate and changes in laws, rules or regulations governing banking and finance.

In addition, since we are required by PRC law to maintain a loan-to-deposit ratio not exceeding 75.0%, the growth of our loan portfolio is also affected by, among other factors, our ability to increase customer deposits.

Any of the foregoing factors could materially reduce the growth of our loan portfolio and have a material adverse effect on our business, financial condition, results of operations and prospects.

The high portion of our loans due within one year may adversely affect the reliability and stability of our interest income, or result in a higher default rate on our loans.

A significant portion of our outstanding loans as of June 30, 2013 consisted of loans due within one year represented approximately 63.1% of balance of our total loans and advances to customers. In our experience, these loans have been a stable source of our interest income. We cannot assure you, however, that this will continue to be the case, particularly if competition increases or alternative sources of funding at lower costs become available to our customers. In addition, the concentration of short-term loans means that the repayment of such loans may be more vulnerable to, and could result in a higher default rate in case of, any downturn in the PRC economy or in the specific sectors of the PRC economy to which we primarily lend. If we experience unstable interest income and a higher rate of loan defaults due to any of the above factors, our financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO OUR BUSINESS

Any adverse change in the economic development or social conditions of Chongqing could materially and adversely affect our business, financial condition, results of operations and prospects.

As of June 30, 2013, 74.0% of our loans and advances to customers were originated from operating outlets in Chongqing and 77.1% of our customer deposits were originated from operating outlets in Chongqing. Most of our sub-branches are also located in Chongqing. While we will continue to grow our operations outside Chongqing, we expect most of our loans and deposits to continue to originate from Chongqing for the foreseeable future. As a result, any adverse change in the economic development or social conditions of Chongqing or occurrence of any significant natural disaster or catastrophic event in Chongqing could materially and adversely affect our business, financial condition, results of operations and prospects.

We have made substantial investments in trust beneficiary rights issued by trust companies, directional asset management plans managed by securities companies and wealth management products issued by other financial institutions in the PRC with our own funds and funds raised by us through the issuance of wealth management products to our customers, and any adverse development relating to these types of investments could materially and adversely affect our profitability and liquidity of assets.

In recent years, we have made substantial investments for ourselves as well as on behalf of our wealth management customers in trust beneficiary rights issued by trust companies, directional asset management plans managed by securities companies and wealth management products issued by other financial institutions in the PRC. As of June 30, 2013, the balance of trust investments, directional asset management plans and wealth management products purchased from financial institutions totaled RMB33.29 billion, representing 76.9% of our investment securities. In 2010, 2011, 2012 and the six months ended June 30, 2013, the interest income from such investments was RMB173 million, RMB403 million, RMB927 million and RMB939 million, respectively, representing 4.4%, 6.6%, 11.2% and 19.0%, respectively, of our total interest income during the same period.

Trust beneficiary rights are financial instruments that are linked with the beneficiary rights of trust plans sponsored by trust companies. By investing in trust beneficiary rights, we entrust funds to the trust companies for management, and the trust companies in turn use such funds to make loans in their own names to borrowers. Under directional asset management plans, we enter into asset management contracts with securities companies, and such securities companies are entrusted by us to provide loans to borrowers under our account and in accordance with the terms and conditions of such contracts. These investments generally offer a fixed return, and the repayment of principal and fixed return of the trust beneficiary rights and directional asset management plans are guaranteed by PRC banks or guarantee companies. The trust companies, the securities companies and the corresponding guarantors are generally responsible for conducting due diligence on the borrowers and the projects to be funded. Although we examine the due diligence of the trust companies, the securities companies and the guarantors before making our investments, we do not control the due diligence process, and neither do we apply our credit ratings to the borrowers, the trust beneficiary right products or the directional asset management plans. Therefore, when making decisions on such investments, we would rely on the trust companies, securities companies and guarantors to vet the borrowers. In addition, when the trust companies or the securities companies are unable to fully recover the agreed returns on and the principal of our investments from the borrowers, we would rely on such trust companies or securities companies to take active measures to reduce our losses and to exercise the rights under the guarantees to recover any losses from the guaranteeing banks or the guarantee companies, and we may not have direct recourse against the borrowers, guaranteeing banks or guaranteeing companies. Further, as the terms of such investments are generally over one year and there is no active market for such investments, their liquidity is limited.

Presently, PRC regulatory authorities have not prohibited commercial banks from directly investing in trust beneficiary rights, directional asset management plans or wealth management products. We cannot assure you, however, that future changes in regulatory policies will not prohibit us from investing, or restrict the ability of PRC commercial banks or other entities to invest, in these types of products. Any adverse development relating to these types of investments could cause a significant decline in the value of our investment portfolio and, as a result, materially and adversely affect our profitability and liquidity.

We cannot assure you that we will be successful in expanding certain of our lines of business or expand the geographical coverage of our business as planned, and the expansion of the range of our products and services and the geographical coverage of our business exposes us to new risks.

In line with our growth strategy, we have devoted and will continue to devote significant resources to strategically expand certain of our lines of business, such as the small and micro enterprises business and treasury operations.

In addition, we have set up three branches in Chengdu, Guiyang and Xi'an, respectively, and we intend to further expand our business geographically outside of Chongqing.

Expansion of our business activities, including expansion both in the offering of products and services and in our geographical coverage, is subject to a number of risks and challenges, including:

- insufficient experience or expertise in certain new products and services;
- successful attempts by our competitors to provide similar products and services, which may reduce our competitive advantage;
- inability to hire additional qualified personnel or to hire personnel on commercially reasonable terms;
- insufficient financial, operational, management and other resources to support our expanded range of products and services or geographical coverage;
- future policy initiatives or regulations of the CBRC that may limit our ability to provide new products or services or our ability to open new branches to expand our geographical coverage, and our inability to obtain regulatory approvals for our new products or services or geographical expansion; and
- unsuccessful attempts to improve our risk management capabilities, internal control capabilities and information technology systems to support a broader range of products and services and our geographical expansion.

Any failure to successfully expand or grow our business lines, products and services, geographical coverage or achieve the intended results could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may face difficulties in meeting regulatory requirements relating to capital adequacy.

Since January 1, 2013, we have been required by the Capital Administrative Measures promulgated by the CBRC in June 2012 to maintain a minimum core Tier 1 capital adequacy ratio of 5.5%, a minimum Tier 1 capital adequacy ratio of 6.5% and a minimum capital adequacy ratio of 8.5%. We must gradually increase the above capital adequacy ratios and meet a minimum core Tier 1 capital adequacy ratio of 7.5%, a minimum Tier 1 capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5% by December 31, 2018. As of June 30, 2013, our core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio were 8.54%, 8.54% and 11.12%, respectively. Certain developments could adversely affect our ability to satisfy applicable capital adequacy requirements in the future, including (i) a loss of ability to raise additional capital as a result of a deterioration in our asset quality, (ii) an increase in our risk-weighted assets as a result of the expansion of our business, (iii) an increase in the risk weightings for certain asset classes proposed and implemented by the CBRC from time to time or other changes that may be required by the CBRC regarding the calculation of capital adequacy ratios of PRC commercial banks, (iv) an increase in the minimum capital adequacy requirements by the banking regulators, including as a result of the Basel III Capital Accord, (v) a decline in the value of our available-for-sale financial assets, and (vi) a decrease in our net profit and retained earnings.

We cannot assure you that we will be able to continue to meet the capital adequacy requirements that the PRC regulators may impose from time to time. The CBRC is also expected to adopt further regulations to strengthen requirements on core capital, which may have a material and adverse impact on our core capital adequacy ratios and ability to seek debt or other financing in the future.

In addition, in order to comply with the minimum capital adequacy ratios required by the regulatory authorities, we may have to reduce the growth rate or the size of our loans and other assets, including liquidating or divesting certain assets on terms unfavorable to us or contrary to our business plans, or raise additional capital. If we fail to meet the applicable capital adequacy requirements, the CBRC may take corrective actions, including restricting the growth of our loans and other assets, restricting our ability to issue subordinated debts, declining to approve our application to introduce new services or geographically expand our business, and restricting our declaration or distribution of dividends. These actions could severely damage our reputation, as well as have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, our ability to raise additional capital may be limited by many factors, including (i) our future financial condition, results of operations and liquidity position, (ii) any government regulatory approvals, (iii) our credit rating, (iv) general market conditions for capital raising activities, in particular by commercial banks and other financial institutions, and (v) economic, political and other conditions in and outside of the PRC. If we are unable to obtain sufficient additional capital in a timely and cost effective manner, we may not be able to comply with the capital adequacy requirements and our business, financial condition and results of operation could be materially and adversely affected.

A significant decrease in customer deposits could negatively impact our asset liquidity and materially increase our funding costs.

Customer deposits are our primary source of funding. As of June 30, 2013, our total customer deposits grew by 89.0% to RMB139,614 million compared to RMB73,856 million as of December 31, 2010, with our corporate deposits growing by 71.3% from RMB57,067 million as of December 31, 2010 to RMB97,751 million as of June 30, 2013 and personal deposits growing by 97.0% from RMB11,845 million as of December 31, 2010 to RMB23,332 million as of June 30, 2013, respectively. The growth in customer deposits may be affected by many factors, including macroeconomic conditions, availability of investment alternatives such as wealth management products, and changing propensity of our personal banking customers toward savings, many of which are beyond our control. In addition, a substantial portion of our customer deposits as of June 30, 2013 (consisting primarily of those from large enterprises or governmental entities) had remaining maturities of one year or less or were payable on demand, while a substantial portion of our assets have longer term maturities, and we are subject to liquidity risk resulting from mismatch between the maturities of our liabilities and our assets. See "Description of Our Assets and Liabilities — Assets — Loans to Customers — Maturity Profile of Loans to Customers" and "Description of Our Assets and Liabilities — Liabilities and Sources of Funds — Customer Deposits — Maturity Profile of Customer Deposits." In the past, due in part to the lack of alternative investment products in the PRC and the generally higher savings rates in the PRC, our customer time deposits have generally not been withdrawn upon maturity and have served as a stable source of funding. However, we cannot assure you that our customer time deposits will continue to represent a stable source of funding for us, especially given the continued development of the PRC capital markets and increased demand for various wealth management and insurance products.

If we fail to maintain the growth rate of our deposits or if a substantial portion of our depositors withdraw their deposits or do not roll over their time deposits upon maturity, our liquidity position as well as our financial condition and results of operations could be materially and adversely affected. In particular, we may need to seek additional funding to meet our liquidity needs, such as borrowing on the interbank market and issuing debt instruments, and we cannot assure you that we will be able to obtain additional funding on commercially reasonable terms as and when required, if at all.

We borrow on a short-term basis through the interbank market to manage our liquidity. Volatility in the interbank market rate could significantly increase our borrowing costs and materially and adversely affect our liquidity as well as our financial condition.

We sometimes depend on short-term funding in the interbank market for a significant portion of our liquidity needs. An interbank market rate system based on SHIBOR has been developed for the PRC interbank market. However, due to the relatively short history of PRC interbank market, there may be significant volatility in interbank rates, including extreme fluctuations in the short-term interbank rate. For example, on June 20, 2013, the SHIBOR overnight rate rose significantly from 5.78% to 13.44%, and on the same date, three-month SHIBOR rose from 5.41% to 5.80%. As of July 11, 2013, the SHIBOR overnight interest rate decreased to 3.35%, and three-month SHIBOR decreased to 4.70%. We cannot assure you that SHIBOR interest rates will return to the normal range after irregular fluctuations in such rates in the future. Changes in market interest rates reflected by SHIBOR may have a significant impact on our cost of borrowing short-term funds in the interbank market. If the market interest rate rises significantly, it could have a material and adverse effect on our borrowing costs and liquidity.

In addition, severe volatility in market interest rates may also have a significant impact on the value of our assets. For example, a significant increase in market interest rates may lead to a significant decrease in the fair value of our fixed income debt securities held for trading, which will have a material and adverse effect on our financial condition and results of operations.

We have been increasingly focused on the development of wealth management products in recent years, and any adverse developments or changes in regulatory policies relating to these products could materially and adversely affect our business, financial condition, results of operations and prospects.

In recent years, as growth of deposits in the PRC banking industry began to slow down, competition for deposits among commercial banks has become increasingly intense. In response to such competition, PRC commercial banks, including us, have been increasing the volume and range of wealth management products offered to customers. In 2012, we issued 242 tranches of wealth management products and raised proceeds from wealth management products of approximately RMB19.6 billion. During the same period, our fee income from our personal wealth management agency services was RMB40.74 million.

We have invested the funds raised through the sale of our wealth management products in bonds tradable on the PRC interbank market and trust beneficiary rights. As most of the wealth management products issued by us are non-guaranteed products, we are not liable for any loss suffered by investors in these products. However, to the extent investors suffer losses on these wealth management products, our reputation may be severely damaged and we may also suffer a loss of business, customer deposits and net income.

In addition, the tenors of wealth management products issued by us are often shorter than that of the underlying assets. This mismatch subjects us to liquidity risk and requires us to issue new wealth management products, sell the underlying assets or otherwise address the funding gap when existing wealth management products mature. PRC regulatory authorities have introduced regulatory policies to restrict the scale of PRC commercial banks' investments with funds raised from wealth management products. See "Supervision and Regulation — Regulation of Principal Banking Activities — Personal Wealth Management." If PRC regulatory authorities further restrict the wealth management business of PRC commercial banks, our liquidity and profitability could be materially and adversely affected.

If we are not effective in designing or implementing policies and procedures or using information technology systems to assist with our risk management and internal control, our business and prospects, as well as our financial condition and results of operations, could be materially and adversely affected.

The sustainability of our growth and the quality of our loan portfolio depends largely on our ability to effectively manage our credit risk. We have significantly enhanced our risk management and internal control policies and procedures. See "Risk Management — Risk Management Initiatives." We cannot assure you, however, that our risk management and internal control policies and procedures will adequately control, or protect us against, all credit, market, liquidity, operational and other risks. We may not be able to identify these risks or these risks may turn out to be greater than what we originally expected or when compared to the historical level. In addition, given the short history of certain aspects of our risk management and internal control policies and procedures, we will require additional time to implement and fully measure the effectiveness of these policies and procedures. Our risk management and internal control also depend on effective implementation by our employees. We cannot assure you that these risk management and internal control will always function as intended. Any deficiency in the design or implementation of our risk management and internal control system could result in our suffering significant losses. In particular, failure of our credit risk management policies, procedures and systems may result in an increase in our non-performing loans and materially and adversely affect the quality of our loan portfolio, which could have a material adverse effect on our business, financial condition and results of operations.

Our risk management capabilities are limited by the information, tools or technologies available to us. In recent years, we have introduced or refined certain risk management tools and systems, including the credit management system, the internal information monitoring system and the financial management system, to assist us in better managing risks. See "Risk Management — Risk Management Initiatives." We are still in the process of further improving our credit rating system, and cannot assure you that such credit rating system will achieve expected effect.

We rely on the continuing efforts of our key personnel and we may not be able to hire, train or retain a sufficient number of professional staff.

We rely upon the continued service and performance of our key personnel including our senior management team. Our future success depends substantially upon the experience, business operational expertise and sales and marketing skills of our key personnel, as well as their working relationship with our employees, major shareholders, customers and regulatory authorities. The loss of members of our key personnel could have a material adverse effect on our business and prospects as well as our revenues and net profit.

As most aspects of our business depend substantially on the quality of our professional staff, we devote considerable resources to recruiting and training these personnel. However, we face increased competition from other banks and financial institutions for the same group of talents. Competition for these individuals and the disadvantages we may have compared to our larger or nationally-known competitors in this regard could cause us to offer higher compensation and other benefits in order to attract and retain such individuals, which could materially increase our operating expenses and decrease our operating profit. In addition, certain personnel with the desired managerial or technical expertise and skills may not be available in Chongqing or other local markets in which we operate. Furthermore, our employees may resign at any time and some of our employees are not subject to long-term employment contracts. We may be unable to attract or retain the personnel required to achieve our business objectives, and failure to do so could materially and adversely affect our business and prospects as well as our financial condition and results of operations.

We may not be able to fully detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud and other misconduct by employees or third parties may be difficult to detect or prevent and could subject us to financial losses and sanctions imposed by regulatory authorities as well as seriously damage our reputation. Types of misconduct by our employees in the past have included, among other things, improper extension of credit, unauthorized business transactions, conduct of business operations in breach of our internal policies and procedures, inappropriate accounting treatment, theft, embezzlement or misappropriation of customer funds, fraud and bribery. Types of possible misconduct by third parties against us may include, among other things, fraud, theft and robbery. In addition, our employees may take other improper actions that could expose us to liability as well as regulatory enforcement actions.

During the Track Record Period, we did not encounter any material employee misconduct incidents involving criminal activities. Before the Track Record Period, a former customer manager of our Jiangjin sub-branch was detained by police for embezzlement based on fake loan applications under our Yangtze Card revolving credit line program in January 2009. Of the RMB20.05 million embezzled, we recovered RMB15.40 million from the former employee. We wrote off the remaining RMB4.65 million in 2010. See the section entitled "Business — Special Incidents" of this prospectus.

We cannot assure you that all of our employees will comply with our risk management and internal control policies and procedures. Although we have increased our efforts to detect and prevent employee and third party fraud or other misconduct, it is not always possible to detect or prevent such activities, and the precautions we take may not be effective. Fraud or other misconduct, whether involving past or future acts, will harm our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is highly dependent on our information technology systems, some of which are outsourced to and maintained by third parties.

We depend on our information technology systems to process our transactions on an accurate and timely basis, and to store and process our business and operating data. The proper functioning of our core banking, credit management, financial management and other information technology systems, as well as the communication networks between our branches and our main data processing centers, is critical to our business and our ability to compete effectively. We have also established two off-site disaster recovery centers that could be used in the event of a catastrophe or a failure of our core operational system. Our business activities would be severely disrupted if both our data center and disaster recovery centers fail to function properly or there is any other material failure in any of our information technology systems or communication networks. Such failure could be caused by a variety of reasons, including natural disasters, extended electrical or telecommunications outages, breakdown of key hardware systems and computer viruses.

Moreover, the secure storage and transmission of confidential information is critical to our operations. Our networks and systems may be vulnerable to unauthorized access and other security problems. We cannot assure you that our existing security measures will prevent unforeseeable security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Any of these events could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, as well as those of our clients or other third parties, which could result in financial losses, regulatory penalties, and client dissatisfaction or even loss of customers.

Some applications and information technology functions that are necessary for our business operations are currently outsourced to third parties. Due to the inherent risks associated with outsourcing, such as lack or limitation of control and supervision over these third parties, abrupt discontinuance of a contractual relationship, divergent views and approaches on implementing business plans, and leakage of important confidential information and trade secrets, we cannot assure you that such third parties will always be able to provide us with the stable and quality information technology support which is indispensable to our business operations. We also cannot assure you that, after the expiration or termination of our current outsourcing arrangements, we will be able to renew our existing arrangements on similar terms, or at all, or find satisfactory alternative arrangements.

Our competitiveness will to some extent depend on our ability to upgrade our information technology systems on a timely and cost-effective basis. For example, the information available to us through our existing management information system may not be timely or sufficient for us to manage risks and prepare for, and respond to, market changes and other developments in our current operating environment. Any substantial failure to improve or upgrade our information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness and risk management, as well as our business and prospects.

We are subject to credit risk with respect to certain off-balance sheet obligations.

In the ordinary course of our business, we incur obligations which, under applicable accounting principles, are not reflected on our balance sheet, including bank acceptances, loan commitments, guarantees and letters of credit. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our off-balance sheet commitments were RMB9.45 billion, RMB16.28 billion, RMB27.91 billion and RMB37.42 billion, respectively. See “Financial Information — Financial Position — Credit Commitments and Other Off-Balance Sheet Obligations.” We are subject to credit risk on our off-balance sheet commitments because, once we perform on these commitments, we need to seek repayment from the relevant customers. If we are unable to recover payment from our customers in respect of these commitments, our financial condition and results of operations could be materially and adversely affected.

Issues relating to land use right certificates and building ownership and title certificates may disrupt our ability to occupy and use some of the properties we own and/or lease from third parties.

As of June 30, 2013, we held 202 properties in the PRC. We have not obtained the building ownership certificates and/or land use right certificates in respect of six properties. Of the six properties with defective legal titles, we are in the process of applying for the relevant land use rights and building ownership certificates. See “Business — Properties.” We may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain the relevant land use right certificates and/or building ownership certificates. We will also need to pay land premiums and incur other relevant costs in order to obtain the relevant valid title certificates to such properties. Although the estimated aggregate amount of land premiums and other relevant expenses to be paid in order to obtain the relevant valid title certificates to such properties is immaterial to our business operation and financial condition, our failure to obtain the relevant valid title certificates to such properties may expose us to costly and time-consuming title disputes.

In addition, as of June 30, 2013, we leased 114 properties in the PRC, among which 40 were leased from lessors who were not able to provide the valid title certificates. As a result, the validity of such leases may be subject to legal challenge. For leases of such properties with defective legal titles, all lessors have provided confirmation or other documentary evidence that they agree to provide us with prior notices to ensure the normal operation of our outlets if there is a change of legal title, or to compensate for the losses incurred due to the defective legal titles. See the section entitled "Business — Properties" of this prospectus. We believe leases of such properties with defective legal titles is immaterial to our business operation and financial condition. However, if the validity of such leases is challenged by third parties, we may be forced to relocate the affected outlets, resulting in disruption to our operation and additional costs.

If we fail to fully comply with the various regulatory requirements applicable to us, our reputation could be harmed and our business, financial condition and results of operations could be materially and adversely affected.

We are subject to the regulatory requirements and guidelines set forth by various PRC regulatory authorities, which include the CBRC, PBOC, SAFE, CSRC, CIRC, MOF, NAO, SAIC and SAT. These regulatory authorities carry out periodic supervision and spot checks of banks like us and have the authority to take corrective or punitive measures based on their findings. In the past, we have from time to time failed to meet certain requirements and guidelines set by the PRC regulatory authorities, or have violated certain regulations. In addition, we have in the past been subject to fines and other penalties for cases of our non-compliance. See the section entitled "Business — Legal and Regulatory" of this prospectus. We cannot assure you that we will be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that we will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. Any failure to comply with applicable requirements, guidelines or regulations could have a material adverse effect on our financial condition and results of operations, as well as damage our reputation and our ability to grow our business.

We may not be able to fully detect money-laundering and other illegal or improper activities.

We are required to comply with applicable anti-money-laundering and anti-terrorism laws, rules and other regulations in the PRC. These laws, rules and regulations require us, among other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking networks for money-laundering activities and by terrorists and terrorist-related organizations and individuals generally, these policies and procedures may not completely eliminate instances where we may be used by other parties to engage in money-laundering and other illegal or improper activities. For details regarding our risk management framework for anti-money laundering, see the section entitled "Risk Management — Anti-Money Laundering" of this prospectus. To the extent we are unable to fully comply with applicable laws, rules and regulations, the relevant government agencies to which we report have the power and authority to impose severe fines and other penalties on us. In addition, our business and reputation would suffer if third parties use our Bank to facilitate money-laundering or other illegal or improper activities.

We may be involved in legal and other disputes from time to time arising out of our business and operations.

We are involved in legal and other disputes from time to time for a variety of reasons, including when we seek to recover outstanding amounts from borrowers or guarantors or because customers or other claimants bring actions against us. The majority of these cases arise in the ordinary course of our business. Where we assess that there is a probable risk of loss, it is our policy to make provisions for the loss. See “Business — Legal and Regulatory” and Note 32 to our financial information included in the Accountant’s Report set forth in Appendix I to this prospectus. We cannot assure that the outcome in any litigation we are involved would be favourable to us or that our litigation provisions are adequate to cover actual losses arising from legal proceedings or other disputes. In addition, we may also become subject to administrative or other proceedings or regulatory enforcement actions. Any of these disputes, proceeding or enforcement actions could damage our reputation, increase operating and other costs and divert resources and management’s attention from our core business, as well as result in our incurring significant liabilities.

We may not be able to register our trademark in Hong Kong.

As at the Latest Practicable Date, we have lodged three trademark applications in Hong Kong for our trademarks set out in the paragraph headed “Statutory and General Information — Further Information about Our Business — Intellectual Property Rights - Trademarks” set out in Appendix VIII to this prospectus. However, there is no assurance that such pending applications for trademark registration in Hong Kong will eventually be approved or that we would be granted exclusive rights to use these marks as registered trademarks in Hong Kong. If the trademarks could not be registered, or if the registration process is delayed, our trademarks may be infringed and our business, financial conditions and results of operations could be materially and adversely affected.

RISKS RELATING TO THE BANKING INDUSTRY IN THE PRC

We face intense competition from other banking industry participants, as well as from alternative financing providers.

The banking industry in the PRC is highly competitive. Among others, we compete against other domestic commercial banks and foreign banks in the PRC. Our domestic competitors primarily include Large Commercial Banks, joint stock commercial banks and other commercial banks that operate in Chongqing. They generally have greater assets and scale, better access to capital, more advanced risk management systems, and broader and more diversified customer and deposit bases compared to our Bank. Moreover, in recent years, the PRC government has reduced restrictions in terms of permitted business scope and geographic coverage on foreign participation in the PRC financial markets, which has also further intensified the competition in the PRC banking industry.

Furthermore, the PRC government has adopted a series of measures in recent years to further liberalize the PRC banking industry and the financial markets in general. As a result of these measures, alternative financial products, such as trust investment schemes, have begun to proliferate, leading to increased competition between banking and non-banking institutions for the same customer bases.

The intense competition in the PRC banking industry could materially and adversely affect financial condition and results of operations as well as our business and prospects in various ways, including by:

- slowing the growth of, or even reducing, our deposit or loan portfolios;
- increasing our interest expenses or decreasing our interest income;
- reducing the amount we can charge in fees and commissions;
- increasing our non-interest expenses, such as marketing expenses; and
- increasing competition for management personnel and qualified professionals.

Our ability to continue growing our business could be constrained by competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. In particular, the PRC securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of our customers choose alternative financing instruments over bank loans to fund their capital needs, our interest income could decrease significantly, and our revenues and net profit could be materially reduced.

Our business and operations are highly regulated, and our business, financial condition, results of operations and prospects could be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

Our business and operations are directly affected by changes in the policies, laws, rules and regulations in the PRC relating to the banking industry, such as those affecting the extent to which we may engage in certain businesses, as well as by changes in other governmental policies. The regulatory regime for the PRC banking industry is currently undergoing significant changes, including changes that have resulted in restrictions on our business activities or resulted in additional costs to us. See "Supervision and Regulation — Regulation of Principal Banking Activities." Future laws, rules, regulations or policies, and changes in existing laws, rules, regulations or policies, could have a material adverse effect on our business, financial condition, results of operations and prospects, including by restricting our business activities or increasing our costs of doing business. Furthermore, any uncertainty as to the interpretation and application of new rules and regulations may lead us to incur unanticipated operating or other costs.

Our financial performance is sensitive to changes in interest rates and other market risks.

As a commercial bank with a substantial lending business, our financial performance significantly depends on our net interest income. In 2010, 2011 and 2012 and the six months ended June 30, 2013, our net interest income represented 91.7%, 93.0%, 89.1% and 83.9%, respectively, of our operating income. Our net interest income is sensitive to adjustments in the benchmark interest rates set by the PBOC. Moreover, prevailing PBOC regulations limit our ability to adjust our interest rates in response to changing market conditions. In particular, under current PBOC regulations, commercial banks in the PRC typically may not set interest rates above 110% of the relevant PBOC benchmark rate for RMB-denominated deposits. The PBOC liberalized the interest rate restrictions on RMB-denominated loans in July 2013 and may continue to liberalize the existing interest rate restrictions on

RMB-denominated loans and deposits in the future. If the existing regulations were substantially liberalized or eliminated, loan-deposit spreads in the PRC banking industry would likely decrease due to market competition. Narrower spreads would materially reduce our operating margin. In particular, the liberalization of interest rate restrictions on RMB-denominated loans will have a negative impact on our price negotiating power with respect to large and medium enterprise customers, which may result in a reduction of the interest rates that we charge on loans. Furthermore, we cannot assure you that we will be able to adjust the composition of our asset and liability portfolios and our pricing mechanism to effectively respond to such liberalization of interest rates.

In recent years, the PBOC has adjusted the benchmark interest rates several times, including a series of increases in 2010 and 2011 to curb inflation and cool down the PRC economy and a series of reductions in 2012 in response to the global economic downturn. Adjustments by the PBOC to the benchmark interest rates on loans or deposits, or any changes in market interest rates, may negatively impact our financial condition and results of operations. For example, changes in the PBOC benchmark interest rates could affect the average yield on our interest-earning assets differently from the average cost on our interest-bearing liabilities, and may narrow our net interest margin, leading to a reduction in our net interest income. See "Financial Information — Overview — Operating Environment in the PRC and Chongqing — Interest Rates" for a detailed analysis on effects of changes in the PBOC benchmark interest rates. In addition, an increase in lending rates could result in increases in the financing costs of our customers and reduce overall demand for loans, as well as increase the risk of customer default. On the other hand, a reduction in interest rates for deposits could lead to our depositors withdrawing their funds from our Bank.

We also engage in trading and investment activities involving on- and off-balance sheet securities, trading assets and other financial instruments. Our income from these activities fluctuates because of, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates generally have a negative effect on the value of our fixed rate securities portfolio. Furthermore, because the derivatives market has yet to develop in the PRC, there are limited risk management tools available to us for the hedging of market risks.

The effectiveness of our credit risk management is affected by the quality and scope of credit information available in the PRC.

The completeness and reliability of information on customer credit risk is relatively limited in the PRC. Although PRC national individual and corporate credit information databases developed by the PBOC commenced operations in 2006, because of their short operational history, they are able to provide relatively limited information. As a result, our assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Until these nationwide credit information databases or other information databases become more developed, we have to rely on other publicly available resources and our internal resources, which are not as extensive or as effective as a unified nationwide credit information system. Our ability to effectively manage our credit risk is limited, and we may not be able to adequately and accurately assess the quality of our loan portfolio and the creditworthiness of our customers as a result of these limitations on the availability and reliability of credit information in the PRC.

The applicable PRC regulations impose certain limitations on the types of investments we may make and, as a result, our ability to seek higher investment returns and our ability to diversify our investment portfolio or hedge the risks relating to our RMB-denominated assets is limited.

As a result of current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited variety of investments permitted for PRC commercial banks, such as debt securities issued by the MOF, the PBOC, PRC policy banks and PRC commercial banks, commercial paper and medium term notes issued by qualified domestic corporations, and domestic corporate bonds. As a result, the investment assets of PRC commercial banks have demonstrated a relatively high level of correlation such that diminution in the value of some assets are often accompanied by corresponding losses in the value of other assets. Restrictions on our ability to diversify our investment portfolio limit our ability to seek an optimal return. Moreover, our ability to hedge against the risks of RMB-denominated investment assets is limited due to restrictions under the applicable PRC law on RMB-denominated hedging instruments.

We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this prospectus with respect to the PRC, Chongqing, their respective economies or banking industries.

Facts, forecasts and statistics in this prospectus relating to the PRC, Chongqing, their respective economies and financial conditions and banking industries, including our market share information, are derived from various public sources which are generally believed to be reliable. We have taken reasonable caution in reproducing or extracting the information from such sources. However, we do not guarantee the quality and reliability of such sources. In addition, these facts, forecasts and statistics have not been independently verified by us and may not be consistent with the information available from other sources, and may not be complete or up-to-date.

Investments in commercial banks in the PRC are subject to restrictions that may materially and adversely affect the value of your investments.

Investments in commercial banks in the PRC are subject to a number of ownership restrictions. For example, prior approval from the CBRC is required for any person or entity to hold 5% or more of the registered capital or total issued shares of a commercial bank in the PRC. If a shareholder of a commercial bank in the PRC increases its shareholding above the 5% threshold without obtaining prior approval from the CBRC, the shareholder will be subject to the CBRC's sanctions, which may include, among other things, unwinding of the relevant transaction, monetary fines, or confiscation of related income. In addition, under the PRC Company Law, we may not extend any loans that use our Shares as pledged collateral. Future changes in restrictions imposed by the PRC government or our Articles of Association on our Shareholders and the Shares they hold in our Bank could materially and adversely affect the value of your investment.

Our business, financial condition, results of operations and prospects and the value of your investment may be materially and adversely affected as a result of negative publicity associated with the PRC banking industry in general or our Bank in particular, even if such negative publicity is inaccurate, unsubstantiated or immaterial.

The PRC banking industry continues to be covered extensively and critically by various media and other information outlets. For example, there has been negative press coverage on certain practices of the PRC banking industry, such as practices of charging excessive fees for certain services. We have also been subject to and associated with negative publicity, including those on the Internet, with respect to our corporate affairs and allegations of fraud and misconduct related to our personnel. Negative coverage regarding the PRC banking industry in general, or our Bank or employees in particular, whether or not accurate or applicable to us, may materially harm our reputation and undermine depositor and investor confidence in our Bank as well as the PRC banking industry. As a result, our business, financial condition, results of operations and prospects, and the value of your investment, may be materially and adversely affected.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC, as well as government policies, could affect our business, financial condition, results of operations and prospects.

Substantially all of our business and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects are affected by the economic, political and legal developments in the PRC. In particular, the PRC government continues to exercise significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in reforming the economy, reducing state ownership of productive assets and establishing corporate governance in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall economy of the PRC, but may have an adverse effect on us. For example, our operating results may be adversely affected by government control over capital investments or changes in applicable tax regulations.

In addition to its authority to participate directly in the marketplace, the PRC government has the power to implement macroeconomic policy measures affecting the economy of the PRC on a broader scale, including adjusting the benchmark interest rate and statutory deposit reserve ratio applicable to commercial banks in the PRC, implementing lending restrictions (including restrictions on release of personal mortgage loans and real estate loans to developers to curb the overheated real estate market), as well as issuance of guidelines for industry development to promote or limit the growth of certain industries in China. Changes in macroeconomic and other conditions as a result of PRC government policies and actions will affect our business and operations as well as our financial performance.

Adverse developments in the PRC economy or an economic slowdown in the PRC may reduce the demand for our products and services.

We conduct most of our business and generate substantially all of our revenues in the PRC. As a result, economic developments in the PRC have a significant effect on our financial condition and results of operations, as well as our prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in the past few years has led to a marked slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC decreased from 11.4% in 2007 to 7.8% in 2012. More recently, rising government deficits and debt levels across the globe together with a wave of downgrading of sovereign debt in major western economies have caused turmoil in the global financial markets. The global economy may continue to exacerbate in the future and continue to have an adverse impact on the PRC economy. Any significant slowdown in the PRC economy may have a material adverse effect on the PRC banking industry as well as our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or counterparties could become delinquent in respect of their loan repayments or other obligations to us, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses on loans and write-offs, all of which would materially reduce our net profit;

- the value of our investments may significantly decline, which could materially and adversely affect our liquidity position and capital adequacy; and

- trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in business activities.

Factors such as consumer, corporate and government spending, business investment, volatility and strength of the capital markets and inflation all affect the business and economic environment, the growth of the PRC banking industry and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation. In addition, any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activity and adversely affect the economic growth in the PRC, Asia and elsewhere in the world.

Legal protections available under the PRC legal system may be limited.

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may receive consideration but have limited precedential value. Since 1979, the PRC government, with a view to developing a comprehensive body of commercial law, has promulgated laws, rules and regulations dealing with such economic matters as securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. Nevertheless, because these laws, rules and regulations are relatively new, and because the products, instruments and overall structure of the PRC banking industry continue to evolve, the effect of these laws, rules and regulations on the rights and obligations of implicated parties will often be uncertain. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and us, our directors, supervisors or senior officers or holders of domestic shares arising out of any rights or obligations as prescribed in our Articles of Association, the PRC Company Law and other related laws and administrative regulations applicable to our affairs, are to be resolved through arbitration. Our Articles of Association further provide that such arbitration will be final, conclusive and binding on all parties. A claimant may elect to submit a dispute to arbitration organizations in either Hong Kong or the PRC. Awards that are made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can generally be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain conditions. However, to our knowledge, no application has been brought in the PRC by any holder of H Shares to enforce an arbitral award, and we cannot assure you that holders of H Shares will succeed in bringing any action in PRC to enforce an arbitral award granted in Hong Kong.

You may experience difficulties in effecting service of legal process or enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and substantially all of our assets are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC, and the assets of our Directors and executive officers may be located entirely within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of the PRC upon most of our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

You may be subject to PRC taxation for dividends received and gains realized in connection with our H Shares.

Under the PRC tax law, holders of our H Shares who are foreign nationals or enterprises are generally subject to PRC income tax on dividends received from us at the rate of 20% and 10%, respectively. We would be required to withhold such tax from our dividend payments to them, subject to any reduction or exemption under any tax treaties between the PRC and the jurisdictions of such foreign nationals or enterprises. Similarly, holders of our H Shares who are foreign nationals or enterprises would be required to pay PRC income tax on gains from the dispositions of our H Shares at the rate of 20% or 10%, respectively, subject to any reduction or exemption under any tax treaties between the PRC and the jurisdictions of such foreign nationals or enterprises.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or enterprise income tax on gains derived by holders of our H Shares from their disposition of our H Shares may be collected. If any such tax is collected, the value of such holders' investments in our H Shares may be materially and adversely affected. See "Appendix VII — Taxation and Foreign Exchange — Taxation of Security Holders — The People's Republic of China — Taxation of Dividends" in this prospectus.

Payment of dividends is subject to restrictions under PRC laws.

Under the applicable PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our shareholders' meeting). Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under the PRC GAAP, (ii) the net profit of our Bank for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under the PRC GAAP, (iii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS, and (iv) the net profit of our Bank for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

In addition, the CBRC has the discretionary authority to restrict dividend payments and other distributions by any bank that fails to fulfill the capital adequacy ratio requirements, or that has violated certain other PRC banking regulations. See "Supervision and Regulation — Regulation of Principal Banking Activities — Supervision Over Capital Adequacy — CBRC Supervision of Capital Adequacy" and "Supervision and Regulation — Principal Regulators — The CBRC."

We are subject to the PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.

We receive a substantial majority of our revenue in Renminbi, which is currently not a freely convertible currency. A portion of this revenue must be converted into other currencies in order to meet our foreign currency obligations, including any payment of dividends on our H Shares.

Under the PRC's existing foreign exchange regulations, following completion of the Global Offering, we will be able to undertake current account foreign exchange transactions, including payment of dividends without prior approval from the SAFE, by complying with certain procedural requirements. However, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions, which would limit our ability to exchange Renminbi for other currencies. As a result, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes to the domestic and international political environments, as well as changes in the PRC government's fiscal, monetary and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC. These conversion rates are set daily based on the previous business day's interbank foreign exchange rates and prevailing exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by the PBOC. On June 19, 2010, the PBOC announced that the PRC will further reform the Renminbi exchange rate regime and enhance the RMB exchange rate flexibility. In 2012, the PBOC expanded the floating range of Renminbi trading prices against the U.S. dollar in the interbank spot foreign exchange market from 0.5% to 1%, and it is expected that the PRC may further reform its exchange rate system in the future. With increased floating range of the Renminbi's value against foreign currencies, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies. Fluctuations of the Renminbi could adversely affect the value of our foreign currency-denominated investments and the value in foreign currency terms of cash flow generated from our operations or any dividends payable on our H Shares, and therefore the price of our shares.

We currently only have minimal foreign currency exposure. However, any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may diminish the value of our foreign currency-denominated assets. Conversely, any depreciation of the Renminbi may cause the value of our H Shares and dividends paid on our H Shares to decrease in foreign currency terms. In addition, we are currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi on non-trade items. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy and operating ratios.

Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases may severely disrupt our business and materially reduce our revenues and net profit. An outbreak of a health epidemic or contagious disease could cause a widespread health crisis and hamper business activities in affected areas, which may in turn severely disrupt our operations. Future occurrence of natural disasters or outbreak of health epidemics and contagious diseases, or measures taken by the PRC government or other countries in response to a future outbreak of health epidemics and contagious diseases may also severely disrupt our operations or those of our customers, which may have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop, and their trading prices may fluctuate significantly.

Prior to the Global Offering, no public market for our shares has existed. We cannot assure you that a liquid public market for our H Shares will develop or persist after the Global Offering. In addition, the offer price of our H Shares is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the underwriters) and us (on behalf of ourselves and the Selling Shareholders), and may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop after the Global Offering, the market price and liquidity of our H Shares may decrease significantly.

Future sales or perceived sales of a substantial number of our H Shares in public markets could cause the prevailing trading price of our H Shares to decrease significantly, and our shareholders may experience dilution in their holdings upon issuance of additional securities in the future.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings. New equity or equity-linked securities issued by our Bank may also confer rights and privileges that take priority over those conferred by the H Shares.

Upon the completion of the Global Offering, the NSSF will hold certain of our H Shares. These H Shares are not subject to any lock-up restrictions. Any future sales, or anticipated sales, of our H Shares by the NSSF may result in a substantial decrease in the trading price of our H Shares. See "Share Capital."

You may incur immediate dilution because the Offer Price of the H Shares may be higher than the net tangible asset value per share.

The initial public offering price of our H Shares may be higher than the pro forma adjusted net tangible asset value per share as of June 30, 2013. As a result, purchasers of our H Shares in the Global Offering may experience an immediate dilution by HK$0.17 per share, representing the difference between the Offer Price and the pro forma adjusted net tangible asset value per share as of June 30, 2013, without giving effect to any changes to our net tangible assets subsequent to June 30, 2013 other than the Global Offering (assuming an offer price of HK$6.05 per share for our H Shares, being the mid-point of our indicative offer price range of the Global Offering, respectively, and assuming that neither of the Over-Allotment Option for the Global Offering is exercised and after deduction of estimated underwriting fees and offering expenses in connection with the Global Offering payable by us). If the Over-Allotment Options for the Global Offering are exercised, or if we issue additional shares in the future, purchasers of our H Shares may experience further dilution.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

Our cash dividends for 2012, which were declared and distributed in 2013, were in the amount of RMB141 million. The amount of dividend we have paid historically is not indicative of our future performance or the amount of dividend that we may pay in the future. Any future declaration of dividends will be proposed by our Board of Directors and the amount of any dividends will depend on various factors, including our financial condition, results of operations, prospects, liquidity position and other factors that our board may determine to be important. For future details of our dividend policy, see "Financial Information — Dividend Policy." We cannot guarantee if and when we will pay dividends in the future.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this Prospectus, there has been press and media coverage regarding us and the Global Offering. Some of these articles may include, among other things, certain financial information, projections, valuations and other information about the Global Offering that do not appear in this Prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any information that is not sourced from or authorized by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information reported by the press or other media, nor the fairness, appropriateness or reliability of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. To the extent that any such information appearing in publications other than this Prospectus is inconsistent or conflicts with the information contained in this Prospectus, we disclaim any responsibility for it and you should not rely on it. Accordingly, you should rely solely upon the information contained in this Prospectus, the application forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. By applying to purchase the Offer Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than the information contained in this Prospectus and the Application Forms.

WAIVER FROM HONG KONG FINANCIAL DISCLOSURE REQUIREMENTS

Rule 4.10 of the Listing Rules states that the information to be disclosed in respect of Rules 4.04 to 4.09 must be in accordance with best practice under the Hong Kong Companies Ordinance and Hong Kong Financial Reporting Standards, IFRS or China Accounting Standards for Business Enterprises in the case of PRC issuers, and, in the case of banking companies, the "Financial Disclosure by Locally Incorporated Authorized Institutions" ("**FD-1**") from the Supervisory Policy Manual issued by the Hong Kong Monetary Authority ("**HKMA**").

The Banking Disclosure Rules issued by the HKMA replace, inter alia, FD-1 and are applicable to relevant authorized institutions from the beginning of its first financial year commencing on or after January 1, 2007. As we are engaged in banking activities, thus pursuant to Rule 4.10 of the Listing Rules, the financial information to be disclosed in this prospectus should include information that is required to be disclosed in respect of those specific matters under the Banking Disclosure Rules.

We are currently unable to provide certain disclosures required by the Banking Disclosure Rules as described below because such information is currently not available. We believe that the financial disclosures which we are currently unable to provide are immaterial to potential investors of the Global Offering. However, we will endeavor to collect the relevant information so that we will be in a position to provide such required disclosures under the Banking Disclosure Rules within a reasonable time in the future, as outlined below. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 4.10 of the Listing Rules to the extent our disclosure does not fully comply with the Banking Disclosure Rules and the Hong Kong Companies Ordinance.

Position of our Bank in relation to disclosures under the Banking Disclosure Rules

Section Number	Disclosure Requirements	Reason for a Waiver in relation to the Specific Disclosure	Expected Timing for Full Compliance
47(3)	(3) Where an authorized institution's total amount of loans and advances to a counterparty type, or to a sector which has been classified by the institution as an industry sector, constitutes not less than 10% of the institution's total amount of loans and advances, the institution shall, in respect of that counterparty type or industry sector, as the case may be, disclose — (a) the amount of impaired loans and advances which are individually determined to be impaired and, if available, overdue loans and advances, set out separately; (b) the amounts of specific provisions and collective provisions; and (c) the amount of new provisions charged to profit and loss, and the amount of impaired loans and advances written off during the annual reporting period.	Our Bank did not maintain such data for specific industry sector. The information is maintained for all loans and advances to customers.	Going forward, our Bank commits to collect the relevant information and will be able to disclose these amounts for the year ending December 31, 2014.

Section Number	Disclosure Requirements	Reason for a Waiver in relation to the Specific Disclosure	Expected Timing for Full Compliance
48(3)	(3) An authorized institution shall disclose — (a) a description of any collateral held in respect of its overdue loans and advances and any other forms of credit risk mitigation and, unless impracticable, an estimate of the fair value of such collateral or such other forms of credit risk mitigation.	Our Bank did not maintain such data for specific industry sector. The information is maintained for all loans and advances to customers.	Going forward, our Bank commits to collect the relevant information and will be able to disclose these amounts for the year ending December 31, 2014.

According to Paragraph 13(1)(g) of the Tenth Schedule to the Hong Kong Companies Ordinance, an issuer requires separate disclosure of interest income from listed and unlisted equity investments. We did not segregate the amount of interest income as such, however we disclosed the total amount of interest income from investment in Note 5 to the financial information included in the Accountant's Report in Appendix I to this prospectus. We expect to be able to make relevant disclosure according to the separate categories as prescribed for the year ending December 31, 2014.

Further to the above, as a financial institution incorporated and based in the PRC, we are required to comply with the requirements promulgated by the CBRC and the PBOC.

Certain provisions in the Banking Disclosure Rules require disclosure in respect of our capital base (in particular, relating to our capital adequacy/shortfall), cross border claims, liquidity ratios, PRC exposures to non-bank counterparties and credit risks. We have maintained and compiled data in such respects in accordance with the similar regulatory requirements of the CBRC and the PBOC. While we believe that the CBRC and PBOC requirements are similar to the requirements of the Banking Disclosure Rules, the two regimes are slightly different. If we were to attempt to comply with such items under the Banking Disclosure Rules in parallel with the CBRC and PBOC regulations, we would be required to carry out unnecessary additional work to compile similar information already required and maintained in accordance with the CBRC and PBOC regulations, and produce duplicative data for the purpose of the Banking Disclosure Rules.

In such circumstances, given that there are comparable CBRC and PBOC regulations covering the requirements of such items under the Banking Disclosure Rules, we propose to disclose information which complies with the CBRC and PBOC regulations in this regard instead of strictly following the disclosure regime provided for under the Banking Disclosure Rules.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of our Bank must be an individual who by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a member of The Hong Kong Institute of Chartered Secretaries;
- a solicitor or barrister as defined in the Legal Practitioners Ordinance (Cap. 159 of the Laws of Hong Kong); or
- a certified public accountant as defined in the Professional Accountants Ordinance (Cap. 50 of the Laws of Hong Kong).

We have appointed Mr. Zhou Wenfeng ("**Mr. Zhou**") as one of the joint company secretaries. Mr. Zhou joined our Bank in 2003 and has extensive knowledge about the business operations and corporate culture of our Bank. However, Mr. Zhou does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. As a result, we have appointed Ms. Ho Wing Tsz Wendy ("**Ms. Ho**"), who meets the requirements under Rule 3.28 of the Listing Rules, to act as another joint company secretary and to provide assistance to Mr. Zhou for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Ho will work closely with Mr. Zhou to jointly discharge the duties and responsibilities as company secretary and assist Mr. Zhou to acquire the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Mr. Zhou will attend relevant trainings to enhance and improve his knowledge of and familiarity with the Listing Rules and other relevant law, rules and regulations.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, preliminarily determined for an initial period of three years from the Listing Date, provided that Ms. Ho is engaged as a joint company secretary and provides assistance to Mr. Zhou during this period. Upon expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Zhou to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We and Mr. Zhou would then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Zhou, having had the benefit of Ms. Ho's assistance, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules, so that a further waiver would no longer be necessary.

WAIVER IN RELATION TO MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive directors must be ordinarily resident in Hong Kong. Since substantially all of the business operations of our Bank are outside of Hong Kong, and substantially all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules subject to the following conditions:

(a) We have appointed Ms. Ni Yuemin, an executive Director of our Bank, and Mr. Zhou Wenfeng, one of the joint company secretaries of our Bank, as authorized representatives for the purpose of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Hong Kong Stock Exchange. We have provided the Hong Kong Stock Exchange with the contact details of these authorized representatives, and they can be readily contactable in Hong Kong to deal promptly with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. As and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters, each of these authorized representatives will have means to contact all of the Directors promptly at all times. We will implement such measures that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to these authorized representatives; and (ii) in the event that a Director expects to travel and or otherwise be out of the office, he or she will provide the phone number of the place of his or her accommodation to these authorized representatives.

(b) We have provided the Hong Kong Stock Exchange with the contact details of each Director to facilitate communication with the Hong Kong Stock Exchange. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Hong Kong Stock Exchange within a reasonable period.

(c) We have appointed a compliance advisor pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Hong Kong Stock Exchange, and the representative(s) of the compliance advisor will be fully available to answer enquiries from the Hong Kong Stock Exchange. The compliance advisor will have access at all times to the authorized representatives, the Directors and the other senior management of our Bank to ensure that it is in a position to provide prompt responses to any queries or requests from the Hong Kong Stock Exchange in respect of our Bank.

WAIVER IN RELATION TO SUBSCRIPTION FOR H SHARES BY EXISTING SHAREHOLDERS

Rules 10.03 and 10.04 of the Listing Rules provide that directors of an issuer and their associates or existing shareholders of an issuer may only subscribe for or purchase securities of the issuer if: (i) such securities are not offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 to the Listing Rules prohibits allocation of shares in a global offering to directors or existing shareholders of the applicant or their associates, whether in their own names or through nominees, unless the conditions in Rules 10.03 and 10.04 of the Listing Rules are fulfilled or prior written consent of the Hong Kong Stock Exchange has been obtained.

Pursuant to the strategic co-operation agreement dated April 4, 2007 and a supplement agreement to the strategic co-operation agreement dated July 11, 2013 between Dah Sing Bank and us, Dah Sing Bank intends to exercise its anti-dilution right under the strategic co-operation agreement to subscribe, in connection with the Global Offering at the Offer Price, for additional number of H Shares with an aggregate subscription amount of not more than HK$330 million pursuant to the supplemental agreement and subject to the conditions therein. See "Our History, Restructuring and Operational Reform — Strategic Investment by Dah Sing Bank".

In addition, we entered into subscription agreements with certain then existing shareholders including Yufu on November 30, 2012. Pursuant to the subscription agreement entered into between Yufu and us (the "**Subscription Agreement**"), subject to obtaining any necessary approvals from relevant PRC authorities, we have agreed to issue, and Yufu has agreed to subscribe for, additional shares to be issued by us in the amount of 52,300,000 shares at the subscription price of RMB5.00 per share to maintain its shareholding in our Bank. In light of the proposed listing of our H Shares on the Hong Kong Stock Exchange, the parties have agreed to suspend the proposed issuance of new shares under the Subscription Agreement and accordingly Yufu has indicated its intention to subscribe for H Shares in the Global Offering to give effect to its subscription right under the Subscription Agreement. Yufu intends to subscribe, in connection with the Global Offering at the Offer Price, for such number of H Shares with an aggregate subscription amount of not more than HK$330 million, by itself (in its own name or the name of a trustee) or through a wholly-owned subsidiary, to maintain its status as the Bank's single largest shareholder at the direction of Chongqing SASAC.

Given that:

(a) each of Dah Sing Bank and Yufu will subscribe for the additional H Shares at the Offer Price and on the same terms and conditions as when the H Shares are to be offered to other investors pursuant to the Global Offering;

(b) the subscriptions by each of Dah Sing Bank and Yufu shall form part of the International Offering, which will not have an impact on the shares to be offered to public investors in Hong Kong under the Hong Kong Public Offering;

(c) each of Dah Sing Bank and Yufu has agreed to a lock up period of three years commencing on the Listing Date, which are longer than that required under Rule 10.07 of the Listing Rules;

(d) the subscription right of Dah Sing Bank is a pre-existing contractual arrangement between Dah Sing Bank and us, the negotiation of which began in 2007 on an arm's length basis, and therefore the subscription is for the purpose of giving effect to such pre-existing arrangement;

(e) the subscription by Yufu is necessary to maintain its status as the Bank's single largest shareholder pursuant to the directive of Chongqing SASAC;

(f) the subscription right of Yufu under the Subscription Agreement is a pre-existing contractual arrangement and the subscription is for the purpose of giving effect to commercial intention and agreement of the parties under the Subscription Agreement; and

(g) the subscriptions by Dah Sing Bank and Yufu will facilitate the marketing of, and boost investors' confidence in, the Global Offering,

we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 10.03 and 10.04 of the Listing Rules and paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the proposed subscriptions by Dah Sing Bank and Yufu.

As the listing of our H Shares and the Global Offering have been approved by the relevant regulatory authorities in the PRC and the Hong Kong Stock Exchange has granted a waiver in respect of the subscriptions of H Shares by each of Dah Sing Bank and Yufu which will form part of the Global Offering, the subscriptions by Dah Sing Bank and Yufu of H Shares in the International Offering have already complied with the relevant PRC regulatory requirements. Yufu or its wholly-owned subsidiary may pledge or charge any H Shares beneficially owned by it in favor of a financial institution for a commercial loan. Details of the final allocation, including the number of H Shares allocated, to Dah Sing Bank and Yufu or Yufu's wholly-owned subsidiary will be disclosed in the allotment results announcement for the Global Offering.

Lifan would be permitted to apply for H Shares in the Global Offering subject to the following conditions:

(i) there is insufficient demand for the Global Offering (including both the Hong Kong Public Offering and the International Offering), and is not fully subscribed for minimum Offer Price;

(ii) compliance with the minimum public float percentage of 15% (or a higher percentage after the exercise of the Over-Allotment Option) as accepted by the Hong Kong Stock Exchange should be achieved; and

(iii) information on the amount of H Shares allocated to Lifan would be disclosed in the allotment results announcement and the placees lists to be submitted to the Hong Kong Stock Exchange before listing.

Subscription by Minority Existing Shareholders

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules and paragraph 5(2) of Appendix 6 to the Listing Rules in respect of proposed placing of H Shares in the International Offering to certain minority existing shareholders of the Bank.

The above waiver has been granted by the Hong Kong Stock Exchange on the conditions that:

(i) none of the minority existing shareholders (together with their respective associates) individually holds more than 1% of the Bank's issued share capital immediately before the completion of the Global Offering;

(ii) the minority existing shareholders and their associates are not connected persons to the Bank, and will not become connected persons to the Bank upon the completion of the Global Offering. Therefore, it will not negatively impact the Bank's ability to meet the minimum public float requirement of 15% (or a higher percentage after the exercise of the Over-Allotment Option) as accepted by the Hong Kong Stock Exchange;

(iii) none of the minority existing shareholders or their associates have any representation on the Board of Directors and they will not have influence over the terms of the subscription or share allocation process; and

(iv) no preferential treatment will be given to the minority existing shareholders and their associates in the allocation process.

WAIVER IN RELATION TO PUBLIC FLOAT

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange agreed to exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of our Bank of the highest of:

(a) 15%;

(b) such percentage immediately upon completion of the Global Offering; or

(c) such percentage after the exercise of the Over-Allotment Option (if any),

of the enlarged issued share capital of our Bank, on the condition that the expected market capitalization of the Bank at the time of listing exceeds HK$10 billion.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our measures and initiatives to implement these strategies;
- our dividend policy;
- any capital expenditure plans;
- our business, operations and prospects, including development plans for our existing and new businesses, products and services;
- trends in interest rates, exchange rates, prices, volumes, margins and asset quality; and
- the future development and competitive environment for the banking industry in Chongqing, Western China and the PRC.

The words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "seek," "will," "would" and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of various factors, including, without limitation, the matters set forth under the section entitled "Risk Factors" of this prospectus and the following:

- any changes in laws, rules, regulations or government policies;
- general economic, market and business conditions in Chongqing, Western China or the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- competition;
- changes in our strategies;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of the Listing Rules or applicable law, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the future events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Hong Kong Companies Ordinance and the Hong Kong Securities and Futures Ordinance for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC AND CBRC APPROVALS

We have received approval from the CSRC, and have obtained approval from the CBRC, for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange, on September 29, 2013 and June 7, 2013, respectively. In granting such approval, neither the CSRC nor the CBRC accepts any responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. The Global Offering is managed by the Joint Bookrunners. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about October 31, 2013, subject to determination of the pricing of the Offer Shares. If, for any reason, the Offer Price is not agreed among us (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) by November 4, 2013, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. For further details about the Underwriters and the underwriting arrangements, see "Underwriting — Hong Kong Public Offering" in this prospectus.

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

Each person acquiring the Offer Shares will be required to confirm, or by his acquisition of the Offer Shares will be deemed to confirm, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or exemption therefrom. In particular, the Offer Shares have not been offered and sold, will not be offered or sold, directly or indirectly, in the PRC.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares including: (i) any H Shares which may be issued by our Bank pursuant to the Global Offering and upon the exercise of the Over-Allotment Option; (ii) the H Shares converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering and upon the exercise of the Over-Allotment Option; (iii) the H Shares converted from Domestic Shares and transferred to the NSSF; and (iv) the H Shares converted from the Unlisted Foreign Shares held by Dah Sing Bank. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on November 6, 2013.

Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized securities approval authorities of the State Council and after satisfying certain procedural requirements.

Except as otherwise disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H Share Register and Stamp Duty

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty. See "Appendix VII — Taxation and Foreign Exchange" in this prospectus.

Dividends Payable to Holders of H Shares

Unless determined otherwise by our Bank, dividends payable in Hong Kong dollars in respect of H Shares will be paid to Shareholders as recorded in our H Share register, and sent by ordinary post, at the Shareholders' own risk, to the registered address of each Shareholder.

Professional Tax Advice Recommended

Applicants for the Hong Kong Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the H Shares. It is emphasized that neither we nor the Selling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, nor their respective directors, nor any other person or party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of H Shares resulting from the subscription, purchase, holding, disposal of, dealing in, or exercise of any rights in relation to, the H Shares.

Registration of Subscription, Purchase and Transfer of H Shares

We have instructed Computershare Hong Kong Investor Services Limited, the H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Hong Kong Companies Ordinance, the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws, rules and regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See "Appendix V — Summary of Certain Legal and Regulatory Matters" and "Appendix VI — Summary of Articles of Association" to this prospectus;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his behalf with each of our Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates (as such term is defined in the Listing Rules) of any of the Directors of our Bank or an existing Shareholder of our Bank or a nominee of any of the foregoing.

Procedure for Application for Hong Kong Offer Shares

The procedure for applying for Hong Kong Offer Shares is set forth in the section entitled "How to Apply for Hong Kong Offer Shares" of this prospectus and the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section entitled "Structure of the Global Offering" of this prospectus.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Over-Allotment Option and the stabilization are set forth in the section entitled "Underwriting" of this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into U.S. dollars was made at the rate of RMB6.1204 to US$1.00, the noon buying rate in effect on October 11, 2013 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the "**Federal Reserve Board**") dated October 15, 2013; the translation of Hong Kong dollars into U.S. dollars was made at the rate of HK$7.7541 to US$1.00, the noon buying rate in effect on October 11, 2013 as set forth in the H.10 weekly statistical release of the Federal Reserve Board dated October 15, 2013; and the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.79128 to HK$1.00, the median rate set by the PBOC for foreign exchange transactions prevailing on October 21, 2013. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Further information on exchange rates is set forth in "Appendix VII — Taxation and Foreign Exchange" to this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand , one million or a hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

SELLING SHAREHOLDERS

Name	Address
Chongqing Land Group	No. 61, Changjiang Yi Road Yuzhong District Chongqing China
Chongqing Water Conservancy Investment Group Co., Ltd	No. 2, Caifu Avenue Yubei District Chongqing China

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. GAN Weimin (甘為民), Chairman	#11-1, No.14 Bang Yu Hua Yuan Jiangbei District Chongqing, PRC	Chinese
Mr. RAN Hailing (冉海陵)	#8-1, Unit 2 No.16 Bang Yu Hua Yuan Jiangbei District Chongqing, PRC	Chinese
Ms. NI Yuemin (倪月敏)	#8-6, No.137 Hua Xin Village Jiangbei District Chongqing, PRC	Chinese
Mr. ZHAN Wanghua (詹旺華)	2G, No.7 Tianjian Century Garden No.6015 Hongli Road Futian District Shenzhen Guangdong, PRC	Chinese
Non-executive Directors		
Mr. WONG Hon Hing (黃漢興), Vice Chairman	Room A, 31/F Tower 5 Phase 1 - South Residence Bel-air 28 Bel-air Ave Hong Kong	Chinese
Mr. YIN Mingshan (尹明善)	No.1-31, Jinshan Road Yubei District Chongqing, PRC	Chinese

Name	Residential Address	Nationality
Mr. XIANG Li (向立)	#17-7, No. 1 Min An Yuan Yuzhong District Chongqing, PRC	Chinese
Mr. QIN Wei (覃偉)	#31-5, No.130 Jialingjiang Binjiang Road Yuzhong District Chongqing, PRC	Chinese
Mr. DENG Yong (鄧勇)	No.528 Bei Bin Yi Lu Jiangbei District Chongqing, PRC	Chinese
Ms. LV Wei (呂維)	No.150 Jie Fang Xi Lu Yuzhong District Chongqing, PRC	Chinese
Independent Non-executive Directors		
Dr. ZHANG Weiguo (張衛國)	No.91-9, Donglin Village Shapingba District Chongqing, PRC	Chinese
Dr. SUN Fangcheng (孫芳城)	#2-8-1, Block 44 Jian Gong Er Cun, Yang Jia Ping Jiulongpo District Chongqing, PRC	Chinese
Mr. HAN Deyun (韓德雲)	#21-5, Unit 2 9 Sixin Road Yuzhong District Chongqing, PRC	Chinese
Mr. LI He (李和)	1401, Bao Li Xin Yu Zi An Ye Zhi Hu Xi Lu Hongshan District Wuhan, PRC	Chinese
Mr. TO Koon Man Henry (杜冠文)	Flat D, 14/F Pearl Gardens No.7, Conduit Road Hong Kong	Canadian

SUPERVISORS

Name	Residential Address	Nationality
Ms. MA Qianzhen (馬千真)	#15-3, No.129 Yujian Village Yuzhong District Chongqing, PRC	Chinese
Mr. HUANG Changsheng (黃常勝)	No.47 Xiaolongkan New Street Shapingba District Chongqing, PRC	Chinese
Ms. WAN Jiayu (萬嘉妤)	#13-1, Unit 5 No.68, Xingsheng Road Jiulongpo District Chongqing, PRC	Chinese
Mr. LIN Min (林敏)	#5-5, Block 3 No.2, Longjiawan Yuzhong District Chongqing, PRC	Chinese
Mr. SI Houchun (司厚春)	#14-1, Unit 5 Block 14 No.100, Jintong Road Yubei District Chongqing, PRC	Chinese
Mr. LIU Xingyu (劉興域)	No.168 Shiyang Road Jiulongpo District Chongqing, PRC	Chinese
Mr. ZHOU Yongkang (周永康)	#5-11, No.30 Linjiang Branch Road Yuzhong District Chongqing, PRC	Chinese
Ms. WEN Yuping (文玉萍)	#6-5, Block 4 No.69, Ziyuan Road Yubei District Chongqing, PRC	Chinese
Mr. CHEN Zhengsheng (陳正生)	#14-5, No.9 Linjiang Branch Road Yuzhong District Chongqing, PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Morgan Stanley Asia Limited Level 46 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Bookrunners	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	ABCI Capital Limited Room 701, 7/F, One Pacific Place 88 Queensway Hong Kong
	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong

Joint Lead Managers	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	ABCI Securities Company Limited Room 701, 7/F, One Pacific Place 88 Queensway Hong Kong
	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
Legal Advisors to the Bank	*As to Hong Kong and United States law:* Sullivan & Cromwell 28th Floor Nine Queen's Road Central Hong Kong
	As to PRC law: C&T Partners 5th Floor, Jindie Technology Zone 532-2 East Zhongshan Road Nanjing, PRC
Legal Advisors to the Sole Sponsor, the Hong Kong Underwriters and the International Underwriters	*As to Hong Kong and United States law:* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square Central Hong Kong
	As to PRC law: Haiwen & Partners 21st Floor, Beijing Silver Tower 2 Dong San Huan North Road Chaoyang District Beijing, PRC

Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong
Receiving Banks	Industrial and Commercial Bank of China (Asia) Limited 33/F ICBC Tower 3 Garden Road Central Hong Kong
	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong
	Dah Sing Bank, Limited 36th Floor, Dah Sing Financial Centre 108 Gloucester Road Hong Kong

CORPORATE INFORMATION

Registered Address and Address of Head Office	No. 153 Zourong Road Yuzhong District Chongqing
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Website Address	http://www.cqcbank.com (The contents of the website do not form a part of this prospectus)
Joint Company Secretaries	Mr. ZHOU Wenfeng Ms. HO Wing Tsz Wendy *(Fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administration in the United Kingdom)*
Board Committees	**Audit Committee** Dr. SUN Fangcheng (Chairman) Mr. DENG Yong Mr. LI He Ms. LV Wei Mr. TO Koon Man Henry
	Remuneration and Nomination Committee Dr. ZHANG Weiguo (Chairman) Mr. YIN Mingshan Dr. SUN Fangcheng Ms. LV Wei Mr. HAN Deyun
	Connected Transactions Control Committee Mr. HAN Deyun (Chairman) Dr. SUN Fangcheng Mr. LI He Mr. TO Koon Man Henry Dr. ZHANG Weiguo
	Information Technology Guidance Committee Mr. WONG Hon Hing (Chairman) Mr. RAN Hailing Dr. ZHANG Weiguo Ms. NI Yuemin Mr. ZHAN Wanghua

	Risk Management Committee Mr. LI He (Chairman) Mr. GAN Weimin Mr. RAN Hailing Mr. TO Koon Man Henry Mr. ZHAN Wanghua
	Strategic Committee Mr. GAN Weimin (Chairman) Mr. YIN Mingshan Mr. RAN Hailing Mr. XIANG Li Ms. NI Yuemin Mr. WONG Hon Hing Mr. QIN Wei
Authorized Representatives	Ms. NI Yuemin Mr. ZHOU Wenfeng
Compliance Advisor	**Anglo Chinese Corporate Finance, Limited** 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

This section has been prepared based on information obtained from public sources. We have taken reasonable care in extracting and reproducing such information. We, the Selling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our or their respective affiliates or advisors or any other party involved in the Global Offering have not independently verified, and make no representation as to, the accuracy of the information from official government or other third party sources. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the official government and other third party sources contained herein may not be accurate and should not be unduly relied upon. In addition, certain financial data contained in this section, including data relating to us, may have been prepared in accordance with PRC GAAP, and differ from our financial data prepared in accordance with IFRS and presented elsewhere in this prospectus.

OVERVIEW

Economy of the PRC

The PRC economy has grown significantly over the past three decades largely as a result of the PRC government's extensive economic reforms. In 2010, the PRC became the world's second-largest economy, after only the United States. According to the National Bureau of Statistics of China, the PRC's nominal GDP grew at a CAGR of 13.4% between 2008 and 2012, and nominal GDP reached RMB51.9 trillion in 2012.

The PRC banking industry has also experienced significant growth in recent years, driven by the rapid growth of the PRC economy. PRC commercial banks have been the primary choice for domestic savings in the PRC and the principal providers of financing for commercial enterprises. According to the PBOC, bank loans and acceptance bills accounted for 64.6% of the aggregate financing of the economy in 2012, while other financing channels including bonds, entrusted loans, trust loans and equity instruments accounted for 35.4% of the aggregate financing of the economy. Total RMB-denominated loans and total RMB-denominated deposits of the PRC banking industry have increased at a CAGR of 20.0% and 18.4%, respectively, from December 31, 2008 to December 31, 2012. The following table sets forth the total RMB-denominated loans and deposits and the total foreign currency-denominated loans and deposits in the PRC banking industry as of the dates indicated:

	As of December 31,					
	2008	2009	2010	2011	2012	CAGR (2008-2012)
Total RMB-denominated loans (in billions of RMB)	30,340	39,970	47,920	54,795	62,991	20.0%
Total RMB-denominated deposits (in billions of RMB)	46,620	59,774	71,824	80,937	91,740	18.4%
Total foreign currency-denominated loans (in billions of US$)	244	380	453	539	684	29.4%
Total foreign currency-denominated deposits (in billions of US$)	179	209	229	275	406	22.7%

Source: PBOC.

Economy of Chongqing and Western China

Chongqing is the largest in size and the most populous among the four directly administered municipalities in the PRC, covering an area of 82,400 square kilometers with a residential population of over 30 million. At present, Chongqing has been approved by the PRC government as a trial area for China's Coordinated Urban and Rural Development Comprehensive Reform (全國統籌城鄉綜合配套改革試驗區) and also designated as one of the five national central cities (國家中心城市) together with Beijing, Shanghai, Tianjin and Guangzhou.

In recent years, due to the Go West Strategy implemented by the PRC government and the rising production costs in coastal areas of eastern China, industries in eastern China are in the process of gradually relocating to Western China, and Chongqing also takes advantage of this relocation. In June 2010, the Liangjiang New Area was established in Chongqing, becoming the third national economic area after the Shanghai Pudong New Area and the Tianjin Binhai New Area, as well as the only national economic area (國家級新區) in the interior of China. In 2012, the GDP of Liangjiang New Area reached about RMB150 billion, and has grown at a rate higher than that of the Shanghai Pudong New Area or the Tianjin Binhai New Area. With the establishment of the Liangjiang New Area, Chongqing has built up a number of pillar industries, such as information technology, automobile, high-value equipment, aeronautics and biomedical industries, and clusters of upstream and downstream industries. Benefiting from a number of favorable policies, such as the establishment of the Liangjiang New Area, the New Village Movement (新農村建設) and the Coordinated Development of Rural and Urban Areas (城鄉統籌發展), Chongqing has witnessed accelerated economic growth over the past five years. From 2008 to 2012, Chongqing's nominal GDP grew at a CAGR of 18.6%, which is higher than the 13.4% CAGR of national nominal GDP for the same period.

The Chongqing municipal government has been actively developing Chongqing into an economic and financial center in the upper reaches of the Yangtze River, and the development of Chongqing's financial industry has achieved significant progress and has increasingly contributed to Chongqing's overall economic growth. In 2011, the added value of Chongqing's financial industry accounted for over 7% of Chongqing's GDP, and this percentage ranked third in China, only after Beijing and Shanghai. In 2012, the added value of Chongqing's financial industry as a percentage of Chongqing's GDP further increased to 8%. From 2008 to 2012, Chongqing's banking sector expanded at a CAGR of 25.7% in terms of total loans and 24.4% in terms of total deposits, which is higher than the overall PRC market's CAGR of 20.0% in terms of total loans and 18.4% in terms of total deposits for the same period. Moreover, as a result of Chongqing's healthy economy, the average non-performing loan ratio of Chongqing's banking sector as of December 31, 2012 was 0.46%, which was the lowest among cities in China, and much lower than the overall non-performing loan ratio of 0.98% for all PRC domestic commercial banks as of the same date. In 2012, Chongqing's banking penetration, measured as total loans over GDP, was 136%, lower than 243% in Beijing, 204% in Shanghai and 143% in Tianjin during the same period, which signified a significant growth potential in Chongqing's banking sector.

COMPETITIVE LANDSCAPE

Current Competitive Landscape of the PRC Banking Industry

Banking institutions in the PRC are generally divided into six broad categories: Large Commercial Banks, Joint Stock Commercial Banks, city commercial banks, rural cooperative financial institutions, foreign financial institutions and other banking institutions. The following table sets forth the number of institutions, total assets, shareholders' equity and net profit of different categories of financial institutions in the PRC as of or for the period indicated and the corresponding market share data:

	As of December 31, 2012						
	Number of legal entity institutions	Total assets		Shareholders' equity		Net profit	
		Total amount	Market share	Total amount	Market share	Total amount	Market share
	(in billions of RMB, except number of institutions and percentages)						
Large Commercial Banks[1]	5	60,040	44.9%	3,952	45.6%	755	49.9%
Joint Stock Commercial Banks[2]	12	23,527	17.6	1,314	15.2	253	16.7
City commercial banks	144	12,347	9.2	808	9.3	137	9.1
Rural cooperative financial institutions[3]	2,411	15,512	11.6	996	11.5	161	10.6
Foreign financial institutions[4]	42	2,380	1.8	256	2.9	16	1.1
Other banking institutions[5]	1,133	19,798	14.8	1,343	15.5	190	12.6
Total	3,747	133,622	100.0%	8,671	100.0%	1,512	100.0%

Source: China Banking Regulatory Commission 2012 Annual Report.

(1) Consist of Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China and Bank of Communications.

(2) Consist of China Merchants Bank, China CITIC Bank, Shanghai Pudong Development Bank, China Everbright Bank, Industrial Bank, China Guangfa Bank, China Minsheng Bank, Hua Xia Bank, Ping An Bank, Evergrowing Bank, China Zheshang Bank and China Bohai Bank.

(3) Consist of rural credit cooperatives, rural commercial banks and rural cooperative banks.

(4) Consist of representative offices and branches of foreign banks, foreign-owned banks and sino-foreign joint-venture banks.

(5) Consist of policy banks, China Development Bank, the Postal Savings Bank of China and other non-bank financial institutions, including banking asset management companies, finance companies affiliated to corporate enterprises, consumer finance companies, trust companies, financial leasing companies, money brokerage firms, auto financing companies, village or township banks, lending companies and rural mutual cooperatives.

Large Commercial Banks

Large Commercial Banks play a major role in the PRC banking industry. As of the date of this prospectus, all of the Large Commercial Banks have become joint stock companies through restructuring and are listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

Joint Stock Commercial Banks

As of December 31, 2012, there were 12 Joint Stock Commercial Banks in the PRC. The Joint Stock Commercial Banks are licensed to engage in commercial banking activities nationwide and have played an increasingly important role in the PRC banking industry. Most of the Joint Stock Commercial Banks were established in the late 1980s or the early 1990s, and they have gradually increased their collective market share.

City Commercial Banks

City commercial banks are generally permitted to engage in commercial banking activities within their respective designated geographic areas. Some of the city commercial banks in the PRC have established cross-region branches operating in other cities. After a series of restructurings and consolidations, there were 144 city commercial banks in the PRC as of December 31, 2012.

Rural Cooperative Financial Institutions

Rural cooperative financial institutions include rural commercial banks, rural cooperative banks and rural credit cooperatives. These financial institutions provide a limited range of banking products and services, including personal deposit, lending and settlement services, to small enterprises and local residents in rural areas.

Foreign Financial Institutions

Foreign financial institutions include representative offices and branches of foreign banks, foreign-owned banks and sino-foreign joint-venture banks. Foreign banks in the PRC were initially subject to certain restrictions on RMB-denominated businesses in terms of geographic presence, customer segment and business scope, which were relaxed by the CBRC at the end of 2006.

Other Banking Institutions

Other banking institutions include policy banks (i.e., PRC government-established banks focusing on lending to government-sponsored projects), China Development Bank, the Postal Savings Bank of China, banking asset management companies, trust companies, consumer finance companies, finance companies affiliated with corporate enterprises, financial leasing companies, auto financing companies, money brokerage firms, village or township banks, lending companies and rural mutual cooperatives. Since the end of 2006, the CBRC has introduced a series of policies and measures to encourage the establishment of non-traditional rural financial institutions, such as village or township banks, lending companies and rural mutual cooperatives, in rural areas.

Current Competitive Landscape of the Chongqing Banking Industry

The following table sets forth the total assets, total deposits and total loans of the different categories of banking institutions in the Chongqing banking industry and the corresponding market share data as of the dates indicated below:

	As of June 30, 2013					
	Total assets		Total deposits		Total loans	
	Amount	Market share	Amount	Market share	Amount	Market share
	(in billions of RMB, except percentages)					
Large Commercial Banks[(1)]	1,015.2	32.7%	932.6	42.3%	757.8	43.8%
Joint Stock Commercial Banks[(2)]	748.8	24.1	483.0	21.9	333.6	19.3
City commercial banks[(3)]	323.7	10.4	225.8	10.2	115.3	6.7
Rural commercial banks[(4)]	485.5	15.6	336.1	15.2	188.3	10.9
Foreign commercial banks[(5)]	22.3	0.7	11.6	0.5	16.0	0.9
Other banking institutions[(6)]	513.1	16.5	215.8	9.8	317.8	18.4
Total	3,108.6	100.0%	2,204.9	100.0%	1,728.9	100.0%

Source: CBRC Chongqing Bureau.

(1) Consist of Chongqing branches of Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China and Bank of Communications.

(2) Consist of Chongqing branches of China Merchants Bank, China CITIC Bank, Shanghai Pudong Development Bank, China Everbright Bank, Industrial Bank, China Minsheng Bank, Hua Xia Bank, Ping An Bank, Evergrowing Bank and China Zheshang Bank.

(3) Consist of Bank of Chongqing, Chongqing Three Gorges Bank, and Chongqing branches of Bank of Chengdu, Guangdong Nanyue Bank, Hankou Bank, Harbin Bank, Bank of Dalian, Fudian Bank and Xiamen Bank.

(4) Chongqing Rural Commercial Bank.

(5) Consist of Chongqing representative offices and branches of 13 foreign banks, wholly foreign-owned banks and sino-foreign joint venture banks, including Bank of Nova Scotia, Allied Commercial Bank, HSBC, Standard Chartered Bank, Bank of East Asia, Royal Bank of Scotland, OCBC, Citibank, ANZ Bank, Deutsche Bank, DBS Bank, Sumitomo Mitsui Banking Corporation and Sino-German Bausparkasse.

(6) Consist of policy banks, such as Chongqing branches of China Development Bank and the Postal Savings Bank of China, as well as trust companies, financial leasing companies, finance companies and non-traditional rural financial institutions in Chongqing.

As of June 30, 2013, among the commercial banks in Chongqing, we ranked fifth in terms of total assets, sixth in terms of total deposits, and sixth in terms of total outstanding loans located in the jurisdiction. The total assets, total deposits and total outstanding loans of top 10 commercial banks in Chongqing in terms of total assets located in the jurisdiction as of June 30, 2013 are set forth below:

	As of June 30, 2013					
	Total Assets		Total Deposits		Total Loans	
	Amount	Market Share	Amount	Market Share	Amount	Market Share
	(in billions of RMB, except percentages)					
Chongqing Rural Commercial Bank	485.5	18.7%	336.1	16.9%	188.3	13.3%
Industrial and Commercial Bank of China	280.7	10.8%	253.4	12.7%	217.0	15.4%
Agricultural Bank of China	269.0	10.4%	256.8	12.9%	207.4	14.7%
China Construction Bank	249.9	9.6%	231.9	11.7%	192.4	13.6%
Bank of Chongqing	**158.5**	**6.1%**	**108.1**	**5.4%**	**62.7**	**4.4%**
China Minsheng Bank	137.1	5.3%	118.7	6.0%	90.0	6.4%
Bank of China	125.7	4.8%	61.6	3.1%	56.8	4.0%
Industrial Bank	111.4	4.3%	73.1	3.7%	38.4	2.7%
China CITIC Bank	88.2	3.4%	74.1	3.7%	48.9	3.5%
Hua Xia Bank	79.3	3.1%	52.6	2.6%	34.6	2.5%

Source: CBRC Chongqing Bureau.

Key Performance Indicators

The following is a summary of major profitability indicators of PRC banking institutions for the periods indicated:

	For the year ended December 31,				
	2008	2009	2010	2011	2012
Return on total assets(1)	0.92%	0.84%	0.94%	1.11%	1.13%
Return on equity(2)	15.4%	15.0%	15.4%	17.4%	17.4%

Source: CBRC Annual Reports.

(1) Represents the net profit for the period as a percentage of the balance of total assets at the end of the period.

(2) Represents the net profit for the period as a percentage of the balance of total equity at the end of the period.

The following is a summary of major indicators of PRC commercial banks for the periods indicated:

	For the year ended December 31,				
	2008	2009	2010	2011	2012
Net interest spread	N/A	N/A	2.50%	2.70%	2.75%

	As of December 31,				
	2008	2009	2010	2011	2012
Non-performing loan ratio	2.4%	1.6%	1.1%	1.0%	1.0%
Allowance to non-performing loans	116.6%	153.2%	217.7%	278.1%	295.5%

Source: CBRC Annual Reports.

The following is a summary of major indicators of the banking industry in Chongqing:

	For the year ended December 31,				
	2008	2009	2010	2011	2012
Rate of increase of total loans	23.7%	41.6%	24.2%	20.0%	18.2%
Rate of increase of total deposits	22.4%	36.8%	22.8%	18.5%	20.4%

	As of December 31,				
	2008	2009	2010	2011	2012
Non-performing loan ratio	1.57%	0.90%	0.91%	0.63%	0.46%

Source: PBOC Chongqing Financial Operations Report; CBRC Annual Reports.

PRC BANKING INDUSTRY TRENDS

Enhanced Industry Fundamentals

Since the first conversion of PRC state-owned banks into Joint Stock Commercial Banks in 2003, the PRC banking industry has witnessed a continuous expansion of business scale and significant improvements in corporate governance, risk management, capital adequacy and profitability. According to the CBRC, from 2008 to 2012, total assets of all PRC banking institutions increased by RMB70.5 trillion, representing a CAGR of 20.6%, while shareholders' equity increased by RMB4.9 trillion, representing a CAGR of 23.0%.

Through reducing historical non-performing loans and managing credit risks on new loan extensions, the overall asset quality of PRC banking institutions has improved significantly. According to the CBRC, as of December 31, 2012, total non-performing loans of PRC commercial banks were RMB492.9 billion, compared to RMB563.5 billion as of December 31, 2008. In addition, the overall non-performing loan ratio has decreased to 1.0% as of December 31, 2012 from 2.4% as of December 31, 2008. The capital base of PRC banking institutions also improved substantially, with the capital adequacy ratio of PRC commercial banks increasing from 12.2% as of December 31, 2010 to 13.3% as of December 31, 2012.

Strengthened Regulation and Supervision

In recent years, the CBRC and other supervisory institutions of the PRC have promulgated regulatory measures to strengthen the regulation and supervision of the banking industry. These measures primarily include:

- *Enhanced supervision of capital adequacy levels.* The CBRC issued the Capital Administrative Measures in June 2012 to replace the Capital Adequacy Measures and required commercial banks to achieve the capital adequacy ratio as stipulated by the regulatory requirements by the end of 2018, in compliance with certain special provisions during the transitional period for achieving this target;

- *Enhanced regulations on certain industries and customers*. The CBRC has issued a series of regulations relating to the real property industry and local government financing vehicles, which restricted the level of loans provided to such entities by PRC commercial banks, and required PRC commercial banks to enhance risk management with regard to such entities;

- *Enhanced risk management.* The CBRC has issued a series of risk management guidance opinions and adopted measures to strengthen the supervision of the banking industry in, and to induce the banking industry to, adopt and implement a five-tier loan classification system and risk assessment system, comply with the due diligence requirements in the credit examination process, and strengthen the management of market, liquidity and operational risks while strengthening credit risk management; and

- *Improvement of corporate governance.* The CBRC has encouraged banks to establish corporate governance structures, including a board of directors comprising independent directors, an audit committee, a remuneration and nomination committee and other board committees, as well as a supervisory board. Moreover, the CBRC also requires PRC banking institutions to establish an independent internal audit function supplemented with clear policy and procedures.

For more details on the measures summarized above, please refer to "Supervision and Regulation — PRC Banking Supervision and Regulation Overview". The PRC regulatory authorities will continue to promulgate new laws, rules and regulations in the future to strengthen the regulation and supervision of the banking industry and ensure the healthy development of the PRC banking industry.

Growing Importance of City Commercial Banks

City commercial banks in the PRC have experienced rapid growth in recent years. Furthermore, certain city commercial banks have undergone restructuring, introduced strategic investors or sought initial public offerings in order to increase their capital base. For example, Bank of Nanjing and Bank of Beijing were both listed on the Shanghai Stock Exchange, and Bank of Ningbo was listed on the Shenzhen Stock Exchange, in 2007. Some city commercial banks have actively established operational business across different regions at a rapid pace. In addition, some city commercial banks have begun developing cross-business models in accordance with regulations issued by the CBRC, such as by establishing consumer finance companies and financial leasing companies and investing in equity interests in insurance companies.

According to the CBRC, during 2008 and 2012, each of the total assets, total liabilities and shareholders' equity of city commercial banks grew at a CAGR higher than the corresponding CAGR of all PRC banking institutions. During the same period, the profitability of city commercial banks continued to improve and the return on equity grew from 15.3% in 2008 to 16.9% in 2012. The overall asset quality of city commercial banks also improved significantly, with the overall non-performing loan ratio of city commercial banks decreasing from 2.3% as of December 31, 2008 to 0.8% as of December 31, 2012. The following table sets forth the total assets, total liabilities and shareholders' equity and the corresponding CAGR of different categories of financial institutions in the PRC as of or for the period indicated:

	As of December 31, 2012					
	Total assets		Total liabilities		Shareholders' equity	
	Total amount	CAGR (2008-2012)	Total amount	CAGR (2008-2012)	Total amount	CAGR (2008-2012)
	(in billions of RMB, except percentages)					
Large Commercial Banks	60,040	16.5%	56,088	16.3%	3,952	19.2%
Joint Stock Commercial Banks	23,527	27.7%	22,213	27.5%	1,314	31.4%
City commercial banks	12,347	31.5%	11,540	31.5%	808	31.3%
Rural cooperative financial institutions	15,512	21.4%	14,516	20.9%	996	30.8%
Foreign financial institutions	2,380	15.3%	2,125	15.3%	256	15.8%
Other banking institutions	19,798	21.6%	18,455	21.7%	1,343	20.7%
Total	133,622	20.6%	124,952	20.5%	8,671	23.0%

Source: CBRC.

Non-traditional urbanization is one of the important components of China's Twelfth Five-Year Plan. If city commercial banks are able to capture the opportunities brought by non-traditional urbanization and leverage on their advantages and resources to position themselves in the market, it is possible that the total assets and total profits of city commercial banks will grow at a higher rate than other PRC banking institutions.

Prospects for Small and Micro Enterprises Financing

In recent years, small and micro enterprises in the PRC have developed rapidly in the PRC. According to data from the Development Research Center of the State Council, there were a total of close to 50 million SMEs in China as of December 31, 2012, which contributed to approximately 60% of China's GDP. Meanwhile, loans to small and micro enterprises have also grown rapidly. As of December 31, 2012, the balance of loans to small and micro enterprises was RMB11.6 trillion, which increased 16.6% on a year-over-year basis and represented 28.6% of the balance of loans to all enterprises. With the continued development of the capital markets, large enterprises and group customers are expected to transfer part of their financing from commercial banks to capital markets, while small enterprises will become an increasingly important and stable customer base for commercial banks. Encouraged by state policies and actively supported by PRC banking institutions, it is expected that financing services to small and micro enterprises will become a larger part of the overall business of PRC commercial banks.

Increasing Demand for Personal Finance

There have been significant growth opportunities in the PRC personal finance market due to the increasing consumer demand for more diversified banking products and services, such as residential mortgage loans, credit cards, wealth management services, personal consumer loans and other consumer finance products. The following table sets forth the total domestic personal loans and their percentages of total domestic loans of the PRC for the periods indicated:

	For the year ended December 31,					
	2008	2009	2010	2011	2012	CAGR (2008-2012)
	(in billions of RMB, except percentages)					
Total domestic personal loans......	5,706	8,179	11,254	13,601	16,131	29.7%
As a percentage of total domestic loans.........................	18.8%	20.5%	23.5%	24.8%	25.6%	

Source: PBOC.

In addition to the traditional personal finance business, a prosperous market for wealth management services has emerged over the past few years as a result of the rapid increase in household disposable income and an expanding class of wealthy individuals. In particular, commercial banks in the PRC have started to offer customized and professional services to mid- to high-end customers, such as asset management and wealth management services. Following the establishment of private banking businesses in the PRC by some foreign banks, PRC commercial banks have also started to set up their own private banking departments and increase their market penetration in private banking services to high-net-worth individuals in the PRC.

Further Interest Rate Liberalization

Historically, interest rates on deposits and loans in China were mandated by the PBOC and PRC commercial banks are subject to restrictions established by the PBOC. Consequently, interest rate spread in the PRC is generally wider than other less regulated markets. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalize interest rates and promote a more market-oriented interest rate regime. For example, in June 2012, the PBOC permitted the highest interest rates on deposits to increase from benchmark interest rates to 110% of benchmark interest rates and the lowest interest rates on loans to decrease from 90% of benchmark interest rates to 80% of benchmark interest rates. In July 2012, the PBOC permitted the lowest interest rates on loans to be further decreased from 80% of benchmark interest rates to 70% of benchmark interest rates and, in July 2013, removed the lower limit for interest rates on loans. The widening of the interest rate floating range is an important step towards interest rate liberalization and financial reform, indicating the pace of future interest rate liberalization may be accelerated, and asymmetric interest rates cut may accelerate the competition among banks and narrow the net interest spread. See "Supervision and Regulation — Regulation of Principal Banking Activities — Pricing of Products and Services — Interest Rates for Loans and Deposits."

In addition, interbank interest rates have been largely liberalized. Since its establishment in January 2007, SHIBOR has become an independent benchmark in the interbank market in the PRC. The on-going interest rate liberalization may increase pricing competition in the PRC banking industry but is also expected to encourage PRC commercial banks to develop more market innovative products and services and to adopt risk-based pricing.

PRC BANKING SUPERVISION AND REGULATION OVERVIEW

The banking industry in the PRC is highly regulated. The principal regulatory authorities of the PRC banking industry are the CBRC, the PRC banking industry's primary supervisory and regulatory authority, and the PBOC, the PRC's central bank. The PRC banking industry is also subject to the regulation by the MOF. The principal laws and regulations relating to the PRC banking industry are the PRC Commercial Banking Law (中華人民共和國商業銀行法), the PRC PBOC Law (中華人民共和國中國人民銀行法) and the PRC Banking Supervision and Regulatory Law (中華人民共和國銀行業監督管理法), and the rules and regulations promulgated thereunder.

The current regulatory framework of the PRC banking industry began to emerge in 1995 with the enactment of the PRC PBOC Law and the PRC Commercial Banking Law. The PRC PBOC Law, which was enacted in March 1995, established the scope of responsibilities and the organizational structure of the PBOC, and authorized the PBOC to administer the issuance of Renminbi, implement monetary policies and regulate and supervise the PRC financial industry. The PRC Commercial Banking Law was enacted in May 1995, which laid down the fundamental principles of operations for PRC commercial banks. The CBRC was established in April 2003 as the primary regulator of the PRC banking industry and assumed the majority of the PBOC's regulatory functions. The CBRC was mandated to implement reforms, minimize overall risks, promote stability and development and enhance the international competitiveness of the PRC banking industry. In December 2003, the PRC Commercial Banking Law and the PRC PBOC Law was amended. On February 1, 2004, the Banking Supervision and Regulatory Law came into effect, which sets out the regulatory functions and responsibilities of the CBRC.

PRINCIPAL REGULATORS

The CBRC

Functions and Powers

The CBRC is the principal regulatory authority responsible for the supervision and regulation of banking institutions operating in the PRC, including commercial banks, urban credit cooperatives, rural credit cooperatives, other deposit-taking financial institutions and policy banks, as well as certain non-bank financial institutions, such as financial asset management companies, trust and investment companies, finance companies, financial leasing companies and other financial institutions approved by the CBRC. The CBRC is also responsible for the supervision and regulation of entities established by domestic financial institutions outside the PRC and overseas operations of those entities. According to the PRC Banking Supervision and Regulatory Law and relevant regulations, the CBRC's primary regulatory responsibilities include:

- promulgating rules and regulations governing banking institutions and their activities;
- authorizing the establishment, change and termination of banking institutions and the amendment of their business scope;
- granting banking licenses to commercial banks and their branches;

- regulating the business activities of banking institutions, including the products and services they offer;

- administering qualification requirements for, and approving and overseeing the appointment of, directors and senior managerial personnel of banking institutions;

- setting guidelines and standards for risk management, internal controls, capital adequacy, asset quality, allowance for impairment losses, risk concentration, related party transactions and liquidity requirements for banking institutions;

- conducting on-site inspection and off-site surveillance of the business activities and risk levels of banking institutions;

- imposing corrective and remedial measures for violations of applicable banking regulations; and

- compiling and publishing statistics and reports pertaining to the overall banking industry.

Examination and Supervision

The CBRC, from its headquarters in Beijing and its regional offices throughout the PRC, monitors the operations of banks and their branches through on-site inspection and off-site surveillance. On-site inspection generally entails inspection of a bank's business premises, interviews with its employees, and meetings with senior management and directors to discuss material issues relating to the bank's operations and risk management, as well as inspection of relevant documents and materials kept by the bank. Off-site surveillance generally entails a review of various business reports, financial statements and other reports regularly submitted by the banks to the CBRC.

If a banking institution is not in compliance with an applicable banking regulation, the CBRC is authorized to take enforcement action, including the imposition of fines, suspension of certain business activities, restriction on dividend distributions or asset transfers, and suspension of branch expansion. In extreme cases, or when a commercial bank fails to timely take corrective actions as specified by the CBRC, the CBRC may order the commercial bank to suspend its operations or even revoke its operating license. Moreover, in times of crisis or institutional failure, the CBRC may assume control over or order the restructuring of a banking institution.

In 2009, the CBRC issued the Guiding Opinion on the On-site Inspection of City Commercial Banks (城市商業銀行現場檢查指導意見) and the Guiding Opinion on the Off-site Surveillance of City Commercial Banks (城市商業銀行非現場監管工作指導意見) , detailing the mechanisms and procedures for the on-site inspection and off-site surveillance of city commercial banks.

The PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining stability in the PRC financial markets. According to the PRC PBOC Law and relevant regulations, the PBOC is empowered to: (i) promulgate and implement rules and regulations in relation to its duties; (ii) formulate and implement monetary policies in accordance with laws; (iii) issue Renminbi and administer its circulation; (iv) regulate the PRC financial markets, including the interbank lending market and the interbank bond market; (v) implement foreign exchange controls and regulate the interbank foreign exchange market; (vi) regulate the gold market; (vii) hold and manage state reserves of foreign exchange and gold; (viii) manage the national treasury; (ix) ensure the normal operation of payment and clearing systems; (x) issue anti-money laundering guidelines and monitor fund movements to detect violations of anti-money laundering regulations; and (xi) prepare statistics, surveys, analyses and forecasts on the financial industry.

The MOF

The MOF is authorized to perform duties relating to state finance, tax and state-owned financial assets management. The MOF regulates, among other things, the performance review and compensation systems for senior management of state-controlled banks and conducts appraisals of state-owned assets. The MOF also established and monitors compliance with the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則 — 基本準則) and the Financial Rules for Financial Enterprise (金融企業財務規則), both of which came into effect on January 1, 2007. The MOF is primarily responsible for:

- drafting laws, rules and regulations concerning fiscal, financial and accounting management;
- organizing international negotiations concerning foreign-related finance and debt agreements;
- managing state-owned financial assets and participating in drafting rules governing state-owned financial assets management; and
- monitoring and enforcing various financial and tax rules and policies.

Other Regulatory Authorities

In addition to the above regulators, commercial banks in the PRC are also subject to supervision and regulation by other regulatory authorities, including the SAFE, the CSRC, the CIRC, the NAO, the SAT and the SAIC.

LICENSING REQUIREMENTS

Basic Requirements

The PRC Commercial Banking Law (中華人民共和國商業銀行法) and the Measures for Implementation of Administrative Licensing Matters Concerning Chinese-Funded Commercial Banks (中資商業銀行行政許可事項實施辦法), effective from February 1, 2006, define the business scope of commercial banks and establish licensing standards and other requirements.

The establishment of a commercial bank requires the CBRC's approval and issuance of an operating license. Approval conditions include:

- the articles of association of the proposed commercial bank comply with relevant requirements of the PRC Commercial Banking Law and the PRC Company Law;

- the registered capital of the proposed commercial bank meets the minimum requirement under the PRC Commercial Banking Law, which is RMB1 billion, RMB100 million and RMB50 million for a national commercial bank, a city commercial bank and a rural commercial bank, respectively;

- the directors and the senior management of the proposed commercial bank possess the requisite qualifications, and the proposed commercial bank must have qualified professionals who are familiar with the banking business;

- the organizational structure and management system of the proposed commercial bank are properly established; and

- the business premises, facilities and security measures of the proposed commercial bank comply with relevant safety standards and requirements.

Under the PRC Commercial Banking Law, commercial banks in the PRC are permitted to engage in any or all of the following activities: (i) taking deposits from the public; (ii) making short-term, medium-term and long-term loans; (iii) effecting domestic and overseas payment settlements; (iv) accepting and discounting financial instruments; (v) issuing bonds; (vi) acting as the issuance agency, the cashing agency or the underwriter of government bonds; (vii) trading government bonds and financial institution bonds; (viii) engaging in interbank lending; (ix) engaging in foreign exchange trading as principal or as agent; (x) engaging in bank card business; (xi) providing letters of credit and guarantee services; (xii) collecting and making payment as agent and acting as insurance agent; (xiii) providing safe deposit box services; and (xiv) other businesses approved by the CBRC.

Commercial banks in the PRC are required to stipulate their scope of business in their articles of association and submit their articles of association to the CBRC for approval. Subject to approval by the SAFE, commercial banks may engage in settlement and sales of foreign exchange.

Significant Changes

According to the PRC Commercial Banking Law, commercial banks are required to obtain the CBRC's approval to undertake significant changes, including: (i) change of name; (ii) change of registered capital; (iii) change of location of the head office or of a branch; (iv) change of business scope; (v) change of forms of organization; (vi) acquisition by any investor of an equity interest in the bank that results in the investor becoming a holder of 5% or more of the bank's shares or equity interests, and any change in the shareholder(s) holding 5% or more of the bank's total issued capital or shares; (vii) amendments to the articles of association; (viii) mergers or divisions; and (ix) dissolution and liquidation.

In addition, pursuant to the Measures for the Implementation of Administrative Licensing Matters Concerning Chinese-Funded Commercial Banks, public issuance of shares to overseas investors and overseas listing of a city commercial bank require CBRC approval.

Establishment of Branch Outlets

Domestic Branch Outlets

To establish a domestic branch outlet, a commercial bank must apply to the CBRC or its local offices for approval and issuance of a business license and a banking license. The aggregate amount of operating funds provided by a commercial bank to all of its branches may not exceed 60% of the bank's total capital.

On April 17, 2009, the CBRC issued the Notice on Adjusting the Licensing Policies for the Establishment of Branch Outlets by Small- and Medium-Sized Commercial Banks (for Trial Implementation). According to this notice:

- The establishment of branches and sub-branches by city commercial banks is no longer subject to a working capital requirement. Instead, each city commercial bank may establish branches and sub-branches in accordance with its business development and capital management needs;

- The number of branches and sub-branches of a city commercial bank within the province, autonomous region or directly administered municipality where its business is located is no longer subject to a cap; and

- With regard to the establishment of branches and sub-branches by a city commercial bank in provinces, autonomous regions and directly administered municipalities other than where its business is located, the notice provides for a "Three-Step" principle: i.e., establishment within the province where the business is located before other provinces, establishment within the local economic region before other economic regions, and, finally, expansion throughout the entire country.

Overseas Branch Outlets

The establishment of overseas branch outlets by a commercial bank is subject to the approval of the CBRC. The applying bank must comply with several conditions stipulated by the CBRC: (i) the capital adequacy ratio of the bank may not be lower than 8%; (ii) the balance of equity investments may not be higher than 50% in general (on a consolidated financial report basis of the bank); (iii) the bank must have been profitable for the last 3 consecutive fiscal years; (iv) the assets of the bank at the end of the year before the application is made must exceed RMB100 billion; (v) the bank must have access to lawful and adequate sources of foreign currency; (vi) the bank must have in place good corporate governance and a healthy and effective internal control system; (vii) the major indicators for the bank's prudent control and management must comply with regulatory requirements; and (viii) other prudential requirements stipulated by the CBRC.

REGULATION OF PRINCIPAL BANKING ACTIVITIES

Lending

To control risks relating to the extension of credit, PRC banking regulations require, among other things, that a commercial bank: (i) establish a strict and centralized system for credit risk management; (ii) institute standard operating procedures for each step in the credit extension process, which procedures must at least require the bank to (a) complete due diligence investigations before extending credit, (b) monitor the repayment ability of its borrowers and (c) regularly prepare credit assessment reports; and (iii) appoint qualified risk control personnel to administer these systems and procedures.

The CBRC has issued various regulations addressing loans and credit extended to certain industries and customers, including:

- the Guidelines on Project Financing (項目融資業務指引), which require banking institutions to establish a sound operation flow and risk management mechanism in respect of project financing and direct banking institutions to fully identify and evaluate risks associated with a project's construction and operation periods. The Guidelines on Project Financing also require banking institutions to carefully consider a borrower's repayment capability and to evaluate risks relating to the technical and financial feasibility of the project, as well as repayment sources. In addition, banking institutions must require each borrower to set up a designated account for receipt of all revenues from the relevant project and monitor such accounts and take action in case of unusual activity;

- the Interim Measures on the Administration of Fixed Asset Loans (固定資產貸款管理暫行辦法), which require banking institutions to establish effective internal control and risk management systems in order to monitor the use of the proceeds of fixed asset investment loans and collect customer information. Fixed asset investment projects are required, among other things, to conform to relevant state policies, such as those relating to industries, land and environmental protection, and management procedures with respect to fixed asset investment projects must have been carried out in accordance with applicable law;

- the Interim Measures for the Administration of Working Capital Loans (流動資金貸款管理暫行辦法), which require banking institutions to establish effective internal control and risk management systems in order to monitor the use of working capital loans and collect customer information. Commercial banks are required to take reasonable and prudential measures to compute the actual loan demand of clients and determine loan amounts not exceeding the actual loan demand of clients. Banking institutions are also required to set forth definitive and legitimate purposes for working capital loans. In particular, these loans may not be used for fixed assets investments and equity investments or for areas or purposes prohibited by applicable law;

- the Measures on the Administration of Automobile Loans (汽車貸款管理辦法), or the Automobile Loan Measures, which require commercial banks to establish a credit rating system and a monitoring system for automobile loans. In addition to prescribing certain requirements for automobile loan applications, the Automobile Loan Measures place limits on the permissible size of an automobile loan relative to the price of the vehicle for which the loan is obtained. The measures also require that commercial banks receive separate collateral in addition to the vehicle to secure automobile loans;

- the Interim Measures on the Administration of Personal Loans (個人貸款管理暫行辦法), or the Personal Loan Measures, which require banking institutions to establish an effective process management system and a risk management system for personal loans and specify the purposes for each such loan. The Personal Loan Measures also prescribe certain conditions for personal loan applications, including the requirement that a borrower specify the intended use of proceeds from the loan;

- the Guidelines on the Management of Risks of Credit Extended by Commercial Banks to Group Borrowers (商業銀行集團客戶授信業務風險管理指引), which require commercial banks to establish a risk management system for credit granted to group borrowers and file a written description of the system with the CBRC. If a bank's credit exposure to a single group borrower exceeds 15% of the bank's regulatory capital, the bank is required to adopt measures, such as syndicated loans, joint loans and transfer of loans, to defray the credit risk associated with such loan concentration. The CBRC also has the discretionary authority to lower a bank's permissible credit exposure ratio for single group borrowers;

- the Guidelines on the Management of Risks of Real Estate Credit Extended by Commercial Banks (商業銀行房地產貸款風險管理指引), which require commercial banks to establish standards for reviewing and approving loans secured by real estate, as well as to institute risk management and internal control systems addressing market, legal, and operational risks that arise in connection with real estate loans. In addition, commercial banks are permitted to issue real estate development loans only to borrowers that hold the relevant land use rights certificate and other necessary permits. The CBRC conducts periodic inspections of the implementation by commercial banks of these guidelines;

- the Notice of the General Office of the CBRC on Issues Concerning the Improvement of Housing Financial Services and the Reinforcement of Risk Management (中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知), which requires that, from the date of the issuance of the Notice of the General Office of the State Council on Issues Concerning Further Enforcing the Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), all banking institutions must strictly implement the requirement that the down payment for the second residence of any family may not be less than 60% of the purchase price and the interest rate may not be less than 110% of the then current benchmark interest rate;

- the Notice on Implementing Several Matters relating to the Circular of the State Council on Relevant Issues Concerning Strengthening the Administration on Local Government Financing Vehicles jointly issued by the MOF, NDRC, PBOC and CBRC (財政部、國家發改委、中國人民銀行、中國銀監會關於貫徹國務院加強地方政府融資平台公司管理有關問題的通知相關事項的通知) and the Guidance Opinions of the CBRC on Strengthening the Risk Management of Loans to Financing Vehicles (中國銀監會關於加強融資平台貸款風險管理的指導意見), which require banking institutions to strictly implement pre-loan investigation of local government financing vehicles, prudentially offer loans to local government financing vehicles and give such loans accurate classifications to reflect the risk profile of such loans; and

- the CBRC's 2013 Guidance of Strengthening Risk Regulation on Local Government Financing Vehicles (中國銀監會關於加強2013年地方政府融資平台貸款風險監管的指導意見), which requires that a commercial bank continue to classify the local government financing vehicles into "managed as a vehicle" and "exiting as a general company." An "exiting as a general company" type of local government financing vehicles refers to a financing vehicle which, after verification, assessment and rectification, has met the conditions for extending commercial loans, has sufficient and stable operating cash flows, is capable of full repayment of principal and interests of loans, and has transformed into a regular corporate customer. A "managed as a vehicle" type of local government financing vehicles refers to a local government financing vehicle which does meet the conditions and has not transformed into a regular corporate customer. As of June 30, 2013, our loans of "managed as a vehicle" type were RMB4.1 billion, representing 4.8% of our total loans outstanding, and our loans of "exiting as a general company" type extended to customers in Chongqing and other areas were RMB6.6 billion, representing 7.8% of our total loans outstanding.

Our lending activities are also restricted by internal policies and procedures that we have adopted to comply with the foregoing CBRC regulations. Furthermore, we have established enhanced risk management policies and additional qualification criteria for loans and credit extended to certain industries and customers, such as real estate developers.

Foreign Exchange

Commercial banks are required to obtain approvals from the CBRC and the SAFE to conduct foreign exchange businesses. Under the PRC's anti-money laundering laws and regulations, PRC financial institutions are required to report to the SAFE on a timely basis any large or suspicious foreign exchange transactions which they encounter.

Securities and Asset Management

Commercial banks in the PRC are generally prohibited from trading and underwriting equity securities. Commercial banks in the PRC are permitted to:

- underwrite and deal in PRC government bonds, financial institution bonds and commercial bonds issued by qualified non-financial institutions;

- act as agents in transactions involving securities, including bonds issued by the PRC government, financial institutions and other corporate entities;

- provide institutional and individual investors with comprehensive asset management and advisory services;

- act as financial advisors in connection with large infrastructure projects, mergers and acquisitions transactions, and bankruptcy reorganizations; and

- act as custodians for certain investment funds, including securities investment funds and corporate annuity funds.

Insurance

Commercial banks in the PRC are not permitted to underwrite insurance policies, but may act as agents to sell insurance products through their distribution networks. Commercial banks that conduct agency sales of insurance products are required to comply with applicable rules issued by the CIRC. Under the Interim Measures on the Administration of Ancillary Agency Insurance Business (保險兼業代理管理暫行辦法) promulgated by the CIRC, commercial banks must obtain licenses from the CIRC to act as agents in the selling of insurance products. Pursuant to the Notice Regarding Standardization of Insurance Agency Business Conducted by Banks (關於規範銀行代理保險業務的通知) issued jointly by the CIRC and the CBRC, a bank conducting an insurance agency business must obtain a license for each of its tier one branches. On January 13, 2010, the CIRC and the CBRC jointly promulgated the Circular on Strengthening Restructuring and Improving the Healthy Development of Banks' Life Insurance Agency Services (關於加強銀行代理壽險業務結構調整促進銀行代理壽險業務健康發展的通知), which requires that all branches of commercial banks obtain a license from the CIRC to sell life insurance products as insurance agencies. Moreover, according to the Notice on Further Strengthening Sales Compliance and Risk Management of Bancassurance Business of Commercial Banks (關於進一步加強商業銀行代理保險業務合規銷售與風險管理的通知) promulgated by the CBRC on November 1, 2010, each outlet of a commercial bank may, in principle, cooperate with no more than three insurance companies to sell their insurance products. If the outlet cooperates with more than three insurance companies, the outlet must operate prudently and register with the local branch office of the CBRC.

On March 7, 2011, the CIRC and the CBRC jointly issued the Guidelines on the Supervision and Regulation of Insurance Agency Business Conducted by Commercial Banks (商業銀行代理保險業務監管指引), which include comprehensive and systemic requirements regarding bancassurance. According to the guidelines, if a commercial bank operates a bancassurance business, each of its business outlets is required to obtain the requisite license issued by CIRC and authorization from the tier one branch of the commercial bank before operating such business. A commercial bank is not permitted to have staff from an insurance company operating on the premises of the bank's outlets. In addition, all banks have a duty to prevent commercial bribery, misleading sales, unfair price competition and other illegal actions.

Personal Wealth Management

Under the Interim Administrative Measures on the Personal Wealth Management Business of Commercial Banks (商業銀行個人理財業務管理暫行辦法), commercial banks are required to obtain CBRC approval to provide certain wealth management services, whereas other wealth management services may be provided without prior approval so long as a report is submitted to the CBRC. Commercial banks are also subject to certain restrictions on offering products under personal wealth management plans. In addition, under the Guidelines on Risk Management Regarding Personal Wealth Management Business of Commercial Banks (商業銀行個人理財業務風險管理指引), commercial banks are required to establish an auditing and reporting system for their wealth management businesses and must report any material risk management issues to the relevant authorities. The CBRC has also issued a series of regulations to provide additional guidance regarding the reporting mechanism and risk management system relating to personal wealth services.

On March 25, 2013, the CBRC issued the Notice on Standardizing the Investment Operations on Wealth Management Business by Commercial Banks (關於規範商業銀行理財業務投資運作有關問題的通知), which requires commercial banks to match funds raised by each wealth management product with the underlying investments, and restricts investments of funds raised from wealth management products in non-standard and illiquid debt and equity assets. As of June 30, 2013, funds raised from each wealth management product issued by us matched with the underlying investments. Our investments in non-standard debt and equity assets accounted for approximately 8.03% of our outstanding wealth management product investments and approximately 0.58% of the total assets as disclosed in the audited report for the previous year, both meeting the CBRC's requirements.

Electronic Banking

In January 2006, the CBRC issued the Administrative Measures on Electronic Banking Business (電子銀行業務管理辦法) and Security Evaluation Guidelines on Electronic Banking (電子銀行安全評估指引) to improve risk management and security standards for electronic banking. A banking institution may engage in electronic banking business upon approval by the CBRC. In general, such approval will not be granted unless the applicant bank demonstrates sound internal control and risk management systems and, in the year immediately preceding the year of application, the applicant bank experienced no major incidents relating to its primary information management or operations processing systems. In addition, all banking institutions conducting electronic banking business must adopt security measures to ensure data confidentiality and to prevent unauthorized use of electronic banking accounts.

Proprietary Investments

In general, commercial banks in the PRC are prohibited from making domestic investments other than investments in debt instruments issued by the PRC government and financial institutions, short-term commercial paper, medium term notes and corporate bonds issued by qualified non-financial institutions, and certain derivative products. Unless approved by the PRC government, commercial banks in the PRC are prohibited from engaging in trust investment and securities businesses, investing in real property (other than for their own use) or investing in non-bank financial institutions and enterprises.

Derivatives Business

The Measures for the Administration of Derivative Product Transactions of Banking Financial Institutions (銀行業金融機構衍生產品交易業務管理辦法) set forth, among other things, detailed regulations on market access and risk management for derivatives businesses conducted by financial institutions. In accordance with the measures, commercial banks in the PRC seeking to conduct derivatives businesses must meet relevant qualification requirements for derivative product transactions relating to foreign exchange, commodities, energy, stock as well as for exchange-traded derivative product transactions, shall have such qualification approved by the CBRC, and shall abide by foreign exchange administrative rules and other relevant regulations.

Credit Cards

On January 13, 2011, the CBRC issued the Measures for the Supervision and Administration of the Credit Card Business of Commercial Banks (商業銀行信用卡業務監督管理辦法), which set forth conditions that commercial banks must meet to conduct credit card businesses, including obtaining prior approval from the CBRC. Commercial banks are required to establish effective internal control and risk management systems to monitor the operation of their credit card business, as well as to protect the legal rights of customers and protect their personal information. Commercial banks are also required to fully disclose the risks related to the use of credit cards to their customers and establish dispute resolution mechanisms.

Encouragement of Financial Innovation by PRC Commercial Banks

The Guidelines on Financial Innovation of Commercial Banks (商業銀行金融創新指引) promulgated by the CBRC encourage PRC commercial banks to engage prudently in financial innovation, such as by developing new businesses and products, improving existing businesses and products, expanding their existing scopes of business, improving cost efficiency and profitability, and reducing the extent to which their profits rely on extension of loans. To facilitate financial innovation by PRC commercial banks, the CBRC has indicated that it will streamline the examination and approval procedures for new products.

Encouragement of Financing to Small and Micro Enterprises

In order to improve the provision of financial services to small businesses, the CBRC issued the Supervision and Guidance Opinions on Credit Extension to Small Enterprises by Banks (銀行開展小企業授信工作指導意見) and Guidelines for the Due Diligence by Commercial Banks in Credit Extension to Small Enterprises (for Trial Implementation) (商業銀行小企業授信工作盡職指引(試行)), which set forth certain requirements for commercial banks in connection with the provision of better financial services to small enterprises, including the establishment of an independent department to engage in such business, employment of professional staff and the application of differentiated credit extension management.

In addition, to further improve the financing environment for small enterprises, the CBRC promulgated, in 2011, the CBRC's Notice on Supporting Commercial Banks to Further Improve Small Enterprise Financial Services (中國銀監會關於支持商業銀行進一步改進小企業金融服務的通知) and the CBRC's Supplementary Notice on Supporting Commercial Banks to Further Improve Small and Micro Enterprise Financial Services (中國銀監會關於支持商業銀行進一步改進小型微型企業金融服務的補充通知), which set forth detailed measures to encourage such financing.

Moreover, the State Council promulgated the Opinions on Further Supporting the Healthy Development of Small and Micro Enterprises (國務院關於進一步支持小型微型企業健康發展的意見) in 2012. Later in the same year, the General Office of the State Council issued the Separate Implementation of Critical Measures relating to the Further Support of the Healthy Development of Small and Micro Enterprises (進一步支持小型微型企業健康發展重點工作部門分工方案), which assigned the CRBC, the PBOC, the MOF and other relevant authorities with the responsibility to alleviate financing difficulties encountered by small and micro enterprises.

In 2013, the General Office of the State Council issued the Implementing Opinions on Development of Small and Micro Enterprises Supported by Finance (關於金融支持小微企業發展的實施意見), which set forth certain measures to further improve the financial services for small and micro enterprises and support the development of these enterprises.

Pricing of Products and Services

Interest Rates for Loans and Deposits

Interest rates for RMB-denominated loans and deposits were historically set by the PBOC. Under the PRC Commercial Banking Law, each commercial bank is required to determine its loan rate in accordance with the minimum loan rate and its deposit rate in accordance with the maximum deposit rate set by the PBOC. In recent years, the PBOC has gradually relaxed interest rate regulations, allowing banks greater discretion in setting the interest rates for RMB-denominated loans and deposits. The following table sets forth the permitted range of interest rates for RMB-denominated loans and deposits:

	Maximum interest rates	Minimum interest rates
Loans* since July 20, 2013.........	No cap (up to 230% of the PBOC benchmark rate for urban credit cooperatives)	No minimum
Deposits since June 8, 2012.......	Up to 110% of the PBOC benchmark rate, except for negotiated deposits	No minimum

* With respect of residential mortgage loans, the interest rate was adjusted to not lower than 70% of the relevant PBOC benchmark rate since October 27, 2008; and the interest rate for residential mortgage loans to second-time home buyers has been set at not lower than 110% of the relevant benchmark rate in accordance with the Notice of Firmly Curbing Housing Price in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知) promulgated by the State Council on April 17, 2010.

From December 23, 2008 to the Latest Practicable Date, the PBOC adjusted the benchmark rate for RMB-denominated loans and the benchmark rate for RMB-denominated deposits eight times.

The following table sets forth the PBOC benchmark rates for Renminbi loans since December 23, 2008:

Date of adjustment	Six months or less	Six months to one year (inclusive of one year)	One to three years (inclusive of three years)	Three to five years (inclusive of five years)	More than five years	Housing Provident Fund Loans: Five years or less	Housing Provident Fund Loans: More than Five years
	(Interest rate per annum %)						
December 23, 2008	4.86	5.31	5.40	5.76	5.94	3.33	3.87
October 20, 2010	5.10	5.56	5.60	5.96	6.14	3.50	4.05
December 26, 2010	5.35	5.81	5.85	6.22	6.40	3.75	4.30
February 9, 2011	5.60	6.06	6.10	6.45	6.60	4.00	4.50
April 6, 2011	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 7, 2011	6.10	6.56	6.65	6.90	7.05	4.45	4.90
June 8, 2012	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 6, 2012	5.60	6.00	6.15	6.40	6.55	4.00	4.50

The following table sets forth the PBOC benchmark rates for Renminbi deposits since December 23, 2008:

Date of adjustment	Demand deposits	Time deposits: Three months	Time deposits: Six months	Time deposits: One year	Time deposits: Two years	Time deposits: Three years	Time deposits: Five years
	(Interest rate per annum %)						
December 23, 2008	0.36	1.71	1.98	2.25	2.79	3.33	3.60
October 20, 2010	0.36	1.91	2.20	2.50	3.25	3.85	4.20
December 26, 2010	0.36	2.25	2.50	2.75	3.55	4.15	4.55
February 9, 2011	0.40	2.60	2.80	3.00	3.90	4.50	5.00
April 6, 2011	0.50	2.85	3.05	3.25	4.15	4.75	5.25
July 7, 2011	0.50	3.10	3.30	3.50	4.40	5.00	5.50
June 8, 2012	0.40	2.85	3.05	3.25	4.10	4.65	5.10
July 6, 2012	0.35	2.60	2.80	3.00	3.75	4.25	4.75

The PBOC generally does not regulate interest rates for foreign currency-denominated loans or deposits, except for US dollar-, Hong Kong dollar-, Japanese Yen- and Euro-denominated deposits of less than US$3 million (or the equivalent) and with a term of one year or less, the maximum interest rates on which may not exceed the PBOC benchmark rates for small foreign currency deposits.

Commercial banks may determine the discount rate at their own discretion.

Pricing for Fee- and Commission-based Services

Under the Provisional Administrative Measures on Pricing of Commercial Banking Services (商業銀行服務價格管理暫行辦法) jointly promulgated by the CBRC and the NDRC, certain services provided by commercial banks are subject to governmental pricing guidelines. These services include RMB settlement services for instruments such as bank drafts, bank acceptance drafts, promissory notes, checks, remittances and entrusted collection, as well as other services specified by the CBRC and the NDRC. Fees for other products and services are determined by market forces. Commercial banks must also report to the CBRC at least 15 business days before implementing any new fee schedules and to post such fee schedules at their business premises at least ten business days before the new schedules become effective. On March 9, 2011, the CBRC, the PBOC and the NDRC issued the Circular on the Exemption of Certain Service Charges of Banking Financial Institutions (關於銀行業金融機構免除部分服務收費的通知), which requires banking institutions to waive certain bank service fees beginning July 1, 2011.

Required Deposit Reserve

Commercial banks are required to maintain a percentage of their total deposits as reserves with the PBOC to ensure they have sufficient liquidity to meet customer withdrawals. As of the date of this prospectus, city commercial banks are required to maintain a deposit reserve equal to 18% of their total outstanding RMB deposits according to the relevant requirements of the PBOC.

The following table sets forth our historical values of the RMB statutory deposit reserve ratios applicable to large deposit-taking financial institutions in recent years. During the three years ended December 31, 2012 and up to the Latest Practicable Date, we are in compliance with the relevant requirements of the PBOC. There has been no adjustment to the statutory deposit reserve ratio from May 18, 2012 up to the Latest Practicable Date.

Date of adjustment	Renminbi required reserve ratios (%)
January 18, 2010	14.0
February 25, 2010	14.5
May 10, 2010	15.0
November 16, 2010	15.5
November 29, 2010	16.0
December 20, 2010	16.5
January 20, 2011	17.0
February 24, 2011	17.5
March 25, 2011	18.0
April 21, 2011	18.5
May 18, 2011	19.0
June 20, 2011	19.5
December 5, 2011	19.0
February 24, 2012	18.5
May 18, 2012	18.0

Supervision Over Capital Adequacy

Capital Administrative Measures

Before March 1, 2004, commercial banks in the PRC were required to maintain a minimum capital adequacy ratio of 8% and a minimum core capital adequacy ratio of 4%. In February 2004, the CBRC promulgated the Capital Adequacy Measures. Although the Capital Adequacy Measures did not change the 8% capital adequacy ratio or the 4% core capital adequacy ratio, they amended the manner in which risks are weighed for certain assets, modified the components of capital for purposes of calculating capital reserves and added a capital reduction mechanism to account for market risk in the calculation of capital adequacy ratios. These changes resulted in more stringent capital adequacy requirements becoming applicable to commercial banks in the PRC.

On June 7, 2012, the CBRC promulgated the Capital Administrative Measures, which replaced the Capital Adequacy Measures and became effective on January 1, 2013. These Capital Administrative Measures further defined the different tiers of capital as well as capital adequacy and other regulatory requirements. The Capital Administrative Measures require that commercial banks meet the capital adequacy requirements by the end of 2018, and be subject to certain special requirements during the transition period for reaching such targets. Under the Capital Administrative Measures, a commercial bank's capital adequacy ratio, Tier 1 capital adequacy ratio and Core Tier 1 adequacy ratio are calculated based on the following formula:

$$\text{Capital adequacy ratio} = \frac{\text{total capital — corresponding deductible capital items}}{\text{risk-weighted assets}} \times 100\%$$

$$\text{Tier 1 capital adequacy ratio} = \frac{\text{Tier 1 capital — corresponding deductible capital items}}{\text{risk-weighted assets}} \times 100\%$$

$$\text{Core Tier 1 capital adequacy ratio} = \frac{\text{Core Tier 1 capital — corresponding deductible capital items}}{\text{risk-weighted assets}} \times 100\%$$

Total Capital

The total capital of a commercial bank consists of core Tier 1 capital, other Tier 1 capital and Tier 2 capital.

- Core Tier 1 capital
  (1) Paid-up capital or common shares;
  (2) Capital reserve;
  (3) Surplus reserve;
  (4) General risk reserve;
  (5) Undistributed profits; and
  (6) A portion of the minority shareholders' capital in subsidiaries.

- Other Tier 1 capital
  (1) Other Tier 1 capital instruments as well as their share premiums; and
  (2) A portion of the minority shareholders' capital in subsidiaries.

- Tier 2 capital
  (1) Tier 2 capital instruments as well as their premiums;

  (2) Reserve for loan loss in excess:

  (a) where the commercial bank adopts the weighting approach in measuring its risk-weighted assets for credit risks, the reserve for loan loss in excess may be included in the Tier 2 capital, provided that the portion included may not exceed 1.25% of the risk-weighted assets for credit risks;

  (b) where the commercial bank adopts the internal ratings-based ("IRB") approach in measuring its risk-weighted assets for credit risks, the reserve for loan loss in excess may be included in the Tier 2 capital, provided that the portion included may not exceed 0.6% of the risk-weighted assets for credit risks; and

  (3) A portion of the minority shareholders' capital in subsidiaries.

Deductible Capital Items

In calculating its capital adequacy ratio, a commercial bank will deduct the full amount of the following items from the core Tier 1 capital:

- Business goodwill;
- Other intangible assets (excluding land-use rights);
- Net deferred tax assets due to operating losses;
- Shortfall in the loan loss reserve;
- Proceeds from sale of asset securitization; and
- Other deductible capital items provided for in the Capital Administrative Measures.

Risk-Weighted Assets

The Capital Administrative Measures provide that in calculating the on- and off-balance sheet risk-weighted assets of a commercial bank:

- A commercial bank may adopt the weighting approach or the IRB approach to calculate its risk-weighted assets for credit risks;

- Market risks refer to the risks of losses that may be incurred by a commercial bank for its on/off-balance-sheet business due to unfavorable changes in market prices (interest rates, exchange rates, stock prices and commodity prices); and

- Operational risks refer to the risks of losses that may be incurred due to inadequate or problematic internal procedures, personnel and information technology systems, and external events, including legal risks, but excluding strategy and reputational risks.

The following table sets forth risk weightings for different assets.

Items	Risk weightings
a. Cash	
i. Cash in vault	0%
ii. Gold	0%
iii. Deposits at the PBOC	0%
b. Claims on central government and central bank	
i. Claims on the PRC central government	0%
ii. Claims on the PBOC	0%
iii. Claims on the central governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are AA- (including AA-) or higher[(1)]	0%
iv. Claims on the central governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are between AA- and A- (including A-)[(1)]	20%
v. Claims on the central governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are between A- and BBB- (including BBB-)[(1)]	50%
vi. Claims on the central governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are between BBB- and B- (including B-)[(1)]	100%
vii. Claims on the central governments or central banks of other countries or jurisdictions where the credit ratings for such countries or jurisdictions are below B-[(1)]	150%
viii. Claims on the central governments or central banks of other countries or jurisdictions without ratings	100%
c. Claims on public-sector entities	20%
d. Claims on domestically incorporated financial institutions	
i. Claims on policy banks (not including subordinated bonds)	0%
ii. Claims on asset management companies invested by the PRC central government	
1. Claims on debts issued by asset management companies by way of private placements for purposes of acquiring non-performing loans of state-owned banks	0%
2. Other claims on asset management companies	100%

Items	Risk weightings
iii. Claims on domestically incorporated commercial banks (not including subordinated bonds)	
1. With an original maturity of 3 months or shorter	20%
2. With an original maturity over 3 months	25%
iv. Claims on subordinated bonds issued by domestically incorporated commercial banks (part not deducted)	100%
v. Claims on other domestically incorporated financial institutions	100%
e. Claims on financial institutions and public-sector entities incorporated in other countries or jurisdictions	
i. Claims on commercial banks or public-sector entities where the credit ratings for such countries or jurisdictions are AA- or higher(1)	25%
ii. Claims on commercial banks or public-sector entities where the credit ratings for such countries or jurisdictions are between AA- and A- (including A-)(1)	50%
iii. Claims on commercial banks or public-sector entities where the credit ratings for such countries or jurisdictions are between A- and B- (including B-)(1)	100%
iv. Claims on commercial banks or public-sector entities where the credit ratings for such countries or jurisdictions are below B- (1)	150%
v. Claims on commercial banks or public-sector entities without credit ratings for such countries or jurisdictions	100%
vi. Claims on multilateral development banks, the Bank of International Settlement and the International Monetary Fund	0%
vii. Claims on other financial institutions	100%
f. Claims on ordinary enterprises	100%
g. Claims on qualified small and micro enterprises	75%
h. Claims on individuals	
i. Residential mortgage loans	50%
ii. The supplementary part of a supplementary financial facility secured by the re-evaluated net value of a mortgaged residence before the purchaser has paid up all the loans	150%
iii. Other claims on individuals	75%
i. The balance of rental assets	100%
j. Equity	
i. Equity investments in financial institutions (part not deducted)	250%
ii. Passive equity investments in business enterprises	400%
iii. Equity investment in business enterprises for policy reasons upon the extraordinary approval of the State Council	400%
iv. Other equity investments in business enterprises	1250%

Items	Risk weightings
k. Real estate not for own use	
i. Real estate not for own use, obtained by practicing mortgage rights within the lawful disposition period	100%
ii. Other real estate not for own use	1250%
l. Other assets	
i. Net deferred tax assets in reliance on the bank's future profit (part not deducted)	250%
ii. Other assets on balance sheet	100%

(1) These ratings refer to credit ratings of Standard & Poor's or the equivalent thereof.

Transition Period

During the transition period, according to the Notice Regarding the Arrangement of Transition Period of Implementation of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) issued by the CBRC (中國銀監會關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the annual capital adequacy ratio requirements in the transition period are set forth in the table below:

		As of December 31,					
Type of Bank	Item	2013	2014	2015	2016	2017	2018
Systemically Important Banks	Core Tier 1 capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Tier 1 capital adequacy ratio	7.5%	7.9%	8.3%	8.7%	9.1%	9.5%
	Capital adequacy ratio	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%
Other Banks	Core Tier 1 capital adequacy ratio	5.5%	5.9%	6.3%	6.7%	7.1%	7.5%
	Tier 1 capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Capital adequacy ratio	8.5%	8.9%	9.3%	9.7%	10.1%	10.5%

Issuance of Subordinated Debt and Subordinated Bonds

Under the Measures on the Administration of Issuance of Subordinated Bonds by Commercial Banks (商業銀行次級債券發行管理辦法) jointly issued by the PBOC and the CBRC, PRC commercial banks have been permitted to issue bonds that are subordinated to the banks' other liabilities but are senior to the banks' equity capital since June 2004. PRC commercial banks may, upon approval by the CBRC, include such subordinated bonds in their supplementary capital. Subordinated bonds may be issued either in a public offering in the interbank bond market or in a private placement. The PBOC regulates the issuance and trading of subordinated bonds in the interbank bond market. Moreover, a PRC commercial bank may not hold an aggregate amount of subordinated debt issued by other banks in excess of 20% of its core capital and the long-term subordinated bonds included in its supplementary capital shall not exceed 50% of its core capital.

CBRC Supervision of Capital Adequacy

The CBRC is responsible for supervising the capital adequacy of banking institutions in the PRC. The CBRC reviews and evaluates banking institutions' capital adequacy through both on-site examination and off-site surveillance. Commercial banks are required to report to the CBRC their period-end unconsolidated capital adequacy ratios on a quarterly basis and their consolidated capital adequacy ratios on a semi-annual basis. Commercial banks are classified into four categories based on their capital adequacy ratios as follows:

- Category 1: commercial banks whose capital adequacy ratio, Tier 1 capital adequacy ratio and Core Tier 1 capital adequacy ratio all meet the requirements of the Capital Administrative Measures;

- Category 2: commercial banks whose capital adequacy ratio, Tier 1 capital adequacy ratio and Core Tier 1 capital adequacy ratio fail to meet the second pillar of Basel III's capital adequacy requirements but are not lower than the other capital requirements of the Capital Administrative Measures;

- Category 3: commercial banks whose capital adequacy ratio, Tier 1 capital adequacy ratio and Core Tier 1 capital adequacy ratio are not lower than the minimum capital requirements, but fail to meet the other capital requirements of the Capital Administrative Measures; and

- Category 4: commercial banks whose capital adequacy ratio, or Tier 1 capital adequacy ratio, or Core Tier 1 capital adequacy ratio fails to meet the minimum capital requirements.

The CBRC is required to support the stable business development of category 1 commercial banks. To prevent rapid declines in the capital adequacy ratio of a category 1 commercial bank, the CBRC may take the following early warning regulatory measures:

- Requiring the commercial bank to improve its analysis and forecast of the reasons for the decline in its capital adequacy ratio;

- Requiring the commercial bank to formulate a feasible capital adequacy ratio management plan; and

- Requiring the commercial bank to improve its risk control capabilities.

With respect to a category 2 commercial bank, the CBRC may take the following additional regulatory measures:

- Holding prudent talks with the board of directors and the senior executive officers of the commercial bank;

- Issuing regulatory opinions that address the problems existing in the capital management of the commercial bank, the corrective measures to be taken or that require the commercial bank to reach relevant targets within a prescribed time limit;

- Requiring the commercial bank to formulate a feasible capital replenishment plan providing for the relevant targets to be reached within a prescribed time limit;
- Increasing the frequency of supervision and inspection of the capital adequacy of the commercial bank; and
- Requiring the commercial bank to take risk mitigation measures in specific risk areas.

With respect to a category 3 commercial bank, the CBRC may take the following additional regulatory measures:

- Restricting the commercial bank from distributing dividends or make other distributions;
- Restricting the commercial bank from granting incentives of any form to its directors and senior management;
- Restricting the commercial bank from making equity investments or repurchasing capital instruments;
- Restricting the commercial bank from making substantial capital expenditures; and
- Requiring the commercial bank to control the growth of risk assets.

With respect to a category 4 commercial bank, the CBRC may take the following additional regulatory measures:

- Requiring the commercial bank to substantially reduce the amount of its risk assets;
- Ordering the commercial bank to stop all high risk asset businesses;
- Restricting or prohibiting the commercial bank from setting up any new institutions or launching any new businesses;
- Requiring the commercial bank to write down its Tier 2 capital instruments or convert them into common equity;
- Ordering the commercial bank to make adjustments to its directors and senior management or to restrict their corporate governance authority; and
- Taking over the commercial bank or facilitating its reorganization in accordance with applicable law, or closing down the commercial bank.

In taking measures against a category 4 commercial bank, the CBRC will also take external factors into account and adopt other necessary measures.

Basel Accords

The Basel Capital Accord, or Basel I, was introduced by the Basel Committee in 1988. Basel I is a capital measurement system for banks that provides for the implementation of a credit risk measurement framework with a minimum capital standard of 8%. Since 1998, the Basel Committee has issued certain proposals for the New Capital Accord, or Basel II, to replace Basel I. Basel II retained key elements of Basel I, including the general requirement for banks to hold total capital equivalent to at least 8% of their risk-weighted assets, but sought to improve the Basel I framework in various respects, including (i) establishment of the "three pillars" framework, namely the three pillars of "minimum capital standard", "supervision and regulation by regulatory authorities" and "information disclosure"; and (ii) material changes to the method for calculating capital adequacy. In response to the global financial crisis in 2008, the Basel Committee promulgated the Basel III Accord on December 16, 2010, which substantially increased capital regulatory requirements on commercial banks and established quantitative standards for liquidity regulation.

The CBRC promulgated the Capital Adequacy Measures on February 23, 2004, which was amended on July 3, 2007. The CBRC has noted that the Capital Adequacy Measures are based on Basel I while taking into consideration certain aspects of Basel II. On February 28, 2007, the CBRC issued the Guidelines on Implementation of the New Capital Accord in PRC Banking Industry (中國銀行業實施新資本協議指導意見), which required large commercial banks with overseas operations (including Hong Kong and Macau) and significant international business to implement Basel II by the end of 2010 or, with the CBRC's approval, by the end of 2013. In March 2009, the PRC officially joined the Basel Committee and participated in the establishment of international standards for banking supervision.

On April 27, 2011, the CBRC issued the Guidelines for the Implementation of the New Regulatory Standards in the PRC Banking Industry (關於中國銀行業實施新監管標準的指導意見), which further increased the capital requirements for PRC banks. The new guidelines classified the existing two tier regulatory capital framework into three tiers, namely, Core Tier 1 capital, Additional Tier 1 capital and Tier 2 capital. On June 1, 2011, the CBRC promulgated the Measures for the Administration of the Leverage Ratio of Commercial Banks (商業銀行槓桿率管理辦法), which became effective on January 1, 2012. The leverage ratio, namely the ratio of Tier 1 capital to adjusted on- and off-balance sheet exposure, has a minimum requirement of no less than 4%, which is 1% higher than the requirements of Basel III. On June 7, 2012, the CBRC promulgated the Capital Administrative Measures, which replaced the Capital Adequacy Measures and became effective on January 1, 2013. The Capital Administrative Measures was written based on Basel II and referred to Basel III in respect of certain aspects.

Loan Classification, Allowance and Write-Offs

Loan Classification

Banks in the PRC are currently required to classify loans under a five-category classification system based on the estimated likelihood of repayment of principal and interest according to the Guidelines of Risk-Based Classification of Loans (貸款風險分類指引). The five categories are "pass", "special mention", "substandard", "doubtful" and "loss", and a loan classified as substandard, doubtful or loss is considered to be non-performing. The primary factors for evaluating the likelihood of repayment include the borrower's cash flow, financial condition and credit history.

Loan Allowance

Under the Guidelines on Loan Loss Provisions of Banks (銀行貸款損失準備計提指引), commercial banks are required to make provisions for allowance based on a reasonable estimate of the probable loss on non-performing loans. Allowance for impairment losses consists of general allowance, specific allowance and special allowance. General allowance refers to the allowance for all unidentified but possible losses, which are made based on certain percentages of the balance of total outstanding loans; specific allowance refers to the allowance made for specific losses in connection with an individual loan based on its categorization under the guiding principles; and special allowance refers to the allowance made for the risks specifically related to certain countries, regions or industries, or certain types of loans.

Under the Guidelines on Loan Loss Provisions of Banks (銀行貸款損失準備計提指引), commercial banks are required to make provisions for impairment losses on a quarterly basis and to have a general allowance of at least 1% of the total loans outstanding as of December 31 of any year. The guidelines further provide guidance on the level of specific provisions as a percentage of the outstanding amount of loans for each loan category: 2% for special mention loans; 20%-30% for substandard loans; 40%-60% for doubtful loans and 100% for loss loans. Commercial banks may make special provisions in accordance with special risk factors (including risks associated with certain industries and countries), probability of losses and historical experience.

CBRC Supervision of Loan Classification and Loan Allowance

Commercial banks are required to establish internal procedures that clearly define the responsibilities of each relevant department with respect to loan classification, approval, review and related matters. In addition, beginning in 2004, commercial banks have been required to submit quarterly and annual reports to the CBRC detailing the classification of their loan portfolios and their allowance for loan losses. After reviewing these reports, the CBRC may require commercial banks to explain significant changes in loan classification and loan loss allowance levels, or may conduct further inspections.

In 2011, the CBRC issued the Measures to Manage Loan Loss Provisions of Commercial Bank (商業銀行貸款損失準備管理辦法). In accordance with the Measures, the CBRC uses the loan provision ratio and provision coverage ratio to assess the adequacy of the loan loss provisions of commercial banks. The loan provision ratio is calculated by dividing the loan provision by the sum of all loans, and the provision coverage ratio is calculated by dividing the loan loss provision by non-performing loans. The basic standard for the loan provision ratio is 2.5%, and the basic standard for the provision coverage ratio is 150%, with the higher of the two being the regulatory standard for loan loss provisions of commercial banks. Commercial banks are required to provide the CBRC with relevant information regarding loan loss provisions, and the CBRC shall issue risk notifications to commercial banks and make rectification requirements if the loan loss provisions of such banks are below the regulatory standard for three consecutive months. The CBRC shall take relevant regulatory measures if such ratio is below the regulatory standard for six consecutive months.

Loan Write-Offs

Under regulations issued by the CBRC and the MOF, commercial banks are required to establish a strict examination and approval process for writing off loan losses. In order to be written off, a loan must meet the criteria set by the MOF. In addition, losses realized upon writing off loans are deductible for tax purposes only with approval of the PRC tax authorities.

Reserves for Impaired Assets and General Reserves

Pursuant to the Administrative Measures on Allowance Provisioning by Financial Enterprises (金融企業準備金計提管理辦法) issued by the MOF, financial institutions in the PRC are required to set aside reserves, including reserves for impaired assets and general reserves, for financial assets that are exposed to risks and losses. Reserves for impaired assets are set aside based on the examination, analysis and assessment of all the assets according to the prudential principle. Financial institutions are required to conduct quantitative analysis on the risk assets are faced and to estimate the potential risk. Where the potential risk estimate is higher than the provision for impaired assets, a general reserve is set aside for such difference. In principle, the balance of the general reserve may not be less than 1.5% of the balance of the risk assets at the end of the period. In principle, financial institutions are not allowed to make profit distributions to shareholders until adequate reserves have been set aside.

Other Operational and Risk Management Ratios

The Core Indicators for Risk Management of Commercial Banks (Trial Implementation), or the Core Indicators, (商業銀行風險監管核心指標(試行)) was promulgated by the CBRC and became effective on January 1, 2006.

The following table sets forth the required ratios as provided in the Core Indicators and our ratios for the dates indicated, calculated in accordance with PRC GAAP. The basis of calculation of the information is identical to the basis of calculation of the ratios that we submitted to the CBRC Chongqing Bureau.

Risk Level	Primary Indicators	Secondary Indicators	Requirement (%)	As of December 31, 2010	2011	2012	As of June 30, 2013
Risk Level							
Liquidity risk	Liquidity ratio(1)	RMB Foreign Currency	≥25	45.61%	44.20%	42.20%	38.18%
	Reliance on core liabilities(2)		≥60	60.79%	67.73%	64.90%	61.12%
	Liquidity gap ratio(3)		≥(10)	7.04%	6.06%	7.16%	4.45%
Credit risk	Non-Performing asset ratio(4)		≤4	0.23%	0.21%	0.20%	0.20%
		Non-Performing loan(5) ratio	≤5	0.36%	0.35%	0.33%	0.38%
	Credit concentration to a single group borrower(6)		≤15	8.81%	7.82%	5.97%	5.13%
		Loan concentration to a single borrower(7)	≤10	5.29%	6.17%	4.63%	4.87%
	Overall credit exposure to related parties(8)		≤50	25.04%	27.84%	17.75%	18.89%
Market risk...................	Cumulative foreign currency exposure ratio(9)		≤20	0.15%	0.11%	0.10%	1.11%
Risk Cushion							
Profitability...................	Cost-to-income ratio(10)		≤45	34.02%	34.47%	34.41%	27.59%
	Return on assets(11)		≥0.6	1.14%	1.24%	1.33%	1.64%
	Return on capital(12)		≥11	23.96%	25.73%	25.98%	31.99%
Allowance adequacy	Allowance adequacy ratio for asset impairment(13)		>100	321.60%	349.04%	509.85%	440.16%
		Allowance adequacy ratio for loan provision(14)	>100	359.08%	376.62%	527.72%	443.43%
Capital adequacy	Capital adequacy ratio(15)		≥8	12.41%	11.96%	12.63%	12.78%
		Core capital adequacy Ratio(16)	≥4	9.17%	9.26%	9.39%	9.81%

Calculated as follows:

(1) Liquidity ratio = Current assets/Current liabilities x 100%. Current assets include cash, gold, surplus deposit reserve, net placement and deposits with banks and financial institutions with maturities of one month or less, interest receivable and other receivables due within one month, qualified loans with maturities of one month or less, investment in bonds with maturities of one month or less, bonds that can be liquidated in the international secondary market at any time and other liquid assets with maturities of one month or less (excluding the Non-Performing portion of such assets). Current liabilities include demand deposits (excluding policy deposits), time deposits with remaining maturities of one month or less (excluding policy deposits), net placements and deposits with banks and financial institutions due within one month, issued bonds with maturities of one month or less, interest payable and other payables due within one month, borrowings from the PBOC due within one month and other liabilities due within one month.

(2) Core liabilities ratio = Amount of core liabilities/amount of total liabilities x 100%. Core liabilities refer to the combined amount of time deposit with remaining maturities of three months or longer, issued bonds and relatively stable demand deposits. The relatively stable amounts of demand deposits shall be reported based on the lowest amount of deposits in the past 12 months. Total liabilities refer to total liabilities on the balance sheet prepared under PRC GAAP.

(3) Liquidity gap ratio = Liquidity gap/Amount of on- or off-balance sheet assets with maturities of 90 days or less x 100%. Liquidity gap refers to the amount of on- or off-balance sheet assets with maturities of 90 days or less minus the amount of on- or off-balance sheet liabilities with maturities of 90 days or less.

(4) Non-Performing asset ratio = Amount of Non-Performing assets subject to credit risk/Amount of assets subject to credit risk x 100%.

Non-Performing assets include Non-Performing loans and other assets categorized as non-performing. The categorization of non-loan assets is in accordance with relevant CBRC regulations.

(5) Non-Performing loan ratio = Amount of Non-Performing loans/Amount of total loans x 100%. Non-Performing loans refer to loans in the substandard, doubtful and loss categories according to the PBOC and CBRC's five category loan classification system.

(6) Credit exposure to a single group borrower = Total credit granted to the largest group borrower/Regulatory capital x 100%. Largest group borrower refers to the single group borrower granted the highest credit limit at the end of the period.

(7) Loan exposure to a single borrower = Total loans to the largest borrower/Regulatory capital x 100%. Largest borrower refers to the borrower with the highest amount of loans outstanding at the end of the period.

(8) Overall credit exposure to related parties = Total granted credit limit to all related parties/Regulatory capital x 100%. Related parties refer to parties defined in the Related Party Transactions Measures. Total granted credit limit to all related parties refers to total credit limit granted to such parties minus cash deposit guarantees and collateral in the form of bank deposits and PRC government bonds.

(9) Cumulative foreign currency exposure ratio = Amount of cumulative foreign currency exposure/Regulatory capital x 100%. Cumulative foreign currency exposure refers to exchange rate sensitive foreign currency assets subtracted by exchange rate sensitive foreign currency liabilities.

(10) Cost-to-income ratio = (total operating expenses - business tax and surcharges)/Operating income x 100%.

(11) Return on assets = Net profit/Average balance of total assets for the period x 100%.

(12) Return on capital = Net profit/Average balance of shareholders' equity for the period x 100%.

(13) Allowance adequacy ratio for asset impairment = Actual amount of allowance for assets subject to credit risk/Required amount of allowance for assets subject to credit risk x 100%.

(14) Allowance adequacy ratio for loan impairment = Actual amount of allowance for loans/Required amount of allowance for loans x 100%.

The required amount of allowance for loans is calculated based on the methodology under the PBOC guidelines as described under "— Loan Classification, Allowance and Write-offs — Loan Allowance."

(15) Capital adequacy ratio = (Capital - capital deductions)/(Risk-weighted assets + 12.5 x capital charge for market risk) x 100%. Such ratio is calculated as per the formula provided in the Capital Adequacy Measures.

(16) Core capital adequacy ratio = (Core capital - core capital deductions)/(Risk-weighted assets + 12.5 x capital charge for market risk) x 100%. Such ratio is calculated as per the formula provided in the Capital Adequacy Measures.

During the reporting period, we have not been in non-compliance with the regulatory ratios required under the Core Regulatory Indicators.

The CBRC monitors compliance by commercial banks with risk management ratios set forth in the Core Indicators and takes regulatory actions as it deems appropriate. However, the Core Indicators do not stipulate any specific penalties for non-compliance.

In addition, the PRC Commercial Banking Law requires that the loan-to-deposit ratio of commercial banks may not exceed 75%. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our loan-to-deposit ratio was 71.7%, 71.7%, 67.2%, and 60.8%, respectively.

Corporate Governance and Internal Controls

Corporate Governance

PRC commercial banks are subject to the corporate governance requirements set forth in the PRC Company Law and the PRC Commercial Banking Law. In addition, the Guidelines on Corporate Governance of Commercial Banks (商業銀行公司治理指引) promulgated by the CBRC on July 19, 2013 set forth corporate governance best practices for PRC commercial banks. Under the guidelines, PRC commercial banks are required to establish a sound corporate governance system and a clear organizational structure. Moreover, the Guidelines on Independent Directors and External Supervisors of Joint Stock Commercial Banks (股份制商業銀行獨立董事及外部監事指引) recommend that the board of directors of a commercial bank have at least two independent directors and the board of supervisors have at least two external supervisors.

According to the Guidelines on the Duties of the Board of Directors of Joint Stock Commercial Banks (Provisional) (股份制商業銀行董事會盡職指引(試行)) promulgated by the CBRC, commercial banks with registered capital over RMB1 billion are required to have at least three independent directors.

During the Track Record Period and up to the Latest Practicable Date, we were in compliance with the above qualification requirements in all material aspects.

Internal Control

Under the Internal Control Guidelines for Commercial Banks (商業銀行內部控制指引) issued by the PBOC and the CBRC in 2002 and 2007, respectively, commercial banks are required to establish internal control systems to ensure effective risk management for their business activities. PRC commercial banks are also required to establish a risk management department that formulates and implements risk management policies and procedures. In addition, PRC banks are required to establish an internal audit department to independently supervise and evaluate all aspects of the bank's operations.

On June 27, 2006, the CBRC issued the Guidelines on Internal Audit for Banking Institutions (銀行業金融機構內部審計指引), which became effective on July 1, 2006. Under these guidelines, banks are required to establish an audit committee with at least three directors of the board, a majority of whom must be non-executive directors. The guidelines also set forth the required scope of the internal audit, with banks required to evaluate the risk of each business unit at least once per year and conduct internal audit of each business unit at least once every two years. In addition, banks are required to have an internal audit department with employees who meet certain qualifications.

On May 22, 2008, the Basic Rules on Enterprise Internal Control (企業內部控制基本規範) were issued jointly by the MOF, the CBRC, the NAO, the CSRC and the CIRC and became effective on July 1, 2009. The rules require, among other things, that enterprises establish and implement internal control systems, utilize information technology to strengthen internal control, and establish information systems addressing operational and management needs.

Information Disclosure Requirements

On July 3, 2007, the CBRC issued the Measures for the Information Disclosure of Commercial Banks (商業銀行信息披露辦法), which became effective on the same date. Under the measures, a commercial bank is required to publish an audited annual report within four months after the end of each financial year, disclosing its financial position and operational results.

Transactions with Related Parties

The CBRC promulgated the Administrative Measures for Related Party Transactions between Commercial Banks and their Insiders or Shareholders (商業銀行與內部人和股東關聯交易管理辦法) in April 2004, which provided more stringent and detailed requirements for related party transactions involving PRC commercial banks. The measures require PRC commercial banks to adhere to the principles of honesty and fairness in all related party transactions. PRC commercial banks are also not allowed to extend unsecured loans to related parties or extend secured loans to related parties on terms more favorable than those offered to unrelated borrowers.

These measures also provide for the definition of a related party, the form and content of a related party transaction, and the procedures and principles which must be followed in completing related party transactions.

Under these measures, PRC commercial banks must file with the CBRC quarterly status reports detailing their related party transactions, and disclose matters relating to related parties and related party transactions in their financial statements. Furthermore, at the annual shareholder meeting, the board of directors is required to report related party transactions and share its policies for monitoring and approving such transactions. The CBRC has the power to unwind transactions that violate the measures and to impose sanctions on the bank and/or the related parties.

Ownership and Shareholder Restrictions

Regulations on Equity Investment in Banks

Under the PRC Commercial Banking Law, any natural or legal person intending to acquire 5% or more of the equity interest in a PRC commercial bank is required to obtain prior approval from the CBRC. If any existing shareholder of a commercial bank increases its shareholding to 5% or above without obtaining the CBRC's prior approval, that shareholder will be subject to CBRC sanctions, including rectification by order, disgorgement of profits and fines.

Under the Measures for the Administration of the Investment and Shareholding in Chinese-funded Financial Institutions by Foreign Financial Institutions (境外金融機構投資入股中資金融機構管理辦法), foreign financial institutions may, with CBRC approval, make equity investments in PRC commercial banks. However, no single foreign financial institution may own more than 20% of the equity of any PRC commercial bank. In addition, if aggregate foreign investment exceeds 25% of the total equity interest in a non-listed PRC commercial bank, such bank will be regulated as a foreign-invested financial institution. On the other hand, a PRC commercial bank that is publicly listed in China is regulated as a domestic PRC financial institution even if the aggregate foreign investment exceeds 25% of its total equity interest.

Restrictions on Shareholders

The Guidelines on Corporate Governance of Commercial Banks impose certain additional requirements on shareholders of PRC commercial banks. For example:

- The shareholders and in particular the major shareholders of a PRC commercial bank shall support the board of directors to formulate a reasonable capital plan so that the capital of the commercial bank shall continue to meet the regulatory requirements. If the capital of the commercial bank fails to meet the applicable regulatory requirements, a recapitalization plan shall be formulated to meet the regulatory requirements on capital adequacy in accordance with a prescribed timetable, and capital should be raised by increasing core capital or other measures. The major shareholders shall not obstruct the other shareholders from injecting capital to the commercial bank or the admission of eligible new shareholders.

- The major shareholders of a PRC commercial bank shall make a long-term commitment in writing with regard to supporting the capital sufficiency of the commercial bank, and such commitment shall be a part of the commercial bank's capital plan.

- If the shareholders, and in particular the major shareholders, are in default of any credit extended by the bank, the voting power of such shareholders and the directors nominated by such shareholders shall be restricted during the shareholders meetings and board meetings.

In addition, the PRC Company Law and relevant CBRC rules and regulations impose certain restrictions on the ability of a commercial bank's shareholders to pledge their shares in the bank. For example, a commercial bank may not accept its own shares as collateral. Moreover, there are legal limitations on the ability of shareholders in a commercial bank to pledge their shares in the bank to any other party. According to the Guidelines on Corporate Governance of Commercial Banks, (i) if a shareholder use its shares in a PRC commercial bank as collateral for its own or third party's obligations, the shareholder shall comply with all applicable laws, rules and regulations, and the requirements of regulatory authorities, and notify the board of directors of such bank in advance; and (ii) if the outstanding amount of the bank's loans to a shareholder exceeds the audited value of such shareholder's equity in the bank for the immediately preceding year, the shareholder may not pledge its shares in the bank.

Risk Management

The CBRC has published numerous risk management guidelines and rules in an effort to improve risk management of PRC commercial banks, including guidelines on credit risk management, operational risk management, market risk management, liquidity risk management and compliance risk management. In addition to these general guidelines, the CBRC has also released guidelines on extending loans and credit to certain industries and customers, as well as guidelines on the implementation of the Basel Accords. For more information on the CBRC's efforts to give effect to the Basel Accords, see "— Regulation of Principal Banking Activities — Lending" and "— Supervision Over Capital Adequacy — Basel Accords."

The CBRC also promulgated the Core Indicators as a means of supervising the risk management of PRC commercial banks and established requirements for certain ratios relating to risk levels and risk provisions in the Core Indicators. The CBRC is also expected to establish requirements for certain ratios relating to risk mitigation for the purpose of evaluating and monitoring the risks of PRC commercial banks. See "— Other Operational and Risk Management Ratios." The CBRC periodically collects data through off-site surveillance to analyze such indicators and evaluate and issue early warnings of the risks on a timely basis.

Operational Risk Management

On March 22, 2005, the CBRC issued the Circular on Strengthening Control of Operational Risk (關於加大防範操作風險工作力度的通知) to further improve the abilities of PRC commercial banks to identify, manage and control operational risks. Under this circular, commercial banks are required to establish internal policies and procedures specifically addressing the management of and control over operational risks. In addition, a bank's internal audit department and business operations department are required to conduct independent examinations of the bank's business operations from time to time. For business areas involving a greater degree of operational risks, the audit and business operations departments must conduct ongoing reviews and examinations for operational risk. In addition, a commercial bank's head office must assess the implementation of, and compliance with, its internal policies and procedures addressing operational risk.

Moreover, the circular sets forth detailed requirements relating to, among other things, establishing a system under which branch officers responsible for business operations are required to rotate on a regular basis; establishing a system to encourage employees to fully comply with applicable regulations and internal rules and policies; improving the regular checking of account balances between PRC commercial banks and their customers; improving the timely checking of the banks' internal accounting; segregating persons responsible for book-keeping from those responsible for account reconciliation; and establishing a system to strictly control and manage the use and keeping of chops, specimen signatures and evidential vouchers.

Furthermore, on May 14, 2007, the CBRC issued the Guidelines on Operational Risk Management of Commercial Banks (商業銀行操作風險管理指引) to improve the risk management abilities of PRC commercial banks. These guidelines mainly address the supervisory responsibilities of the board of directors, responsibilities of senior management, proper organizational structure, as well as policies, approaches and procedures for operational risk management. These policies and procedures must also be filed with the CBRC. If a commercial bank experiences a significant operational incident and fails to adopt effective corrective measures within a required period, the CBRC is authorized to take appropriate enforcement action.

Market Risk Management

On December 29, 2004, the CBRC promulgated the Guidelines on the Market Risk Management of Commercial Banks (商業銀行市場風險管理指引), which became effective on March 1, 2005. The guidelines were promulgated to improve management of market risk by PRC commercial banks. The guidelines mainly address: (i) the responsibilities of the board of directors and senior management in supervising market risk management, (ii) the policies and procedures banks should adopt to improve market risk management, (iii) best practices for the detection, quantification, monitoring and control of market risk and (iv) a bank's responsibility to establish adequate internal controls and arrange external audits to minimize market risk.

Liquidity Risk Management

In order to strengthen the liquidity risk management and maintain safe and stable operation of PRC commercial banks, the CBRC issued the Guidelines on the Management of Liquidity Risk of Commercial Banks (商業銀行流動性風險管理指引) on September 28, 2009, which required commercial banks to establish appropriate governance structures for the management of liquidity risk and specified, among other things: (i) the functions and responsibilities of the board of directors and board committees, the board of supervisors and senior management of the commercial banks in the management of liquidity risk; (ii) liquidity risk management policy and procedures; (iii) internal control and management information system; and (iv) liquidity management methods and techniques.

In addition, the CBRC printed and distributed the Notice on Further Strengthening the Supervision of Liquidity Risk of Commercial Banks by the General Office of the CBRC (中國銀監會辦公廳關於進一步加強商業銀行流動性風險監管的通知) in February 2010, which introduced the new liquidity risk measuring indexes, such as liquidity coverage ratio and new stable funding ratio, and required that PRC commercial banks should strengthen the measurement and management of liquidity risk, optimize the asset-liability allocation, reduce the maturity mismatch and decrease the possibility and impact of liquidity shortfalls.

Compliance Risk Management

In order to improve the compliance risk management of PRC commercial banks, the CBRC promulgated the Guidelines on Compliance Risk Management of Commercial Banks (商業銀行合規風險管理指引), which became effective on October 20, 2006. These guidelines clarified the responsibilities owed by the board of directors and senior management of a PRC commercial bank with respect to compliance risk management, standardized organizational structure for compliance risk management, and set forth the regulatory mechanisms for a bank's risk management.

Anti-Money Laundering Regulation

The PRC Anti-Money Laundering Law (中華人民共和國反洗錢法), or the AML Law, which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering. Under the AML Law, each covered PRC financial regulator must participate in the formulation of AML policies and procedures for the financial institutions it regulates. Each covered regulatory authority must also require that the financial institutions it regulates establish sound internal controls to address money-laundering activities.

To facilitate the implementation of the AML, the PBOC promulgated the Anti-Money Laundering Regulations for Financial Institutions (金融機構反洗錢規定) which became effective on January 1, 2007. Under these regulations, PRC commercial banks must establish internal anti-money laundering procedures and either create an independent anti-money laundering department or designate an existing department to implement such anti-money laundering procedures.

In accordance with the Administrative Measures for the Financial Institutions' Report of Large Transactions and Suspicious Transactions (金融機構大額交易和可疑交易報告管理辦法) promulgated by the PBOC which became effective on March 1, 2007, PRC financial institutions, including commercial banks, must timely report any large or suspicious foreign exchange transactions to PBOC or SAFE, as circumstances may require. Where necessary and pursuant to appropriate judicial proceedings, PRC commercial banks are required to cooperate with PRC government authorities in preventing money laundering activities, including by freezing assets. The PBOC conducts on-site examinations of PRC commercial banks to evaluate compliance with applicable anti-money laundering regulations, and is authorized under the PRC AML Law to impose penalties for non-compliance.

PRC commercial banks are also required to establish a customer identification system in accordance with the Measures on the Administration of Customer Identity Identification and Materials and Transaction Recording of Financial Institutions (金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法) jointly promulgated by the PBOC, the CBRC, the CSRC and the CIRC, which became effective on August 1, 2007. In addition, commercial banks must record the identities of all customers as well as information relating to each transaction. The banks must also retain documents and books recording retail transactions.

Other Requirements

Use of Funds

Under the PRC Commercial Banking Law, commercial banks are not permitted to engage in trust investment or securities activities, invest in real property other than for their own use, or invest in non-bank financial institutions and enterprises. In general, commercial banks may use funds only for the following activities: (i) extending short-, medium- and long-term loans; (ii) discounting on negotiable instruments; (iii) making loans to other banks; (iv) trading in government bonds; (v) trading in bonds issued by financial institutions; (vi) investing in banking institutions; and (vii) other activities expressly authorized by the relevant government authorities.

OUR HISTORY

We were incorporated on September 27, 1996 in the PRC as Chongqing Urban Cooperative Bank. Our operating history traces back to July 1986 when the first urban credit cooperative, among the 37 urban credit cooperatives and one urban credit union that were subsequently consolidated to establish our Bank, was established. In September 1995, the State Council issued a notice directing the establishment of urban cooperative banks. In the same month, the PBOC approved the proposal to establish Chongqing Urban Cooperative Bank and a preparation group was established to consolidate 37 urban credit cooperatives and one urban credit union in Chongqing to form Chongqing Urban Cooperative Bank. We have summarized below the key milestones in our history:

May 1996	We received approval from the PBOC for our establishment.
September 1996	We received approval from the PBOC for our commencement of business.
	We were duly incorporated in Chongqing as Chongqing Urban Cooperative Bank, a joint stock limited company with a registered capital of RMB255,190,000.
March 1998	We changed our name to Commercial Bank of Chongqing Co., Ltd.
December 1999	We acquired the Yuzhong Branch of Chongqing International Trust & Investment Co., Ltd. to set up the Wenhuagong Sub-branch of Commercial Bank of Chongqing Co., Ltd.
August 2001	We acquired Chongqing Yinhai Leasing Company Limited and merged it into the Linjiangmen Sub-branch of Commercial Bank of Chongqing Co., Ltd.
March 2002	We acquired the Fuling Branch of Sichuan Trust & Investment Company Limited to set up the Fuling Sub-branch of Commercial Bank of Chongqing Co., Ltd.
April 2007	Dah Sing Bank made a strategic investment in our Bank.
August 2007	We changed our name to Bank of Chongqing Co., Ltd.
December 2008	We received approval from the CBRC Sichuan Office and opened our first branch in Chengdu.
March 2010	We received approval from the CBRC Guizhou Office and opened a branch in Guiyang.
March 2011	We received approval from the CBRC Shaanxi Office and opened a branch in Xi’an.

FINANCIAL RESTRUCTURING

Since our incorporation, we have conducted a series of financial restructuring transactions, including: (i) disposal and write-off of non-performing assets; (ii) changes in the registered capital; (iii) issuance of subordinated bonds; and (iv) issuance of financial bonds for small and micro enterprise loans.

Disposal and Write-off of Non-performing Assets

We disposed of, in two tranches in 2004 and 2005, and wrote off, in 2005, a portion of our non-performing assets to reduce the relatively high proportion of non-performing assets mainly created during the period when we were a credit cooperative.

The 2004 Disposal

On September 17, 2004 and December 25, 2006, with the approval of the Chongqing Municipal Government and the CBRC Chongqing Bureau, we entered into an asset transfer agreement and a supplemental agreement with Yufu to dispose of non-performing assets with a net carrying amount of RMB1,250 million to Yufu for a consideration of RMB1,250 million in cash which was settled by a loan provided by us to Yufu in the amount of RMB1,250 million pursuant to a loan agreement and a supplemental agreement entered into with Yufu on September 13, 2004. This loan was guaranteed by Chongqing Land Group, a wholly state-owned enterprise under Chongqing SASAC and repaid in full on May 31, 2007.

The 2005 Write-off and Disposal

As approved at our extraordinary shareholders' meeting in 2005 and by the Chongqing Municipal People's Government and the CBRC Chongqing Bureau, we entered into cooperative agreements with Chongqing Land Group and Chongqing Water Conservancy Investment Group Co., Ltd., each a wholly state-owned enterprise under Chongqing SASAC. Pursuant to these agreements, each of Chongqing Land Group and Chongqing Water Conservancy Investment Group Co., Ltd. contributed a total of RMB200 million to our share capital at RMB1.00 per share. Simultaneously with the completion of capital contribution, we wrote off non-performing assets with a net carrying amount of RMB400 million by way of reduction by the then shareholders of their capital interest in our Bank in an aggregate amount of RMB400 million on a pro rata basis. Our share capital remained unchanged before and after the capital contribution.

On December 24, 2005, we entered into an acquisition of non-performing assets agreement with Yufu. Pursuant to such agreement, Yufu agreed to acquire non-performing assets with an aggregate net carrying amount of RMB2,100 million from us in two tranches in the amount of RMB1,000 million and RMB1,100 million, respectively, with the disposal of the first tranche to be conducted according to the terms and conditions contained in such agreement and the timing and details of the disposal of the second tranche to be separately agreed between Yufu and us. On December 31, 2005, Chongqing SASAC approved the disposal of non-performing assets under the acquisition of non-performing assets agreement and that Yufu and us would discuss and agree on the timing of the second tranche disposal separately. Disposal of the first tranche was completed on January 24, 2006, and as a condition of such disposal by us and acquisition of non-performing assets by Yufu, we issued RMB400 million worth of shares at RMB1.00 per share to Yufu. Under the acquisition of non-performing assets agreement, Yufu may dispose of such shares to a foreign strategic investor or financial investor at the appropriate time and the premium received from such disposal shall be used to offset the financial costs of disposing of non-performing assets. After the disposal of the first tranche, we took various measures to reduce our non-performing assets, including write-off of bad debts and collection or restructuring of non-performing loans. Accordingly, we entered into a supplemental agreement with Yufu on April 30, 2007, and agreed not to proceed with the disposal of the second tranche after obtaining consent from the Chongqing SASAC. We have obtained the verbal consent from the Chongqing SASAC in this regard.

Changes in Registered Capital

During the period from 1997 to 2007, the registered capital of our Bank increased from RMB255,190,000 to RMB2,020,618,604 mainly as a result of (i) acquisitions of companies by us where our shares were used as consideration; (ii) issuance of new shares by us for capital contributions by our shareholders and our disposal of non-performing assets; and (iii) capitalization of undistributed profits. In particular, the acquisitions of Yuzhong Branch of Chongqing International Trust & Investment Co., Ltd., Chongqing Yinhai Leasing Company Limited and Fuling Branch of Sichuan Trust & Investment Company Limited in 1999, 2001 and 2002, respectively, resulted in an aggregate increase of RMB20.85 million in the registered capital of our Bank. In 2003, the registered capital of our Bank increased by RMB1,214 million as a result of capital injections by sixteen entities, among which Chongqing Municipal Finance Bureau, Chongqing Road & Bridge Co., Ltd. and Chongqing City Construction Investment Company were the three largest contributors. In 2006, the registered capital of our Bank increased by RMB400 million as a result of the issuance of 400 million shares at RMB1.00 per share to Yufu as part of our disposal of non-performing assets. The registered capital of our Bank also increased through the capitalization of undistributed profits of our Bank from 2001 to 2006 in the total amount of RMB132,914,004. There has been no change in the registered capital of our Bank since May 2007.

In November 2012, to ensure our capital sufficiency and support our business development, our shareholders' meeting approved the proposed issuance of 260 million Shares to our four existing shareholders, namely, Yufu, Dah Sing Bank, Chongqing Road & Bridge Co., Ltd. and Lifan, at the issue price of RMB5.00 per Share, with Yufu, Dah Sing Bank, Chongqing Road & Bridge Co., Ltd. and Lifan subscribing for 52.3 million Shares, 52 million Shares, 57.06 million Shares and 98.64 million Shares, respectively (the "**Proposed Issuance**"). As of the date of this prospectus, the Proposed Issuance has not been submitted to the CBRC for approval as certain shareholder has not satisfied the conditions required by the relevant regulatory authorities. Furthermore, given the proposed listing of our H Shares on the Hong Kong Stock Exchange and in the spirit of the parties' agreement to ensure a smooth process of our initial public offering under the subscription agreements, the Proposed Issuance has been suspended. In this regard, on October 14, 2013, we entered into an agreement with each of Yufu, Dah Sing Bank, Chongqing Road & Bridge Co., Ltd. and Lifan, respectively, to confirm suspension of the Proposed Issuance and agree to terminate the Proposed Issuance upon the completion of the Global Offering.

Issuance of Subordinated Bonds

In April 2009, we issued subordinated bonds in the aggregate principal amount of RMB1 billion with a term of ten years. These bonds are redeemable in full at our discretion at the end of the fifth year, at an initial interest rate of 5.31% per annum, payable on an annual basis. If these bonds are not redeemed at the end of the fifth year, the interest rate will increase by 3.00% per annum for the remaining five years with interest payable on an annual basis. We expect that the source of funding for the redemption of such subordinated bonds would primarily be: (i) our operating cash flow; and (ii) proceeds from any issuance of subordinated bonds by us in the future.

In March 2012, we issued subordinated bonds in the aggregate principal amount of RMB800 million with a term of ten years at a fixed interest rate of 6.8% per annum, payable on an annual basis. These bonds are redeemable in full at our discretion at the end of the fifth year.

Issuance of Financial Bonds for Small and Micro Enterprise Loans

In April 2013, we issued financial bonds for small and micro enterprise loans in the aggregate principal amount of RMB3.0 billion with a term of five years at an interest rate of 4.78% per annum, payable on an annual basis. The net proceeds from the issuance of bonds are designated to be used towards extending loans to small and micro enterprises (including individual business).

STRATEGIC INVESTMENT BY DAH SING BANK

Equity Transfer from Yufu to Dah Sing Bank

On April 4, 2007, Dah Sing Bank and Yufu entered into an equity transfer agreement (the "**First Equity Transfer Agreement**"), pursuant to which Dah Sing Bank agreed to purchase 343,505,163 Shares of our Bank from Yufu at RMB2.02 per Share for a consideration of approximately RMB694 million. The First Equity Transfer Agreement was completed on April 24, 2007 when the consideration was paid by Dah Sing Bank in full and the transfer of the Shares under the First Equity Transfer Agreement was completed. Subsequently, Dah Sing Bank and Yufu entered into an equity transfer agreement (the "**Second Equity Transfer Agreement**") on June 7, 2007, pursuant to which Dah Sing Bank agreed to purchase an additional 60,618,558 Shares of our Bank from Yufu at RMB2.60 per Share for a consideration of approximately RMB158 million. The Second Equity Transfer Agreement was completed on October 23, 2008 when the consideration was paid by Dah Sing Bank in full and the transfer of the Shares under the Second Equity Transfer Agreement was completed. Upon completion of transfer of the Shares of our Bank under the First Equity Transfer Agreement and the Second Equity Transfer Agreement (collectively, the "**Purchased Shares**"), the shareholding percentages in the registered capital of our Bank held by Yufu and Dah Sing Bank were approximately 20.14% and 20%, respectively.

Strategic Co-Operation between Dah Sing Bank and our Bank

In connection with the equity transfer to Dah Sing Bank, we decided to establish strategic cooperation with Dah Sing Bank with an aim to improving our corporate governance, strengthening our risk management, enhancing our overall competitiveness, maximizing shareholder return and facilitating our strategic transformation to a retail bank. Accordingly, on April 4, 2007, we entered into a strategic co-operation agreement (the "**Strategic Co-Operation Agreement**") with Dah Sing Bank. The Strategic Co-Operation Agreement set forth the strategic co-operation arrangements between Dah Sing Bank and us and granted certain investor rights to Dah Sing Bank. The Strategic Co-Operation Agreement was supplemented by supplemental agreements on June 7, 2007, September 21, 2007 and July 11, 2013 (the "**Supplemental Agreements**" and together with the Strategic Co-Operation Agreement, the "**Strategic Agreements**"), respectively. The Supplemental Agreements have been entered into to provide that certain special rights of Dah Sing Bank under the Strategic Co-Operation Agreement would lapse upon our listing on a stock exchange, details of which are set forth below. No additional rights and obligations have been granted to Dah Sing Bank or us under the Supplemental Agreements other than the proposed exercise of anti-dilution right of Dah Sing Bank agreed between Dah Sing Bank and us under the Supplemental Agreement dated July 11, 2013, details of which are set forth below.

Term of the Agreement and Termination Right

The Strategic Co-Operation Agreement is not for a fixed term. However, the Strategic Co-Operation Agreement may be terminated upon, among others:

(i) the shareholding of Dah Sing Bank in us being less than 7%;

(ii) Dah Sing Bank being prohibited from continuing to hold our Shares or performing the Strategic Co-Operation Agreement under applicable PRC law;

(iii) a material breach of any obligation under the Strategic Co-Operation Agreement by either party; or

(iv) bankruptcy, liquidation or insolvency of either party.

Rights and obligations of Dah Sing Bank that will survive our listing

The following rights and obligations of Dah Sing Bank under the Strategic Agreements will survive our listing on a stock exchange (including the contemplated listing on the Hong Kong Stock Exchange):

Transfer of Shares

The Purchased Shares held by Dah Sing Bank were subject to the following transfer restrictions on Dah Sing Bank:

(i) no transfer was permitted for a period of 42 months that commenced on April 24, 2007, being the completion date of the transfer of the Purchased Shares under the First Equity Transfer Agreement (the "**Initial Lock-up Period**"); and

(ii) not more than 343,505,163 Purchased Shares may be transferred during the period from the expiry of the Initial Lock-up Period to October 23, 2013, being the fifth anniversary of the completion date under the Second Equity Transfer Agreement, such that Dah Sing Bank would hold not less than 60,618,558 Shares of our Bank (the "**Further Lock-up Period**").

Both the Initial Lock-up Period and the Further Lock-up Period have expired. On May 27, 2013, Dah Sing Bank separately undertook that it will not transfer any interest in the Shares held by it for a period of three years commencing on the Listing Date.

Rights of Dah Sing Bank that will Lapse upon our Listing

We confirm that other than those set forth in this section, there are no other special rights granted to Dah Sing Bank pursuant to the Strategic Agreements. All special rights (including the rights disclosed herein below) will lapse upon our listing on a stock exchange (including the contemplated listing on the Hong Kong Stock Exchange):

Exclusivity

We undertook not to issue any securities (including any securities convertible into shares of our Bank) to any other foreign investor for so long as Dah Sing Bank holds not less than 12.5% of our total issued share capital unless: (i) Dah Sing Bank refuses, or fails to indicate its intention, to subscribe for any securities issued by us within one month after receiving our notice of such issuance; or (ii) any other foreign investor purchases our Shares in our public offering (other than private placing of our Shares to such foreign investor).

Anti-dilution Right

If Dah Sing Bank's shareholding in our Bank is diluted as a result of its failure to participate in our issuance of securities (including our initial public offering) due to restrictions under any applicable laws, rules and regulations, we are required, within 6 months of such issuance, to use our best endeavors to procure the sale of shares from other shareholders to Dah Sing Bank or any other methods allowed under the PRC law to minimize the effect of such dilution.

If we issue any new securities (including any securities convertible into shares of our Bank), Dah Sing Bank may, subject to any applicable laws, rules and regulations and certain limited exceptions relating to share option plans of our Bank, subscribe for such number of additional securities to be issued by us with our other shareholders in proportion to their respective shareholdings such that Dah Sing Bank's shareholding in our Bank would not be diluted (the "**Anti-Dilution Right**"). The subscription by Dah Sing Bank should be made at the same price and terms as other potential investors under such issuance.

In light of the Anti-Dilution Right, Dah Sing Bank has advised us that it intends to subscribe for an additional number of H Shares to be issued by us under the Global Offering and entered into a supplemental agreement to the Strategic Co-Operation Agreement with us on July 11, 2013 in this regard (the "**Supplemental Agreement III**"). Pursuant to the Supplemental Agreement III and subject to the conditions therein, Dah Sing Bank agreed to subscribe in connection with the Global Offering at the Offer Price, for an additional number of H Shares with an aggregate subscription amount of not more than HK$330 million. Any H Shares so subscribed by Dah Sing Bank will be subscribed under the same terms as those generally offered to other investors under the Global Offering. After the listing of our H Shares, the Anti-Dilution Right of Dah Sing Bank will lapse and cease to apply, except in connection with the exercise of the Over-Allotment Option.

Information Right

We are required to provide Dah Sing Bank with various periodic financial statements, all documents provided to our shareholders as well as any documents relating to the conduct of business of our Bank issued by the relevant governmental and regulatory authorities.

Director and Senior Management Nomination Right

Dah Sing Bank was granted rights to nominate a certain number of directors, members of board committees and senior management depending on its shareholding percentage in our Bank.

Undertaking by Dah Sing Bank

On May 8, 2009, Dah Sing Bank agreed to suspend the exercise of certain rights under the Strategic Co-Operation Agreement, including the Anti-Dilution Right, the information right and the director and senior management nomination right upon the CSRC's approval of our initial public offering application. However, if our initial public offering is not completed within six months after obtaining the CSRC's approval, Dah Sing Bank will resume its exercise of rights under the Strategic Co-Operation Agreement until those rights are terminated upon our listing on a stock exchange in accordance with the terms of the Strategic Agreements.

Business Co-Operation between Dah Sing Bank and our Bank

As part of the strategic co-operation, we entered into a business co-operation agreement with Dah Sing Bank on April 4, 2007 (the "**Business Co-Operation Agreement**"), which set forth certain principles and framework arrangements for business co-operation between Dah Sing Bank and us.

Term of the Business Co-Operation Agreement

The Business Co-Operation Agreement shall be terminated upon the earlier of (i) the completion or cessation of business co-operation between Dah Sing Bank and us; and (ii) the date falling on three years after the completion of the share transfer under the First Equity Transfer Agreement (i.e., April 24, 2010). Accordingly, the Business Co-Operation Agreement expired on April 24, 2010.

Rights and Obligations under the Business Co-Operation Agreement

Co-operation Committee

The Business Co-Operation Agreement was carried out under the guidance and supervision of a co-operation committee. The co-operation committee consisted of five members. The president of our Bank acted as the chairman of the co-operation committee and each of Dah Sing Bank and us designated two members of the committee. The co-operation committee may establish specific working teams for each business co-operation area. The responsibilities of the co-operation committee include, among other things, approving project plans, supervising the progress of business co-operation and reporting to our Board. The co-operation committee has been dissolved upon the expiry of the Business Co-Operation Agreement.

Co-operation Areas

Pursuant to the Business Co-Operation Agreement, we carried out business co-operation and technical support in various areas with Dah Sing Bank, including:

Treasury and Intermediary Business

Dah Sing Bank agreed to assist us in developing investment banking platform, including bancassurance services, syndicated loan, custody service and fund management.

Small and Medium Enterprise Services

Dah Sing Bank agreed to advise us on the project selection, credit reviews and post-disbursement management with respect to small and medium enterprise services.

Risk management

Dah Sing Bank agreed to nominate a person to be the vice president of our Bank in charge of risk management to improve our risk management capacity and assist us in establishing management systems for market risk identification, measurement, monitoring and control.

Training and Expert Assistant

During the term of the Business Co-Operation Agreement, Dah Sing Bank provided business training and technical support to our employees and sent experts, including finance experts, to enhance our management.

On September 21, 2007, we entered into a supplemental agreement to the Business Co-Operation Agreement with Dah Sing Bank, to be effective upon the listing of our shares on a stock exchange, pursuant to which we and Dah Sing Bank would continue to strengthen our business co-operation in the credit card business by establishing a working group with members designated by Dah Sing Bank and us and formulate a definitive co-operation agreement to be signed between us.

Upon the listing of the H Shares on the Hong Kong Stock Exchange, the transactions that we may enter into with Dah Sing Bank may constitute connected transaction or continuing connected transaction under the Listing Rules. We will comply with the applicable reporting, announcement, annual review and independent shareholders' approval requirements prescribed under Chapter 14A of the Listing Rules.

Since Dah Sing Bank's strategic investment in us in 2007, we and Dah Sing Bank have conducted comprehensive strategic co-operation in various areas including corporate governance, retail business, small and medium enterprise business, intermediary and treasury business, risk management, information technology and financial management pursuant to the Strategic Co-Operation Agreement and the Business Co-Operation Agreement. As a result, we have developed a complementary and cooperative relationship with Dah Sing Bank. We believe that the strategic cooperation arrangements will be long-term and mutually beneficial to both banks.

Geographically, Dah Sing Bank conducts its business mainly in Hong Kong with subsidiaries primarily located in Shenzhen and branch operations in Eastern China while our business is mostly conducted in Chongqing and Western China. We do not expect to carry out banking business in Hong Kong in the near future. We confirm that there exists no competition or conflict of interests between Dah Sing Bank and our Bank.

Arrangements among Shareholders

On April 4, 2007, Dah Sing Bank and Yufu entered into reciprocal voting arrangements, pursuant to which each of Yufu and Dah Sing Bank agreed to vote, or procure the respective directors of our Bank appointed by it to vote, in favor of the appointment of our director(s) and/or senior officers nominated by the other party.

On April 4, 2007, Chongqing Water Conservancy Investment Group Co., Ltd. issued a letter of undertaking in favor of Dah Sing Bank, pursuant to which Chongqing Water Conservancy Investment Group Co., Ltd. agreed to vote, or procure the directors of our Bank appointed by it to vote, in favor of the appointment of the director(s) and committee members of our Bank nominated by Dah Sing Bank.

On April 4, 2007, we entered into an agreement on mutual consultation arrangement with Yufu and Dah Sing Bank, pursuant to which Dah Sing Bank and Yufu agreed to consult with each other with respect to major matters of our Bank, such as annual budget, in order to reach a consensus before such matters are proposed at the board meetings and/or general meetings of our Bank and Yufu and Dah Sing Bank will vote in favor of such matters at the relevant meetings of our Bank.

All the above arrangements among shareholders will lapse upon our listing on a stock exchange, including the contemplated listing on the Hong Kong Stock Exchange.

THE APPLICATION FOR A SHARE LISTING

We filed with the CSRC an application for the listing of our A shares on the Shanghai Stock Exchange in September 2007 (the "**A Share Listing Application**") and the A Share Listing Application was accepted for vetting by the CSRC in October 2007. We had updated the application documentation in respect of the A Share Listing Application on a half-annual basis thereafter. We received the CSRC's formal written comments in April 2009 and two letters requiring us to address certain complaints in July 2009 and March 2013, respectively, which we had responded without any non-compliance being discovered.

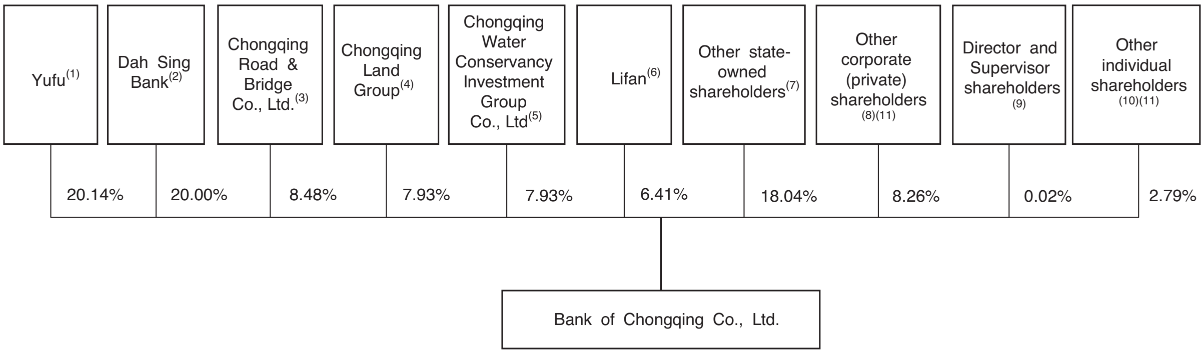
We intended to raise capital from capital markets and seek listing of our shares on either the Shanghai Stock Exchange or the Hong Kong Stock Exchange, but not on both exchanges concurrently in the near future. In early 2013, in view of the PRC regulatory policies and the offshore capital market conditions, we proposed to conduct the listing of our H Shares on the Hong Kong Stock Exchange, which was not due to any adverse findings or rejection by the CSRC in relation to the A Share Listing Application. Subsequently, our Shareholders approved the listing plan for H Shares or A shares in February 2013. As a result of obtaining the CSRC's acceptance for processing of our application for the listing of our H Shares in July 2013, we applied to the CSRC for suspension of the vetting of our A Share

Listing Application on September 4, 2013 and an application for withdrawal of our A Share Listing Application will be made after the Global Offering. The withdrawal of our A Share Listing Application will not require the shareholders' approval. After the withdrawal of our A Share Listing Application, we are not planning to conduct A share listing in the foreseeable future.

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets forth our shareholding and group structure prior to the Global Offering as at the Latest Practicable Date:

Prior to the Global Offering



(1) Yufu, wholly owned by Chongqing SASAC, is one of our 72 state-owned shareholders and the single largest shareholder of our Bank.

(2) Dah Sing Bank is wholly owned by Dah Sing Banking Group Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock code: 2356). Dah Sing Banking Group Limited is beneficially owned as to approximately 74.59% by Dah Sing Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock code: 0440).

(3) Chongqing Road & Bridge Co., Ltd. (重慶路橋股份有限公司) is one of our 167 non-state-owned corporate shareholders and is listed on the Shanghai Stock Exchange (Stock code: 600106). It is owned as to approximately 14.98% by Chongqing International Trust Co., Ltd. (重慶國際信託有限公司) and approximately 13.89% by Chongqing Guoxin Investment Holding Co., Ltd (重慶國信投資控股有限公司), the holding company of Chongqing International Trust Co., Ltd. (重慶國際信託有限公司).

(4) Chongqing Land Group (重慶市地產集團), wholly owned by Chongqing SASAC, is one of our 72 state-owned shareholders.

(5) Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司), wholly owned by Chongqing Water Assets Management Co., Ltd (重慶市水務資產經營有限公司) which is in turn wholly owned by Chongqing SASAC, is one of our 72 state-owned shareholders.

(6) Lifan is one of our 167 non-state-owned corporate shareholders and is listed on the Shanghai Stock Exchange (Stock code: 601777). It is owned as to approximately 65.00% by Chongqing Lifan Holdings Co., Ltd. (重慶力帆控股有限公司), which is owned as to approximately 75.00% by Chongqing Huiyang Holdings Co., Ltd. (重慶匯洋控股有限公司). It is controlled by Mr. Yin Mingshan, one of the non-executive directors of our Bank.

(7) The other 69 state-owned shareholders in aggregate hold 18.04% of our outstanding issued shares. The number of shares held by these shareholders in our Bank ranges from 6,533 shares to 100,828,868 shares (representing between approximately 0.00% and 4.99% of our outstanding issued shares).

(8) The other 165 non-state owned corporate shareholders are engaged in, among other things, manufacturing, engineering construction, real estate development, infrastructure and investment business, whose shareholdings in our Bank ranges from 1,070 shares to 68,602,362 shares (representing between approximately 0.00% and 3.40% of our outstanding issued shares) and 22 of whom are untraceable shareholders as of the Latest Practicable Date.

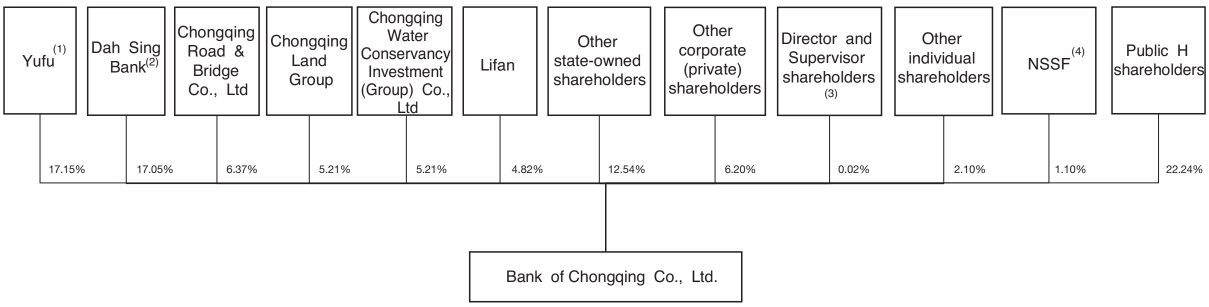
(9) Our Director and Supervisor shareholders consist of Mr. Ran Hailing, Mr. Huang Changsheng (interest beneficially owned and interest of his spouse), Mr. Lin Min, Mr. Zhou Yongkang (interest of his spouse) and Ms. Wan Jiayu, who are interested in 484,778 Shares in aggregate, representing approximately 0.02% of our outstanding Shares.

(10) Among the other 3,086 individual shareholders, 1,092 are employee shareholders and 1,994 are non-employee individual shareholders, 71 of whom are untraceable shareholders as of the Latest Practicable Date.

(11) The aggregate number of shares held by the untraceable shareholders is 941,148 shares, representing approximately 0.05% of our outstanding issued shares. Dividends payable to the untraceable shareholders are treated as dividends payable item under other liabilities in our financial statements.

Immediately Following the Completion of the Global Offering

The following chart sets out our shareholding structure immediately following the completion of the Global Offering, assuming an Offer Price of HK$6.05, being the mid-point of the Offer Price range set out in this prospectus and assuming no exercise of the Over-Allotment Option:



(1) The H Shares subscribed by Yufu through its wholly owned subsidiary at the Offer Price in the International Offering will be subject to a three-year lock up undertaking after the Listing Date.

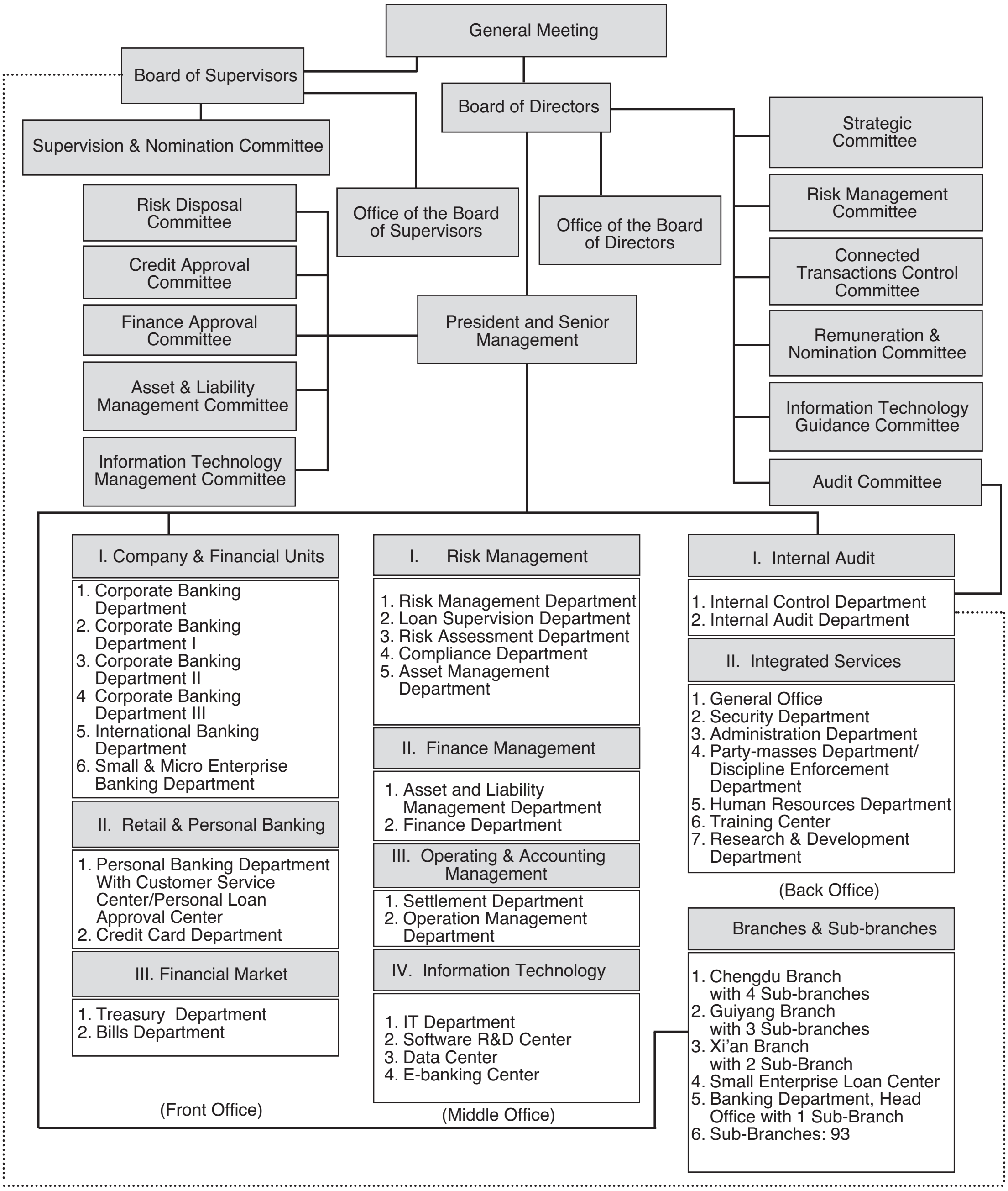
(2) Shares held by Dah Sing Bank prior to the Listing Date will be converted into H Shares, which will be listed on the Hong Kong Stock Exchange immediately upon the completion of the Global Offering. The conversion of our Shares held by Dah Sing Bank prior to the Listing Date into H Shares is subject to approval by the CSRC, which has been received. The H Shares held by Dah Sing Bank (including the additional H Shares subscribed at the Offer Price in the International Offering) will be subject to a three-year lock up undertaking after the Listing Date.

(3) Our Director and Supervisor shareholders will be interested in approximately 0.02% of our entire issued share capital following the completion of the Global Offering (assuming no exercise of the Over-Allotment Option). These interests will not be added to the shareholding attributable to the public float.

(4) The conversion of our Shares held by NSSF into H Shares will be subject to certain requirements under applicable PRC laws, rules and regulations, including approval by the CSRC, which has been received.

OUR ORGANIZATIONAL STRUCTURE AND OPERATIONAL REFORM

The following chart sets forth our principal organizational and management structure as at the Latest Practicable Date:



Operational Reform

Since our establishment in 1996, we have continued to improve our management and operation and have implemented substantive reform and improvement measures in areas including corporate governance, organizational structure, risk management, human resources and information technology. Our operational reform has been reflected in the areas set forth below.

Corporate Governance

Our Board is accountable to our shareholders' meeting, and is responsible for reviewing and approving our strategic development, devising our risk management strategies and operational plans as well as appointing our senior management. As of the date of this prospectus, our Board consists of six committees, namely the Audit Committee, the Remuneration and Nomination Committee, the Strategic Committee, the Connected Transactions Control Committee, the Risk Management Committee and the Information Technology Guidance Committee. We have also established the Supervision and Nomination Committee under the Board of Supervisors.

Organizational Structure

In recent years, we have adjusted our organizational management structure according to our business lines with an aim to establish eight main business lines: corporate banking, personal banking and financial market in the front office; risk management and financial planning in the middle office; and operating, information technology, and administration and human resources in the back office. At present, business line management structure has been implementing at corporate banking, personal banking, operating and information technology lines. Furthermore, we have appointed chief officers for certain business lines who will take the lead in performing structural adjustment, organizing work flow, enhancing refined management, improving efficiency and promoting business development. We believe this business line-based management structure will further improve our efficiency and specificity by streamlining our operations and allow us to better serve our customers.

We have also carried out the following reforms in respect of the organizational structure of our small and micro enterprises business. In 2007, we established the Small and Medium Enterprises Business Development Centre under our Corporate Banking Department, marking our initiatives to transform towards a more "small and micro enterprises" focused business structure. In the same year, we also introduced the micro-loan technology from International Project Consult GmbH ("**IPC**", a limited liability company incorporated in Germany specializing in lending to micro enterprises), leading to the establishment of the Micro Enterprise Financing Department designated to serve micro enterprises by providing loans of less than RMB 500,000. In 2009, with the CBRC' s approval, we set up the Small Enterprise Loan Center, an independent operational division. In 2012, we spinned off the former Small and Medium Enterprises Business Development Center from our Corporate Banking Department and transformed it into the Small and Micro Enterprise Banking Department under the direct management of our headquarters.

Risk Management

In recent years, we have started to build a comprehensive risk management system and improve the level of our overall risk management through various initiatives, including formulating and implementing risk management plans, optimizing our risk management structure and functions, improving our risk management policies, developing and implementing information technology systems and introducing advanced risk management tools.

See “Risk Management” for more information about our risk management framework.

Employee Training

We attach importance to human resources and the implementation of comprehensive employee training. In this regard, we have adopted the following measures:

- We have established a three-level (head office, branches and sub-branches) training management structure and carried out customized training based on the employees’ term of service and positions.

- We have implemented a continuing education incentive system to motivate our employees in pursuing further education since 2009. More than 1,500 of our employees have been rewarded for obtaining professional qualifications certificate, bachelor’s degree or diploma or postgraduate degree or diploma. We believe continuing education has greatly enhanced the overall quality of our employees.

- We have expanded our employee training channels and measures and developed an online training system in March 2012, providing functions such as online learning, online assessment, training course administration, training documentation management and statistics of training data.

- We have composed our own training manuals on 35 topics, including banking business, credit management, marketing, risk control, rules and regulations and staff behavior. We believe that these measures will continue to help attract and retain our staff as well as develop the capabilities of our staff.

Information Technology

We have formulated information technology strategy plans and have been carrying out information technology infrastructural construction and development as well as system upgrade and optimization on an ongoing basis, which is reflected primarily in the following aspects:

- developing and improving the business management related application systems, and providing valid technical support for our banking business, business management, operational analysis, customer management and other areas in terms of three major applications — business processing, service channel and business management;

- establishing a software development center to conduct research and development of our information technology system and possessing self-developing capability for key systems, such as core banking, credit management and intermediary business;

- building an overall electronic banking channel, including online banking, mobile banking, telephone banking, television banking and point-of-sale terminal, and effectively achieving full coverage of the electronic banking framework, in order to achieve complementarity between physical and electronic channels; and

- strengthening information safety and risk control in terms of management system and technical measures, thereby ensuring customer's information are better protected and enhancing stability of business operations and systemic management.

OVERVIEW

We are one of the leading commercial banks based in Chongqing, the largest and most populous municipality in China. As of June 30, 2013, our total assets were RMB188,428 million. According to the CBRC Chongqing Bureau, we were the fifth largest commercial bank in Chongqing in terms of total assets as of June 30, 2013. As of June 30, 2013, our total loans to customers were RMB84,943 million, and our total customer deposits were RMB139,614 million. In 2012, our net profit was RMB1.92 billion. During 2010, 2011 and 2012 and the six months ended June 30, 2013, our return on average equity was 24.3%, 25.9%, 26.2% and 31.7%, respectively. According to the August 2012 issue of Asia Week, our rate of return on shareholders' equity in 2011 was the 9th highest among the List of the Top 300 Asian Banks.

We have been able to achieve rapid growth, enhanced profitability and improved asset quality in recent years. From 2010 to 2012, our operating income grew at a CAGR of 29.5% from RMB2.78 billion to RMB4.66 billion and our net profit grew at a CAGR of 32.1% from RMB1.10 billion to RMB1.92 billion. At the same time as we have focused on growing our business rapidly, we have also maintained prudent risk management and internal control, with an emphasis on maintaining sound asset quality. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our non-performing loan ratio was 0.36%, 0.35%, 0.33%, and 0.38%, respectively, and the ratio of our allowance for impairment losses to non-performing loans was 534.0%, 526.7%, 537.7%, and 458.3%, respectively. Our non-performing loan ratio as of December 31, 2012 was lower than the non-performing loan ratio of all publicly listed PRC commercial banks as of the same date based on their public disclosures.

We have received a number of honors and awards for our business performance, management capability and corporate governance. For example:

- In April 2012, our small business loan center was named "Advanced Entity for Small and Micro Enterprises in 2011" by the CBRC;
- In August 2012, we were named by Asia Week as one of the "Top 10 Banks with the Highest Return on Equity 2012" among the list of the Top 300 Asian Banks; and
- In November 2012, we were awarded one of "The Most Competitive Regional Urban Commercial Retail Banks 2012" in "The Most Respected Banks and The Best Retail Banks in China 2012" contest organized by Money Week.

As of June 30, 2013, we operated our business through the business department of our head office, our small enterprise loan center, and 106 branches and sub-branches covering all 38 districts and counties of Chongqing, as well as three provinces in Western China, namely Sichuan Province, Shaanxi Province and Guizhou Province. Through our network, we provide a broad range of corporate and personal banking products and services, including those tailored to the financing needs of small and micro enterprises. While we primarily focus on fulfilling our liquidity needs, we also seek to maximize the return on our funds for non-lending activities by trading and investing in securities.

OUR STRENGTHS

Well positioned to benefit from the rapid economic growth of Chongqing and Western China and the significant market opportunities created by their economic transformation

Since the Go West Policy became one of China's most important national strategies in 2000 with an overall objective of improving the income and living standards of people in Western China and narrowing the gap between the eastern and western regions of China through the acceleration of development in China's central and western regions, Western China has experienced its greatest period of rapid economic development, high-quality growth, improvement in overall competitiveness, transformation of urban and rural environment and rising living standard since the founding of the People's Republic of China. Since the implementation of PRC's 12th Five-Year Plan, Western China has been developing at a faster pace than the eastern regions, and has become the new "engine" driving China's development.

Chongqing, as the only directly administered municipality in Western China, not only benefits from regional preferential policies, such as those under the Go West Policy and those applicable to the Three Gorges Reservoir Area (三峽庫區) (for example, preferential tax policies such as corporate income tax rate of 15% for enterprises in encouraged industries, which is lower than the rate of 25% ordinarily applicable to enterprises), but also benefits from the administrative status of a directly administered municipality and a national central city (國家中心城市), as well as the economic preferential policies enjoyed by coastal cities. For example, in May 2010, the State Council approved to establish Liangjiang New Area (兩江新區) in Chongqing as China's third sub-provincial level economic development area after Pudong New Area (浦東新區) in Shanghai and Binhai New Area (濱海新區) in Tianjin, and all the innovative and preferential policies applicable to Pudong New Area and Binhai New Area would also be applicable to Liangjiang New Area. In addition, the reform of the household registration system and innovation of the land permit (地票) system pioneered by the Chongqing government have allowed the municipality to unlock potential labor force and more rural lands for its future development.

Located at the confluence of the Yangtze and Jialing Rivers, Chongqing is an important gateway to Western China and benefits greatly from its unique geographical advantage. Chongqing has the first inland free trade area established by the State Council and is also the eastern terminus of the Chongqing-Xinjiang-Europe International Railway, which is also known as the New Silk Road. On the strength of its unique regional advantages and various preferential policies, Chongqing has become one of the preferred locations for the relocation of industries from eastern China, which has helped build up a number of pillar industries in Chongqing, including electronic information, automobiles, high-end equipment, aviation and biomedical industries, with the accelerated emergence of industry clusters centered around such industries.

Benefitting from the above factors, Chongqing's economy grew rapidly in recent years. In each of the four years since 2009, the annual GDP growth of Chongqing was among China's top three and the highest in Western China at provincial level. Chongqing's nominal GDP grew at a CAGR of 18.6% between 2008 and 2012, which was higher than China's national CAGR of 13.4% over the same period.

With the transformation and upgrade of Chongqing's industries, Chongqing's financial service sector has also developed healthily in recent years on the back of rising demand for financial services from local businesses. From 2008 to 2012, Chongqing's banking sector expanded at a CAGR of 25.7% in terms of total loans and 24.4% in terms of total deposits, which is higher than the overall PRC banking sector's CAGR of 20.0% in terms of total loans and 18.4% in terms of total deposits for the same period. At the same time, from 2008 to 2012, city commercial banks were the fastest growing commercial banks among all types of commercial banks in Chongqing in terms of assets, loans or deposits growth rates. Notwithstanding the rapid growth, Chongqing was able to maintain one of the highest asset quality in the country as a result of its sound financial policy, service and legal environments. The average non-performing loan ratio of Chongqing's banking sector was 0.46% as of December 31, 2012, which was far below the overall non-performing loan ratio of 0.98% for all PRC domestic commercial banks as of the same date. Despite the rapid development in recent years, Chongqing's banking penetration as measured by total loans divided by GDP remained at 136% in 2012, which was lower than those for the other directly administered municipalities during the same period, signifying significant growth potential in Chongqing's banking sector.

As a commercial bank named after the municipality itself, we have high brand recognition and strong reputation in Chongqing, Western China and nationwide. We are well positioned to serve Western China from our base in Chongqing. With our long-standing presence in and deep understanding of the Chongqing market, as well as our branches in the three provinces in Western China, namely Sichuan Province, Shaanxi Province and Guizhou, we believe we are well positioned to capture the opportunities arising from the continuous rapid economic development of Chongqing and Western China. Since our first branch outside of Chongqing commenced business in Chengdu in December 2008, our business from regions other than Chongqing has developed rapidly. As of June 30, 2013, the amount of loans extended by our branch organizations outside of Chongqing accounted for 26.0% of our total loans and the amount of deposits taken by our branch organizations outside of Chongqing accounted for 22.9% of our total deposits. We believe the strong economic ties as well as geographic proximities and cultural affinities between Chongqing and other provinces in which we are operating would give us a significant edge over competitors from outside the region.

Leading corporate banking business that corresponds with the region's economic structure and continually captures opportunities from the transformation of Chongqing's industries through innovation

We have established a leading corporate banking business in Chongqing on the back of our long-standing operation in Chongqing over the last 27 years, as well as our long-term relationships with major local corporations and governmental entities in the municipality. Benefiting from our long-term relationship with local governmental authorities, we enjoy a competitive advantage in securing government entities and companies and public institutions affiliated with such entities as clients in Chongqing, which provides us with a stable source of deposits. In addition, we have established lending relationship with a large number of corporate customers in Chongqing, many of which are leading enterprises of the various pillar industries in Chongqing. As of December 31, 2012, our customers include 67 of Chongqing's top 100 enterprises in terms of revenue as published by Chongqing Administration for Industry and Commerce.

Based on our in-depth knowledge of the local industry chains, the composition of our corporate banking loan portfolio closely matches the economic structure of Chongqing. According to the PBOC, around two thirds of the new corporate loans in Chongqing in 2012 were extended to the manufacturing, construction and wholesale and retail sectors. As of June 30, 2013, the manufacturing, wholesale and retail and construction sectors were also the top three sectors to which we extended loans; our loans to these three sectors represented 24.4%, 15.3% and 10.1%, respectively, of our total balance of corporate loans. We believe this high correlation between our loan portfolio and local economic structure would allow us to better capture the benefits from Chongqing's economic growth.

In order to further develop our corporate banking business, we have continuously innovated our products, services and marketing strategies to meet our corporate banking clients' diversified needs. With respect to products, we are committed to developing a series of innovative services and products that target the key industries in the regions where we operate. For example, in view of the burgeoning Chinese liquor industry in Guizhou province, our branch in Guiyang has launched a highly-acclaimed service by taking valuable base liquor as collateral for loans, which helped clients address liquidity issues arising from the long cellar time required for the production of these liquor. With respect to services, we have been actively developing our electronic banking capabilities and are now able to provide our corporate clients with a series of banking services through our corporate Internet banking portal and direct portal connection between the customers' and our online banking network. Our efforts have received wide recognition from our various corporate clients. Further, we have been promoting cooperation with a number of factors exchanges in Chongqing by providing instant financing options to market participants that is made possible through the connection of electronic systems. With respect to marketing, we have leveraged on our in-depth knowledge of supply chain finance and our close relationships with leading enterprises in Chongqing to solicit their upstream and downstream suppliers and distributors to become our customers. As of June 30, 2013, credit extended through our supply chain financing products totaled approximately RMB6.3 billion.

According to the PBOC, as of June 30, 2013, we were ranked fifth in Chongqing in terms of RMB-denominated corporate deposits with a market share of 7.3%, only behind the respective Chongqing branches of China Construction Bank, Industry and Commercial Bank of China and Agricultural Bank of China, and Chongqing Rural Commercial Bank. As a result, the corporate banking business has been a solid foundation of our profitability and continued expansion, contributing 64.3% of our revenue and 56.1% of our profit before income tax in 2012. As of June 30, 2013, corporate loans represented 72.3% of our total loans to customer and corporate deposits represented 70.0% of our total deposits.

Pioneer and expert in small and micro enterprise financing with substantial influence in the Chongqing area

We are a regional leader in small and micro enterprise financing with a balanced emphasis on both small enterprise customers and micro enterprise customers. As early as 2007, we recognized the significant development potential of the small and micro enterprises business, and we set up our micro loan department and launched our micro enterprise lending services focusing on loans with a principal amount under RMB500,000 (subsequently raised to RMB1,000,000) with microcredit technical support from IPC. In2009, with the assistance from KfW, a German development bank, through its "capital + technology" project for medium- to long-term lending for small and micro enterprises, we launched our fixed assets lending service to private small and micro enterprise with principal amount under RMB5,000,000. In the same year, we established our small enterprise loan center, which was among the first independent financing institutions in China approved by the CBRC to specialize in extending loans to small and micro enterprises. In April 2013, we issued, in an amount of RMB3.0 billion, our first financial bond for small and micro enterprise loans to support the development of our small and micro enterprise businesses.

Through our unique dynamic authorization management model and our highly-effective marketing strategy, in combination with our natural local advantage from being based in Chongqing, we have achieved rapid growth in our small and micro enterprises business. Between December 31, 2010 and June 30, 2013, total loans extended to small and micro enterprises have increased from RMB6,330 million to RMB26,780 million, and the proportion of the loans extended to small and micro enterprises in our total loans have also increased from 11.9% to 31.5% during the same period.

Unlike other banks, we operate and manage our small enterprise loans with principal amount over RMB1,000,000 and micro enterprise loans with principal amount of RMB1,000,000 or below as two separate business lines. Separate operation and management help us to better focus on the development of these two very different customer groups and realize the benefits from better market segmentation, which in turn helps us more accurately control and identify risks, leading to better asset quality. Our independent, standalone operation model and our "Professionalized, Quantified, Process-Oriented, One-Stop" loan operation system for small and micro enterprises are the key that we are able to continually innovate and develop our business in a healthy manner.

We target concentrated customer groups where small and micro enterprises lending can be promoted in a wholesale manner and where risks can be controlled in a quantified way. Such concentrated customer groups include customers clustered in industrial parks, professional circles, trade markets, business chambers or associations, suppliers and distributors of core businesses, as well as customers in special local industries or agricultural businesses. In terms of industries, we target customers from those industries that are the key components of Chongqing's economy, including the nine key industries of Chongqing, namely, automobile and motorcycle manufacturing, defense equipment manufacturing, pharmaceutical and chemical engineering, energy and material processing, light industry and logistics, agricultural industrialization, information technology, service industry and individual entrepreneurship. With this development model, we have successfully developed a significant small and micro enterprises customer base in Chongqing. As of June 30, 2013, including over 13,800 owners of small and micro enterprises and sole proprietors, we had over 17,000 small and micro enterprises loan customers, among which, over 13,000 customers received loans with principal amounts under RMB1,000,000, representing 76.5% of our small and micro enterprise loan customer base.

In respect of risk management, we have based our practices upon the risk management principle of "Six Normals," as we monitor our clients' normal production, sales, finance, credit, cash flow and use of proceeds. We have set up our risk assessment and management system based on industrial group segments. Based on our experience, we have formulated and continuously optimized the standard credit quantification management model for major industries and major segmented commercial groups, which not only helps us to effectively control the main risks of various industries and customers group, but also improves the effectiveness and efficiencies of our risk control model. As a result, notwithstanding the rapid growth of our small and micro enterprise business, we were able to maintain our non-performing loan ratio within a reasonable range. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the non-performing loan ratio for our loans to small and micro enterprises was 1.50%, 0.74%, 0.35% and 0.35%, respectively.

The Chongqing Government has been actively promoting the development of micro enterprises in recent years. In 2010, with the promulgation of the Opinions on the Active Development of Micro Enterprises (關於大力發展微型企業的若干意見), the Chongqing government became a pioneer in the nation to separate micro enterprises from small and medium enterprises and implemented various favorable policies in terms of taxation, loan and financial subsidy for such enterprises. From the promulgation of these opinions to June 30, 2013, there have been 91,500 micro enterprises in Chongqing, accounting for approximately one fourth of Chongqing's 370,000 private enterprises. It is envisioned that from the promulgation of these opinions to the end of 2015, the number of additional micro enterprises in Chongqing, through policy support, will reach 150,000, which will create significant development potential for our small and micro enterprise business.

We believe that significant growth potential exist for small and micro enterprise banking business as the levels of development and competition in such market are still relatively low as compared to those of the large enterprise banking business. At the same time, lending to small and micro enterprises typically has a higher yield compared to lending to a large corporate. Hence, we believe the continued development of our small and micro enterprise business will help improve our net interest margin and net interest spread.

Personal banking business with significant potential that leverages our position as the "Citizen's Bank" in Chongqing and our extensive network of outlets covering all 38 districts and counties of Chongqing

As the "Citizen's Bank" in Chongqing, we endeavor to satisfy our customers' needs for general banking and financial services in the most safe and convenient manner. From the foundations laid down by the original 37 urban credit cooperatives and one urban credit joint cooperative in Chongqing, we have built an efficient and strategically placed distribution network in Chongqing, covering all 38 districts and counties of the municipality. In addition, we are also among the first city commercial bank in Western China to provide comprehensive electronic banking services.

Our outlets not only provide money deposit, withdrawal, transfer, lending and other traditional banking services to local residents, but also serve as their one-stop service platform for a wide variety of other financial and related services, including bill collection services and sales of various investments and wealth management products. We offer one of the most comprehensive public utility bill collection services in the municipality. Our customers may pay various types of public utility bills in Chongqing, including those for telecommunications, cable television, public transportation, annual tolls for roads and bridges, bills for water, electricity and gas charges and public housing rentals through various payment channels including self-service banking, telephone banking, mobile banking, online banking and television banking. We provide payroll and allowance and subsidy disbursement services to civil servants of Chongqing municipal government and several district governments, as well as faculty members of higher education institutions and employees of leading enterprises. As of December 31, 2012, the number of the individual customers of our payroll services was approximately 441,000. In 2012, the total amount of salaries paid through our payroll services was approximately RMB10,446 million. We believe the customer resource and customer data that we have cultivated from our bill collection services and payroll services will provide our personal banking business with significant business development opportunities.

We are committed to following the market trend closely to provide and develop personal banking products that adapts to customers' needs. We are a pioneer in providing personal wealth management services among city commercial banks in Western China. In November 2010, we became the first city commercial bank in southwestern China approved by the CSRC to sell open-end public funds. Leveraging our investment expertise in bonds and other money market instruments, we have developed the "Yangtze Fortune" series of wealth management products. We are now the market leader among city commercial banks in Western China in terms of the volume of personal wealth management products issued. In 2012, we issued a total of 242 tranches of personal wealth management products, raising a total of RMB19.6 billion from customers. As a result of our excellent reputation on the market, our Yangtze Fortune wealth management products were named as the "2012 Most Popular Wealth Management Products Issued by City Commercial Banks" by the Money Week magazine (理財週報).

We focus on mid-end customers as the core customer group of our personal banking business, and continue to improve and innovate our products, services and marketing strategies to better meet the needs of such customers. This strategy has led to rapid expansion of our personal banking business. In 2012, the number of personal deposit customers and the number of personal loan customers increased 29.5% and 20.2%, respectively. Our personal banking business has grown rapidly alongside the expansion in our customer base. From 2010 to 2012, operating income from our personal banking business grew from RMB351 million to RMB866 million, representing a CAGR of 57.1%. Personal loans grew from RMB8.87 billion as of December 31, 2010 to RMB19.5 billion as of December 31, 2012, representing a CAGR of 48.3%. Personal loans as a percentage of total loans increased from 16.7% as of December 31, 2010 to 25.4% as of December 31, 2012. Personal deposits increased from RMB11.845 billion as of December 31, 2010 to RMB18.622 billion as of December 31, 2012, representing a CAGR of 25.4%. Such growth laid a solid foundation for the future development of our personal banking businesses.

The average disposable income of Chongqing's urban residents increased from RMB14,368 in 2008 to RMB22,968 in 2012 with a CAGR of 12.44%, which is higher than that of any other directly administered municipality, and such growth is expected to continue in the foreseeable future. We believe that the rapid growth in Chongqing residents' income level will lead to increasing demand for personal financial services, which will further support the continuous expansion of our personal banking business.

Prudent risk management and sound asset quality

We have established a comprehensive, independent and vertically integrated risk management system, including an independent internal audit function that monitors the risks of each branch and sub-branch, a performance evaluation system that incorporates risk management metrics for our business departments and branches, a risk management structure focusing on maximizing risk-adjusted returns, as well as a Chief Risk Officer in charge of decision-making and supervision of our bank-wide risk management. After Dah Sing Bank became a strategic investor in our Bank in 2007, we have gained new insights and benefited from the experiences in risk management of Dah Sing Bank. With the appointment of Mr. Wong Hon-Hing as our director and vice chairman since 2007, Mr. Wong, the managing director and the chief executive director of Dah Sing Financial Holdings Limited, has been instrumental in improving our risk management and corporate governance.

As part of our risk management practice, we have established various procedures to identify and limit our exposure to industries and customers with potentially high credit risks and have divided our customers into 32 industries. After a risk assessment of each industry that combines qualitative and quantitative indicators, we ranked the 32 industries in the order of their credit risks and set risk exposure limits for the five industries with the highest credit risks. In addition, we strictly limit the amount of loans extended to real estate developers. All loans extended to real estate developers must be subject to the examination and approval by the Credit Approval Committee at our head office, and the amount of loans extended to real estate developers may not exceed 5% of our total outstanding loans.

We have also incorporated certain level of flexibilities in our risk management system in order to take into account the different factors affecting the risk levels of customers from different regions. We balance between the standardization of our risk management system and localization by implementing credit risk management standards whilst granting branches and sub-branches a certain level of discretion. We currently have many staff members with extensive experience in credit risk management at our branches and sub-branches. These staff are organized into local review groups that undertake thorough discussions of the loan applications before approving applications within their authorized limits. Since these staff are close to our market, they are able to take into account the characteristics of different regions in reviewing loan applications when applying our bank-wide risk management standard.

We take a prudent approach in selecting our customers and implementing our security policy. In 2012, we conducted an internal grading test of our existing customers, and the results showed that over 80% of our customers were internally classified as A- or above. We have also set up a high credit security threshold, and as of June 30, 2013, loans with credit guarantees only accounted for 6.2% of our total loans. In addition, we take a prudent approach in the setting of our mortgage and pledge ratio. See "Credit Risk Management — Credit Risk Management for Corporate and Personal Loans — Collateral Appraisal." Meanwhile, we require that enterprises and individuals that provide guarantees should all have high credit worthiness. Pursuant to the above internal grading test, all of the guarantee companies that we worked with were classified as A+ or above.

Through a risk management system that strikes a balance between standardization and differentiation, and a prudent customer selection strategy and security policy, we have been able to maintain sound asset quality. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our non-performing loan ratio was 0.36%, 0.35%, 0.33%, and 0.38%, respectively, and our allowance coverage ratio was 534.0%, 526.7%, 537.7%, and 458.3%, respectively. As of December 31, 2012, our non-performing loan ratio was lower than that of any publicly listed PRC commercial banks according to the public disclosure of such banks.

Although our asset quality is maintained at a relatively high level, we have not eased our continuous efforts in enhancing our risk management capabilities. In 2009, we engaged PricewaterhouseCoopers Consultants (Shenzhen) Limited to devise plans for upgrading our risk management information system, and since 2011, we have engaged KPMG Advisory (China) Limited and Deloitte Consulting (Shanghai) Company Limited to assist us in the establishment of an internal rating system for non-retail customers and debt instruments — one of the first city commercial banks to develop an internal rating system. We have completed the development of the rating system for non-retail banking customers and debts with a coverage of over 50% of our credit risk exposure.

Experienced management team and a flexible and efficient management structure

We have an experienced senior management team, with an average of 21 years of financial industry and managerial experience in China. Our Chairman, Mr. Gan Weimin, has more than 15 years of working experience in China's banking industry, including serving as the head of Chongqing branch of China Minsheng Bank for over 5 years. He was named as one of the "Top 100 Excellent Youths of the National Financial System" by the CBRC in 2004 and was further awarded the title of "Man of the Year in the Banking Industry of China" by the China Finance Network in 2008 and 2009. Mr. Ran Hailing, our President, has more than 20 years of financial industry experience in China and has been working in our Bank since 2003. He was awarded with the "State-owned Enterprise Advanced Individual Contribution Prize" by the State-owned Assets Supervision and Administration Commission of Chongqing in 2010 and 2011. Our senior management team has a track record of successfully implementing strategic initiatives, including the restructuring of our Bank, the enhancement of risk management and internal controls, the introduction of strategic investors, and the continued expansion of our businesses. We believe that this successful track record has demonstrated our senior management's strategic vision and the ability to adapt to a changing and dynamic market environment. Further, our flat organizational structure is highly efficient and the internal examination and approval process for any business is limited to no more than five levels with important information reaching the highest level directly from the front line in order for the senior management to respond promptly to any changes in market conditions.

Since Dah Sing Bank made a strategic investment to us in 2007, we have made a full utilization of its advanced concepts and experiences in personnel training. Our advanced training system and competitive incentive mechanism have attracted and retained qualified personnel, creating a reserve of human resources that are familiar with the local market, which helps us expand in Chongqing, as well as in Western China.

OUR STRATEGIES

Our strategic objective is to become an exemplary commercial bank in Western China.

We plan to achieve our objective through the implementation of the following strategic initiatives:

Capitalize on the opportunities stemming from the rapid economic development of Western China, and continue to expand and strengthen our core corporate banking business and brand

Western China is expected to be the focus of economic development in China, with the economic growth of western provinces and municipalities, such as Chongqing, exceeding the national average and displaying significant potential for further development. We plan to leverage on this regional geographic advantage and adopt the following initiatives to expand and strengthen our corporate banking business in order to become a leading comprehensive service provider in corporate banking:

- *For the Chongqing market*: We plan to develop our corporate banking business to become more differentiated and professionalized. In terms of our credit business, we plan to, in line with the trends of Chongqing's economic development, optimize and strengthen our local credit business in Chongqing. In the central urban area of Chongqing, we plan to focus on enterprises from the leading industries such as manufacturing, wholesale and retail and construction. In the suburban and county areas of Chongqing, we plan to fully capitalize on the opportunities arising from key industries that are relocating to Western China from the eastern parts of China and support the development of those industries. In terms of our deposit business, we plan to deepen our cooperation and relationship with Chongqing's local governmental entities and the corporations and public institutions affiliated with these entities, actively expand in the growth areas of our deposits business, strengthen channels for our core deposits, broaden sources for stable deposits and endeavor to increase our proportion of enterprise deposits. Meanwhile, we plan to take advantage of the opportunities arising from the upgrade and transformation of Chongqing's industrial structure and innovatively develop business with customers in seven emerging industries — i.e., energy conservation and environmental protection, information technology, biomedical, high-end manufacturing, new energy, new materials and new energy vehicles;

- *For markets outside of Chongqing*: Based on the characteristics of the local economy and pillar industries in each region, we plan to develop specialized businesses, achieve localized operations for non-Chongqing branches, strengthen the development of branch outlets, consolidate our regional competitive advantage with respect to Western China, accelerate business development, expand the scale of our business, and explore new sources of growth;

- Focus on business development with core enterprises of major industries with large market capacity, extended industrial chains and wide ranges of ancillary enterprises, such as energy, automobile, construction equipment, logistics, and building materials, and expand, on this basis, a customer base among upstream and downstream medium, small and micro enterprises using the "1+n" supply chain financing model, which refers to a financing model that focuses on a core enterprise ("1") and radiates outward to other links in the associated supply chain ("n");

- Accelerate the development of our intermediary businesses, enhance the scope and capabilities of our consulting and financial advisory services, focus on the development of the services of domestic letters of guarantee and acting as the lead manager in syndicated loans and actively explore services such as underwriting debt financing instruments; and

- In terms of our international business, we plan to actively promote product innovation, and provide comprehensive financial services to import and export enterprises and foreign investment enterprises in Chongqing by leveraging our advantages as the headquarter of the bank, extensive correspondent bank network and open capital clearing channels.

Enhance our small and micro enterprises banking business, and maintain our position as a pioneer and leader in financial services for small and micro enterprises

We plan to maintain our position as a pioneer and leader in financial services for small and micro enterprises in Chongqing and Western China. We plan to fully capitalize on the opportunities stemming from the Go West Policy and the economic transformation of Chongqing, as well as our competitive advantage as a local entity, to actively expand our small and micro enterprises banking business, enhance our marketing capabilities and maintain sustainable growth of this business, so that small and micro enterprises banking becomes a major pillar to support the sustainable development of the business of our Bank. We plan to achieve this objective through the implementation of the following strategies:

- While focusing on pillar industries, major industries and industrial clusters, and leveraging the marketing impact of our relationships with the core customers of our corporate banking business, actively develop our small and micro enterprises banking business with upstream and downstream enterprises as well as enterprise in industrial parks;

- Segment our corporate customers in industrial clusters through the formulation of different approval criteria and quantifiable standards for different industries and customer groups, thereby providing targeted and standardized financial products and services to different customer segments, and establishing market differentiation and the provision of specialized services on that basis;

- Adjust and optimize our small and micro enterprises banking business' organizational structure, management model and incentive mechanism in order to build an efficient operating and management platform, fully utilize our branch outlets of different tiers, and increase our internal synergies in order to enhance the overall operational efficiency and management standards of our small and micro enterprises banking business;

- Strengthen external cooperation and establish a multi-dimensional cooperation platform with financing guarantee companies, insurance companies, governmental entities, chambers of commerce and associations as core participants and professional management companies and leading enterprises of various industries as supplementary participants, in order to create a comprehensive marketing channel that focuses on brand marketing, channel marketing and business cluster marketing;

- Enhance, in a targeted fashion, our risk management capabilities and further improve the standardized, specialized and process-oriented risk management system for our small and micro enterprises banking business; and

- Increase our efforts in team building and optimize staff deployment among the front, middle and back offices of our small and micro enterprises banking business, in order to ensure the coordinated development of the scale of our business and the size of our team.

Improve the overall competitiveness of our personal banking business, and endeavor to become a leading specialist in personal banking customer services in Western China

We believe that the continuous growth of per capita disposable income in China and favorable policies successively promulgated by the state to expand domestic demand and stimulate consumption will facilitate the steady, sustainable and relatively fast development of our personal banking business. We will focus on mid-end personal customers and provide targeted, high quality financial products and services to meet the differentiated needs of our customers and endeavor to become a leading specialist in personal banking customer services in Western China. We plan to adopt the following strategic initiatives:

- Further promote customer segmentation and differentiated services and optimize our customer composition, by adhering to our marketing strategy of "focusing on mid-end customers, consolidating current customers, increasing attention on potential customers and endeavoring to expand the number of high-end customers"; for existing customers in the urban functional central area and urban functional expansion area of Chongqing, focus on refining segmentation of current customers and on customer services, and increase the number of high value customers by fully understanding our existing customers' needs and providing targeted products and services; for areas where our branches are located, as well as surrounding county areas such as the new urban development zones of Chongqing (重慶城市發展新區), the northeastern Chongqing ecological conservation and development zone (渝東北生態涵養發展區) and the southeastern Chongqing ecological protection and development zone (渝東南生態保護發展區), take advantage of the development opportunities arising from urbanization and industry relocation and actively expand new mid- to high-end customer bases;

- Optimize our product structure and engage in the marketing and development of key products, consolidate our market leading position in the personal consumption loans and payroll agency businesses, maintain sustained growth in our mortgage loans businesses, raise the amount of savings deposits as a percentage of our deposits, and accelerate the development of our personal wealth management, credit cards, acceptance services and consumption loans businesses;

- In conformance with the development trend of Internet financial services, and with the aim of enhancing customer experience, increase our investment in the realms of community financial service systems, electronic banking and electronic commerce, actively expand our cooperation with well-known online merchants and third party payment platforms, accelerate the change in our marketing services model, and improve our marketing precision; and

- By fully leveraging on our traditional strengths in corporate banking services for commercial and trading companies, actively expand the industry application of our financial integrated circuit (IC) cards and electronic wallets, explore the development and application of small-amount near field communication (NFC) mobile payments with mobile telecommunications service providers, and strengthen our competitiveness in debit IC cards and electronic wallets in order to provide convenient payment and settlement services and other public services to a broader range of customers. Leverage our strengths in public utilities bill payment and payroll agency businesses to increase payroll agency customer retention rates and enhance the intake volume and stability of our personal deposits.

Promote the steady development of our interbank business, and improve liquidity of our assets and optimize resource allocation

We plan to promote the steady development of our treasury business by fully leveraging on the historic opportunity created by the development of Chongqing as the financial center of the upper Yangtze River region which has resulted in the rapid growth of its financial industry, such that these treasury operations are able to complement our corporate and personal banking businesses. We endeavor to become the most influential participant in the interbank market in Chongqing, the upper Yangtze River region, as well as Western China, and establish a reputation as being “First in Western China and Well-Known Nationwide.” We plan to adopt the following initiatives:

- Continue to expand market trading and financing channels, and enhance our reputation in the market and our financing and asset liquidity;

- Establish a unified resource optimization management system, and achieve optimal resource allocation and maximization of profits by adopting the principle of prioritizing yield for our assets business and cost for our liabilities business while monitoring the liquidity, interest rate sensitivity and various regulatory indicators across the Bank;

- Promote the steady development of our traditional treasury operations while actively launching innovative products, and apply for and endeavor to receive qualifications relating to various innovative financial products and services;

- Strengthen cooperation with non-bank financial institutions, such as insurance companies, securities companies and fund companies, expand our fee- and commission-based services, and explore mixed-sector operating models under separate-sector management frameworks;

- Optimize the allocation of our debt investment portfolio, adjust our tenor structure and interest rate structure in accordance with macroeconomic conditions, the financial environment and our Bank’s specific situation, and use bonds as an effective supplement to support our tier two liquidity;

- Promote the steady development of our Renminbi wealth management business, enrich our products and enhance our ability in designing personalized products; and

- Set up a unified management and information sharing platform for the marketing of bills business, create professional marketing, management and support teams for our bills business, and improve the liquidity of our bills assets.

Strengthen cost control, and enhance our pricing capabilities

In the event of interest rate liberalization, banks with cost advantages will possess a competitive advantage. We plan to enhance our cost management capabilities by:

- In terms of cost of funds, applying differential pricing to deposits, which make up the majority of our source of funds, based on the size, type and tenor of the deposits and the contributions made by different customers are reflected, so that cost of funds is effectively reduced;
- In terms of operating expenses, placing greater focus on the input-output analysis of costs and emphasizing the effectiveness of cost outputs; through cooperation with Deloitte, improving and restructuring our management accounting system and, through cost allocation, optimizing our business processes and procuring the establishment of a restraining mechanism for controlling cost; and
- In terms of costs of capital, combining capital management and performance assessment policies and, through the application of an internal capital cost and establishment of capital consumption quotas, creating a culture of capital saving throughout all levels of our Bank and, through price leveraging, leading our Bank's business towards capital saving.

As the liberalization of interest rates progresses, we have formulated strategies to enhance our pricing capabilities while taking into account our own operational and management characteristics:

- In terms of deposit pricing, proactively changing our homogenized pricing strategy and formulating differentiated pricing strategies and authorization systems for different customer groups, product categories, capital sizes and maturity structures, so that in the scope of the PBOC's relevant policies, a range of diversified prices for deposit and flexible interest payment methods are created in order to meet the needs of different levels of customers; and
- In terms of loan pricing, learning from the experience of western and large domestic banks, establishing an analytical measurement and pricing system on the basis of, among other things, credit risk assessment, overall cost measurement, appraisal of customer relationships and customer's comprehensive contribution, as well as the implementation of the Bank's development strategies, and setting up the technical risk pricing model on the basis of risk-adjusted return on capital (RAROC).

Strengthen the development of distribution channels, and refine the service system of our marketing network

We will actively expand and optimize our distribution channels, refine the service system of our marketing network, and endeavor to develop our community financial service system, which, as we believe, will help quickly generate economies of scale, improve operating efficiency and further increase our operational capabilities.

- In the central urban area of Chongqing, engage in planned optimization of our branch network in key areas, adjust the structure of our branch network to achieve an optimized layout of our full service network and self-service network and further improve the coverage of self-service banking centers and self-service terminals in key areas;

- Enhance our branch network coverage in the regions of Western China where we have established branches;
- Subject to regulatory approval, establish additional branches in central and western China;
- Further improve the service functionality of Internet banking and mobile banking, so that the services that we offer through Internet banking, mobile banking platforms and electronic commerce will complement our physical branch network, and thereby improve customer experience; and
- Endeavor to develop our community financial service system and, with "the convenience, interest and benefit of the people" as guiding principles, establish financial convenience stores and community sub-branches in upper-middle class residential communities in order to strengthen financial services relating to people's livelihoods, such as services to community residents, small and micro enterprises and sole proprietors.

Improve and enhance risk management standards, and continue to maintain sound asset quality

We will continue to improve risk management through the following measures:

- Promote an organization-wide culture of rational, stable and prudent risk management and establish a comprehensive risk assessment system and an associated risk adjusted performance management (RAPM) system to allocate capital more effectively and optimize the overall risk-adjusted return of the Bank's economic capital;
- In relation to credit risk, gradually implement projects such as our credit risk policy system and the optimization of management workflow, the optimization and development of the customer ratings system for non-retail credit risk, improvement of risk mitigation tools management and the development of the retail risk exposure scorecard, and promote the positive roles played by borrower rating results and estimated probabilities of default for non-retail risk exposures and the assignment of risk pools and estimated risk parameters for our retail business in the areas of credit review and approval, differentiated post-disbursement supervision, confirmation of risk limits and differentiated credit policies, in order to create a standardized and effective workflow, enhance the means and methods of credit risk management of the Bank and improve the level of credit risk management;
- In terms of operational risk, through developing the operational risk management system, deepen the application of operational risk management tools; continuously improve our operational risk key index system and risk monitoring capabilities; promote the active use of our operational risk and internal control self-assessment tools in process collation and optimization to create a process with a high level of performance in the areas of efficiency, cost, risk control and customer experience;
- In terms of market risk, establish an internal model that effectively reflects risk factors related to market risk, such as option risk, basis risk and correlation risk; establish a structure that meets our needs for internal model-based management of market risk and establish a corresponding market risk management system; and improve our management processes for market risk identification, measurement, monitoring and control; and

- Carry out various risk management optimization projects, establish a reporting system for internal capital adequacy assessment, establish a sound comprehensive risk management framework that is interconnected and complementary with the internal capital adequacy assessment procedures and maintain sound banking operations and sustainable development.

OUR PRINCIPAL BUSINESS ACTIVITIES

We operate three principal lines of business: corporate banking, personal banking and treasury operations. We also generate a small portion of our operating income from other business activities such as rental of investment properties and foreclosed assets. The following table sets forth the contribution of each line of business to our total operating income for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in millions of RMB, except percentages)									
Corporate banking....	1,899	68.4%	2,613	73.1%	2,997	64.3%	1,540	66.4%	1,890	64.0%
Personal banking......	351	12.6	399	11.2	866	18.6	405	17.4	531	18.0
Treasury operations..	504	18.2	542	15.2	776	16.7	371	16.0	493	16.7
Others......................	22	0.8	17	0.5	20	0.4	5	0.2	38	1.3
Total	2,776	100.0%	3,571	100.0%	4,659	100.0%	2,321	100.0%	2,952	100.0%

Corporate Banking Business

Overview

A majority of our operating income is attributable to our corporate banking business. We provide a broad range of financial products and services to corporations, including both large and medium enterprises and small and micro enterprises, as well as governmental agencies and public institutions. Our corporate banking products and services primarily consist of corporate loans and advances, deposits, bill discounting, trade finance and intermediary services, such as advisory and consultancy services, and settlement services. In addition to traditional financing solutions and products for large and medium enterprises, we also develop innovative financing solutions tailored to the financing needs of small and micro enterprises, such as our “Yi Jie Dai (易捷貸)” loan products.

As of June 30, 2013, we had over 3,900 corporate loan customers with total outstanding corporate loans of RMB61.44 billion and over 33,000 corporate deposit customers with total deposits of RMB97.75 billion. The corporate deposits of our Bank increased significantly from RMB57.07 billion as of December 31, 2010, to RMB97.75 billion as of June 30, 2013. According to the PBOC, as of June 30, 2013, we were ranked the fifth largest in terms of RMB-denominated corporate deposits in Chongqing with a market share of 7.3%, only behind the respective Chongqing branches of China Construction Bank, Industrial and Commercial Bank of China and Agricultural Bank of China, and Chongqing Rural Commercial Bank.

In 2010, 2011, 2012 and the six months ended June 30, 2013, operating income from our corporate banking business was RMB1,899 million, RMB2,613 million, RMB2,997 million and RMB1,890 million, respectively, and accounted for 68.4%, 73.1%, 64.3% and 64.0%, respectively, of our total operating income.

Corporate Loans

We offer a variety of corporate loans such as working capital loans, fixed assets loans, bill discounting and international trade finance, to our corporate customers. In addition, we offer "Yi Jie Dai (易捷貸)" branded financing solutions designed for small and micro enterprises. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our total corporate loans and advances were RMB44.1 billion, RMB49.9 billion, RMB57.13 billion and RMB61.44 billion, respectively, representing 83.3%, 77.9%, 74.6% and 72.3%, respectively, of our total loans to customers.

Large and Medium Enterprise Financing Solutions and Products

Working Capital Loans

We provide working capital loans to our customers to fund their day-to-day operations. Working capital loans typically have maturities of less than three years, with the majority of these loans having maturities of one year or less. As of June 30, 2013, we had working capital loans of RMB36.88 billion, representing 60.0% of our total corporate loans.

Fixed Asset Loans

We provide fixed asset loans to our customers primarily to address their funding needs for various fixed asset investment projects, such as construction projects of infrastructural facilities and fixed assets investment and upgrade. Our fixed asset loans generally have maturities between three to ten years. As of June 30, 2013, we had fixed asset loans of RMB15.79 billion, representing 25.7% of our total corporate loans.

Bill Discounting

Bill discounting refers to our purchase of bank acceptance bills and commercial acceptance bills with a remaining maturity of less than 6 months at a discount from corporate customers. We only purchase bank acceptance bills and commercial acceptance bills from corporate customers that meet our credit requirements as a form of short-term financing for these customers. We may resell the discounted bills at a further discount to the PBOC or financial institutions authorized to conduct bill discounting business, which would provide us with additional liquidity. The discount rates we charge vary according to the banking market's overall liquidity and demand for discounted bills. As of June 30, 2013, we had domestic discounted bills of RMB5.18 billion outstanding, representing 8.4% of our total loans. A majority of our discounted bills are bank acceptance bills. As of June 30, 2013, bank acceptance bills accounted for 99.2% of our total discounted bills outstanding.

Supply Chain Financing Products

We offer comprehensive financing solutions to our large corporate customers and their upstream and downstream suppliers and distributors. These financing solutions cater to the financing and financial service needs of various types of customers at different stages of the supply chain. For suppliers, we offer purchase order financing, accounts receivable pledge financing, domestic factoring, bill of exchange discounting and other financing services or products; for distributors and resellers, we offer extensions of credit with inventory pledges, extensions of credit with invoice pledges and other prepayment financing services. The credit extended through our supply chain financing products has increased significantly since 2011. As of December 31, 2011 and 2012 and June 30, 3013, the credit extended through our supply chain financing products totaled approximately RMB3.2 billion, RMB5.2 billion and RMB6.3 billion, respectively.

Small and Micro Enterprise Financing Solutions and Products

To capture new business opportunities resulting from the continued growth of small and micro enterprises in the PRC, we have developed innovative financing products and product brands tailored to the financing needs of these enterprises. In particular, the "Yi Jie Dai (易捷貸)" brand is a financing service brand developed by us for small and micro enterprises and sole proprietors. The "Yi Jie Dai (易捷貸)" brand covers a series of customized products and financing models, which are designed and marketed by our professional product development team and marketing team. Major products under this brand include micro businesses loans, "Wei Qi Tong (微企通)" Start-up Loans and "Qi Dong Li (啟動力)" Entrepreneur Loans.

In light of the special characteristics of small and micro customers, our small and micro enterprise business consists of both the personal business loans extended to the owners of small and micro enterprises and sole proprietors, and the corporate loans extended to small and micro enterprises. Our personal business loans have been classified as personal banking business for all types of financial data presented in this prospectus as their borrowers are individuals, while our corporate loans extended to small and micro enterprises have been classified as corporate banking business for all types of financial data presented in this prospectus as their borrowers are corporate entities. As of June 30, 2013, our loans and advances to small and micro enterprises and personal business loans represented 31.5% of our total outstanding balances of loans and advances to customers, which consisted of 25.1% of corporate loans extended to small and micro enterprises (other than public institutions) and 6.4% of personal business loans extended to the owners of small and micro enterprises and sole proprietors.

By focusing on the characteristics of small and micro enterprise customers, we devise standardized and systemized credit policies for small and micro enterprises to ensure an effective and efficient approval process. Furthermore, we have also broadened the range of suitable collateral from small and micro enterprise customers, including pledges of patent rights, pledges of bills of lading, pledges of inventories, pledges of equities, pledges of receivables, pledges of export tax rebate statements, in addition to charges and pledges of real estate, machinery and equipment and certificates of deposit. We have developed a solid small and micro enterprise customer base and these customers mainly belong to industries like manufacturing, wholesale and retail over geographical regions such as Chongqing, Sichuan, Guizhou and Shaanxi provinces. As of June 30, 2013, our loans to small and micro enterprises customers in (i) manufacturing, (ii) wholesale and retail and (iii) water conservation, environment and public facility administration represented 24.2%, 17.48% and 7.8%, respectively, of the total balance of our loans to small and micro enterprises customers. In recent years, our small and micro enterprises business has grown rapidly. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the outstanding balances of our small and micro enterprise loans were approximately RMB6.33 billion, RMB16.12 billion, RMB21.92 billion and RMB26.78 billion, respectively, and the weighted average of the agreed return on such loans was 6.2%, 7.9%, 8.2% and 7.9%, respectively.

We have formulated a series of risk management policies and gradually implemented the risk limit management mechanism and quantitative criteria for credit access by small and micro enterprises, to ensure that the relevant risks were managed effectively in light of the rapid development of these enterprises. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the non-performing loan ratio of our loans to small and micro enterprises (including personal business loans) was 1.50%, 0.74%, 0.35% and 0.35% respectively. See "Risk Management — Credit Risk Management — Credit Risk Management for Loans to Small and Micro Enterprises."

Micro Business Loans Program. We received technical support from IPC in areas such as personnel training, risk-based pricing and information system through a program organized by the World Bank and China Development Bank when we launched our micro enterprise loans services in 2007. We offer short-term loans of up to RMB1 million to sole proprietors and micro enterprises with a business record of at least three months. We have established a standardized evaluation procedure for loan applications that gives more weight to the sustainability of the sole proprietors and micro enterprise and the creditworthiness of its owner and family of its owner. Each loan is secured by a personal guarantee of a local resident or other flexible ways of guarantee. The interest rates for sole proprietors and small and micro enterprise loans are in general significantly higher than the lending rates for loans extended to larger enterprises and vary according to, among other things, the borrower's repayment history, type of the guarantee or collateral, and the collateral coverage ratio. We also have an expedited approval procedure such that qualified borrowers may obtain these loans generally within three to five working days after submitting their applications.

As of June 30, 2013, the aggregate outstanding loan balance under our micro business loan program was RMB1,026 million, and the weighted average of the agreed return on such loans was 15.45% and the average loan size was RMB193,800.

"Wei Qi Tong (微企通)" Start-up Loans Program. Wei Qi Tong Start-up Loans are policy loans supported and partially financed by the Chongqing government. Qualified borrowers include businesses that are registered as "micro business (微型企業)" with the Chongqing Administration for Industry and Commerce, as well as their owners. Each loan may be secured by the personal guarantees from a third party, and collateral or pledge such as real estate, equipment or marketable securities. The loans are generally disbursed within five working days of their applications. The maximum amount of a loan is RMB150,000 and the maximum term is two years. We charge qualified borrowers an interest rate that is comparable to rates that apply to large enterprises. For each loss resulting from an overdue loan, the governments at municipal and county level in Chongqing will reimburse us an amount up to two-thirds of the loss in principal amount.

As of June 30, 2013, the aggregate outstanding loan balance under our Wei Qi Tong Start-up Loans program was RMB582 million, and the weighted average of the agreed return on such loans was 6.58% and the average loan amount was approximately RMB102,400.

"Qi Dong Li (啟動力)" Series Loan Program. Qi Dong Li loan products include Qi Dong Li Start-up Loans, Qi Dong Li Sole Proprietor Loans and other Qi Dong Li loans. The series of Qi Dong Li loan products are generally in the form of revolving credit facilities to sole proprietors, owners, individual shareholders and partners of small and micro enterprises to satisfy the liquidity requirements for operating their businesses. Revolving credit facilities are secured by collateral or guarantee, with the maximum loan amount at RMB5 million. Each revolving credit facility will be available for up to three years, and each loan drawn down from the facility will have a term of up to one year. As of June 30, 2013, the outstanding balance of our Qi Dong Li loan products was RMB3.81 billion, the average interest rate was 8.16%, and the average loan amount was approximately RMB1,116,500.

International Trade Finance and Settlement Services

International Settlement Services

We provide a broad range of international trade settlement services to exporters and importers, including letters of credit, inward and outward bill collections and remittances. In 2010, 2011, 2012 and the six months ended June 30, 2013, transaction volumes for our international trade settlement business were RMB2,997 million, RMB3,836 million, RMB4,499 million and RMB2,493 million, respectively.

International Trade Finance Product Series

We provide our corporate customers in the import business with letters of credit, confirmation of letters of credit, import bill advances and shipping guarantees. For our customers who are engaged in the export business, we offer packing loans, export bill discounting, export invoice discounting, forfaiting and export bill purchasing to assist them in managing their liquidity. Forfaiting is the non-recourse purchase of an exporter's trade-related debt or other receivables at a discount. In 2010, 2011, 2012 and the six months ended June 30, 2013, transaction volumes for our trade finance business were RMB773 million, RMB872 million, RMB731 million and RMB840 million, respectively.

Other Services

Our international business also includes other services such as foreign currency deposits, foreign currency loans, spot foreign currency purchase and sale, cross-border RMB settlement services, foreign exchange spot deal, cooperative handling of sale and purchase of forward foreign currency against RMB, credit status investigation and authentication, interbank financing and payment and non-financing letter of guarantee.

Corporate Deposits

We offer time and demand deposits in Renminbi and major foreign currencies (such as US dollars, Hong Kong dollars, Euros, Japanese yen and British pounds) to our corporate customers. We generally offer time deposits with maturities of up to five years. We also offer negotiated deposit products that have customized interest rates, maturities and other terms. In addition, we offer call deposit products that bear higher interest rates than the interest rate of demand deposits but retain certain flexibility of demand deposits by allowing our customers to withdraw money with advance notice. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our total corporate deposits were RMB57.07 billion, RMB67.30 billion, RMB82.13 billion and RMB97.75 billion, respectively.

Intermediary Business Products and Services

We provide our corporate customers with a broad range of intermediary products and services, including consulting and financial advisory services, settlement services, domestic letter of guarantee services and other intermediary services. In 2010, 2011 and 2012 and the six months ended June 30, 2013, our net fee and commission income from intermediary business products and services was RMB146 million, RMB226 million, RMB213 million and RMB215 million, respectively.

Consulting and Financial Advisory Services

We provide our corporate customers with consulting and financial advisory services. These services include formulating overall financing plans, structuring financing solutions as well as arranging credit extension to our customers. We also provide project management services to our customers to ensure that funds are allocated and used in accordance with their relevant financing plans.

Settlement Services

We provide settlement services to our corporate customers. Our settlement services include wire transfer, cheques, cashier's cheques, bank drafts, consignment collection, and bill collection and acceptance. As of June 30, 2013, we had approximately 33,000 RMB-denominated corporate settlement accounts. In 2010, 2011 and 2012 and the six months ended June 30, 2013, our domestic settlement volumes were approximately RMB859.4 billion, RMB911.4 billion, RMB1,366.8 billion and RMB574.7 billion, respectively.

Domestic Letter of Guarantee Services

We provide domestic letter of guarantee services to our corporate customers, including the provision of tender guarantees, performance guarantees, advance payment guarantees, payment guarantees, and quality and maintenance guarantees. Domestic letters of guarantee are generally processed and approved under the same procedure for extending corporate loans and advances. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the outstanding amount of domestic letters of guarantee issued by us was approximately RMB255 million, RMB112 million, RMB140 million and RMB144 million, respectively.

Other Intermediary Services

We also advise on mergers and acquisitions, capital raising, investments, restructuring, asset management, business integration and private equity financing.

Customer Base

As of June 30, 2013, we had over 33,000 corporate deposit customers and over 3,900 corporate loan customers. In addition, as of the same date, we extended personal business loans to over 13,800 owners of small and micro enterprises and sole proprietors.

We focus on developing long-term business relationships with customers which we believe have strong growth potential and offer higher risk-adjusted returns, and provide them with professional and tailored integrated financial services. We target small and micro enterprises and their owners as well as sole proprietors with high growth potential and strong competitive edges in their products and services.

We focused on providing financial services to, as well as developing long-term growth opportunities for, businesses operating locally in Chongqing. We have established long-term business relationships with a large number of corporate customers in Chongqing, many of which are leading enterprises of various industries in Chongqing. As of December 31, 2012, we have established long-term business relationship with 67 of the top 100 corporations (in terms of revenue) operating in Chongqing as published by Chongqing Administration for Industry and Commerce. We have also established close relationships with government entities at each level in Chongqing, and these government entities as well as companies and public institutions affiliated with such government entities have long been our important deposit customers.

We are based in Chongqing and aim to expand into the surrounding regions, such as Sichuan, Guizhou and Shaanxi Provinces, which have great potential for development, and we have achieved remarkable results with our three branches gradually becoming key areas of growth for our corporate business.

Our corporate loan customers are mainly in the (i) manufacturing industry, (ii) wholesale and retail industry and (iii) construction industry. As of June 30, 2013, the aggregate balances of loans to our corporate loan customers in these industries accounted for 24.4%, 15.3% and 10.1%, respectively, of our total corporate loans. As of the same date, the percentage of our total corporate loans to the top ten corporate borrowers and the percentage of our total corporate deposits from the top ten corporate depositors were 4.3% and 45.8%, respectively. Among the top ten corporate depositors, there are six government entities or corporations and public institutions affiliated with such entities, accounting for 40.5% of our total corporate deposits.

Marketing

We have established an integrated marketing system. In particular, our head office formulates our overall corporate banking business development plans and strategies, and develops our bank-wide corporate banking marketing initiatives and industry policies. We have also formulated different marketing strategies targeting large and medium enterprises as well as small and micro enterprises, which are implemented by customer managers of the branches and sub-branches. During the Track Record Period, Lifan and Chongqing Land Group, each of which owns more than 5% of the Bank's issued share capital, were among our top five single borrowers from time to time. As of December 31, 2011 and 2012 and June 30, 2013, Lifan was our largest single borrower, with total outstanding loans of RMB500 million, RMB500 million and RMB600 million respectively, representing 0.78%, 0.65% and 0.71% of our total loans as of the same date. As of December 31, 2010, Chongqing Land Group was our third largest single borrower, with total outstanding loans of RMB320 million, representing 0.60% of our total loans as of the same date. All of these transactions were entered into in the ordinary course of our business and on normal commercial terms and thus will be exempt from all reporting, announcement and independent shareholders' approval requirements under Rules 14A of the Listing Rules upon our listing.

To better serve our small and micro enterprise customers, we formed the small and micro enterprise banking department at our head office to manage the product development and marketing of financing products to small and micro enterprises. We also advertise our products and services to small and micro enterprises through mainstream media, such as television channels, radio stations, outdoor billboards, printed media and Internet. In recent years, our series of "Yi Jie Dai (易捷貸)" products has gained wide recognition in Chongqing and has become a well-known brand among small and micro enterprise customers.

Our customer managers are responsible for establishing and maintaining ongoing business relationships with specific customers. We believe our customer-based customer manager system is helpful in identifying and targeting potential customers and enhancing our service quality. We recruit our customer managers through external recruitment and internal training, and the number of corporate customer managers has been increasing. We have also established a training system for industry-specific and professional customer managers and organized training courses jointly with educational institutions, such as the Graduate School of the PBOC and Renmin University, to enhance the quality and standard of customer managers. We have proactively carried out reforms on performance assessments for customer managers, and we are in the process of developing a performance evaluation system with appropriate benchmarks. The remuneration of customer managers includes two components: basic salary and performance bonus. Our operating outlets evaluate their customer managers according to various indicators, including financial efficiency, risk management and asset quality, and the evaluation results are directly linked to the performance bonus of the customer managers.

Personal Banking Business

Overview

Our personal banking business offers to individual customers a wide range of products and services, including personal loans, personal deposits, bank cards, settlement services and personal wealth management. The development of our personal banking business is one of our major strategic focuses, and we have experienced significant growth in this business in recent years. In 2010, 2011, 2012 and the six months ended June 30, 2013, operating income from our personal banking business was RMB351 million, RMB399 million, RMB866 million and RMB531 million, respectively. As of June 30, 2013, we had over 88,000 personal loan customers (excluding credit card customers) and approximately 2.09 million personal deposit customers. As of the same date, our personal loan balance (including credit card overdrafts) was RMB23,504 million, and personal deposit balance was RMB23,332 million. As of December 31, 2010, 2011, 2012 and June 30, 2013, our personal loans (including credit card overdrafts) accounted for 16.7%, 22.1%, 25.4% and 27.7%, respectively, of our total customer loans, and our personal deposits accounted for 16.0%, 16.5%, 16.3% and 16.7%, respectively, of our total customer deposits.

As of June 30, 2013, we had issued approximately 2.15 million debit cards and approximately 58,000 credit cards. In 2010, 2011, 2012 and the six months ended June 30, 2013, the total spending amount of our debit cards during each period was RMB2,900 million, RMB3,227 million, RMB4,951 million and RMB3,707 million, respectively, and the total spending amount of our credit cards (including consumption, cash withdrawal and installment) during each period was RMB153 million, RMB340 million, RMB1,051 million and RMB922 million, respectively.

Personal Loans

"Ju Jia Le (居家樂)" Personal Mortgage Loans

Marketed under the brand name "Ju Jia Le (居家樂)," our personal mortgage loan business, including residential and commercial real estate loans, has grown substantially in recent years, due to the general increase in private home ownership in Chongqing. We offer mortgage loans both in the primary and secondary real estate markets. As of June 30, 2013, our total personal mortgage loans were RMB14.666 billion, representing 62.4% of total personal loans. In general, we offer personal mortgage loans with a term between 5 to 30 years.

Personal Automobile Mortgage Loans

We extend personal automobile loans to individual borrowers for the purchase of automobiles (other than used automobiles). Personal automobile loans are typically secured by a mortgage on the purchased automobile or the borrowers' real property. As of June 30, 2013, our total personal automobile loans outstanding were RMB525 million, representing 2.2% of total personal loans.

Personal Business Loans

Personal business loans include personal start-up loans, loans to sole proprietors, Qi Dong Li series loans, Wei Qi Tong Start-up Loans, and micro business loan program. In consistency with the statistical scope published by the CBRC, we include personal business loans as a part of our business for small and micro enterprises. See "— Corporate Banking Business — Corporate Loans — Small and Micro Enterprises Financing Solutions and Products." As of June 30, 2013, the balance of our personal business loans was approximately RMB5,471 million, accounting for 23.3% of total personal loans.

Personal Consumer Loans

We provide personal consumer loans for, among other things, general consumption needs such as home renovation, purchase of furniture and home appliances, educational expenses, traveling and weddings. These loans are generally secured by properties of the borrower or other effective collateral acceptable to us. As of June 30, 2013, our outstanding balance of personal consumer loans was RMB1,965 million, representing 8.4% of total personal loans.

"Yangtze (長江)" Card Revolving Credit Lines

We offer revolving credit lines to holders of our "Yangtze (長江)" debit cards. Upon approval, we will deposit the maximum amount of the revolving credit lines in the cardholder's deposit accounts. Drawdowns and repayments of the revolving credit lines are conducted through the debit cards. As of June 30, 2013, the aggregate amount of revolving credit lines outstanding was RMB178 million.

Personal Deposits

Our personal deposits include demand deposits and time deposits. Personal demand deposits include general demand deposits and flexible-term deposits. Personal time deposits include general time deposits, education savings deposits, call deposits and others. As of June 30, 2013, our total personal deposits were RMB23,332 million, representing 16.7% of our total customer deposits.

Bank Cards

Debit Cards

We issue a variety of debit cards under the brand name "Yangtze (長江)" to customers who maintain deposit accounts with us, and directly deduct payments for transactions from the cardholder's deposit accounts. Our debit card provides our customers with access to various financial services, including cash deposit and withdrawal, fund transfer, settlement and bill payment. In addition, our debit cards provide customers with enhanced services, such as arranged deposits, automatic repayments, payment and collection agency services. Our income on debit cards primarily consists of commissions we collect from merchants accepting our cards and service fees we collect from cardholders.

We seek to enhance the quality of services we provide to holders of our debit cards to increase the number of cards issued and total transaction volume processed through the debit cards issued. For example, holders of our debit cards may apply for revolving credit lines and conduct drawdowns and repayments through the debit cards. Please refer to "— Personal Loans — 'Yangtze (長江)' Card Revolving Credit Lines". As of June 30, 2013, we had issued approximately 2.15 million debit cards. In 2010, 2011, 2012 and the six months ended June 30, 2013, the total spending amount of our debit cards during each period was RMB2,900 million, RMB3,227 million, RMB4,951 million and RMB3,707 million, respectively.

Credit Cards

We offer a broad variety of credit card products, including standard credit cards, gold credit cards and platinum credit cards. As of June 30, 2013, we had issued a total of approximately 58,000 credit cards. In 2010, 2011, 2012 and the six months ended June 30, 2013, the total spending amount of our credit cards during each period was RMB153 million, RMB340 million, RMB1,051 million and RMB922 million, respectively.

Income from our credit card business consists primarily of service fees we collect from cardholders, interest income from outstanding balances and commissions from merchants. In 2010, 2011, 2012 and the six months ended June 30, 2013, operating income from our credit card business was RMB2.30 million, RMB4.30 million, RMB34.14 million and RMB41.99 million, respectively. Since the second half of 2011, we have launched the credit card installment payment service, and income from our credit card business has increased rapidly since the launch of this service.

Intermediary Personal Banking Business

We provide our personal banking customers with a wide range of intermediary services, including personal wealth management services, collection and payment agency services, settlement services and other agency business. In 2010, 2011, 2012 and the six months ended June 30, 2013, net fee and commission income relating to our personal banking business (including credit card business) were RMB52.55 million, RMB63.90 million, RMB155.20 million and RMB151.40 million, respectively.

Personal Wealth Management Products

We offer personal wealth management products to satisfy the investment and wealth management needs of our mid- and high-end retail customers, which we market under the "Yangtze Fortune (長江財富)" brand. We have now issued various wealth management product series, including the Yangtze Gei Li series wealth management products (長江給利系列理財產品), Yangtze Ji Li series wealth management products (長江積利系列理財產品), Yangtze Xin Li series wealth management products (長江鑫利系列理財產品) and Yangtze RMB-denominated Bonds wealth management products (長江債券人民幣理財產品), and have enhanced the wealth management service standards continuously on the basis of our existing products. As of June 30, 2013, we had approximately 73,000 personal wealth management customers, and the total outstanding amount of personal wealth management products issued by us was RMB9.2 billion. In 2010, 2011, 2012 and for the six months ended June 30, 2013, we issued 26, 64, 242 and 79 tranches of various wealth management products and raised personal wealth management funds of RMB123 million, RMB2.5 billion, RMB19.6 billion and RMB13.7 billion, respectively. Our net fees and commissions and other net income from the issuance of personal wealth management products in 2010, 2011, 2012 and the six months ended June 30, 2013, were RMB8.58 million, RMB12.53 million, RMB40.74 million and RMB65.74 million, respectively. Our treasury operations manage and invest the funds generated from our wealth management products. See "— Treasury Operations — Treasury Operations Conducted on Behalf of Customers."

Collection and Payment Agency Services

We provide bill collection services to our personal banking customers. Our customers may pay their utility bills, telecommunications bills, cable television bills and public housing rents through our distribution channels. Chongqing residents may pay over ten types of bills or other payments at our branch outlets in Chongqing. In 2010, 2011, 2012 and the six months ended June 30, 2013, the business volume of our bill collection services was approximately RMB160 million, RMB130 million, RMB130 million and RMB57 million, respectively.

Payroll Services

We provide payroll as well as allowance and subsidy disbursement services to the employees of a number of Chongqing government entities, public institutions and large group corporations, including civil servants of Chongqing municipal government and several district governments, as well as faculty members of Chongqing University and China Southwest University. These employees receive their salaries through their personal bank accounts with our bank. Our payroll services help us attract a large number of mid- and high-end individual customers and provide us with a stable source of personal deposits. As of December 31, 2010, 2011 and 2012, the number of the individual customers of our payroll services was approximately 411,000, 414,000 and 441,000, respectively. In 2010, 2011 and 2012, the total amount of salaries paid through our payroll as well as allowance and subsidy disbursement services was approximately RMB7,330 million, RMB9,144 million and RMB10,446 million, respectively.

Settlement Services

We offer settlement services to our personal banking customers, including RMB- and foreign currency-denominated money transfer and remittance, collection and settlement of cashier's cheques, bank drafts and cheques. In 2010, 2011, 2012 and the six months ended June 30, 2013, the transaction volume of our RMB-denominated settlement services was approximately RMB231.1 billion, RMB106.7 billion, RMB80.9 billion and RMB53.5 billion, respectively.

Bancassurance

We distribute insurance policies as an agent on behalf of insurance companies. As of June 30, 2013, we have entered into bancassurance cooperation agreements with 11 insurance companies. In 2010, 2011, 2012 and the six months ended June 30, 2013, we received fees and commissions from our bancassurance business of RMB6.33 million, RMB2.86 million, RMB1.55 million and RMB0.44 million, respectively.

Agency Sale of Open-End Public Funds

In November 2010, we became the first city commercial bank in southwestern China approved by the CSRC to sell open-end public funds on behalf of fund management companies in the PRC. As of June 30, 2013, we offered 126 fund products on behalf of 7 fund management companies in the PRC. In 2011, 2012 and the six months ended June 30, 2013, we sold approximately RMB22 million, RMB76 million and RMB69 million of open-end public funds, respectively.

Customer Base

As of December 31, 2010, 2011, 2012 and June 30, 2013, we had approximately 1.56 million, 1.51 million, 1.96 million and 2.09 million personal deposit customers, respectively, and approximately 42,000, 55,000, 66,000 and 88,000 personal loan customers, respectively.

Following our business initiative to focus on mid-end personal customers, we have built a mid-end personal banking customer base including approximately 93,000, 158,000 and 173,000 customers with financial assets of RMB50,000 to RMB500,000 as of December 31, 2011, 2012 and June 30, 2013, respectively.

Marketing

The personal banking department and credit card department of our head office devise marketing initiatives and manage brand names for our personal banking products and services.

We differentiate marketing strategies and allocate resources for our personal banking customers by their revenue contribution potential. Mid- and high-end customers are served by customer managers or wealth management managers who provide customized wealth planning, as well as professional market analysis and product recommendations.

We market our personal banking products and services through our extensive distribution channels, including our head office business department, our small enterprise loan center, 106 branches and sub-branches, 96 self-service banking centers and 581 self-service terminals, as well as telephone banking, mobile banking and online banking. Please refer to "— Distribution Network."

Treasury Operations

Our treasury operations primarily focus on fulfilling our liquidity needs and, at the same time, seek to maximize the return on our funds for non-lending activities. Our treasury operations primarily include conducting money market transactions and trading and investing in securities. We generally use money market transactions to manage our liquidity requirements. In addition, we also conduct treasury operations on behalf of customers. As of the Latest Practicable Date, we are one of the only 45 banks nationwide which have obtained approval from the PBOC to engage in the bond settlement agency business. In 2010, 2011, 2012 and the six months ended June 30, 2013, operating income from our treasury operations was RMB504 million, RMB542 million, RMB776 million and RMB493 million, respectively.

Money Market Transactions

Our money market transactions primarily consist of: (i) short-term borrowings from and lending to other domestic banks and non-bank financial institutions; and (ii) repurchases and reverse repurchases of securities with other domestic banks and non-bank financial institutions. Securities underlying repurchase and reverse repurchase transactions consist primarily of bonds issued by the PRC central government and policy banks and bank acceptance bills. Most of our repurchase and reverse repurchase transactions have a maturity of not more than 30 days from the original transaction date. As of June 30, 2013, we had an aggregate principal amount of placements with banks and other financial institutions of RMB24,964 million, representing 13.2% of our total assets, and certificates of deposits and placements from banks and other financial institutions of RMB30,003 million, representing 16.8% of our total liabilities.

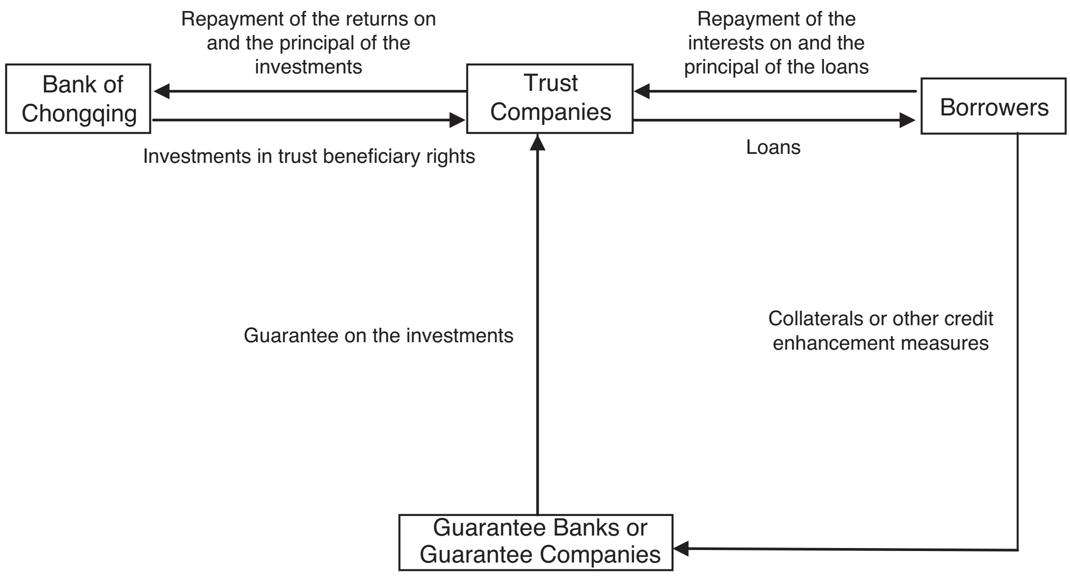
Securities Investment

We invest in debt securities and equity securities. Such debt securities include bonds issued by PRC central government and policy banks, local governments of the PRC, other financial institutions and non-financial institutions, as well as trust beneficiary rights, directional asset management plans and wealth management products issued by other PRC commercial banks. We conduct periodic analysis of the market risk of our securities investment portfolio and make adjustments to our investment strategy in a timely manner according to the changing investment environment. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we held securities investments with an aggregate amount of RMB21.08 billion, RMB17.09 billion, RMB32.13 billion and RMB43.29 billion. In 2010, 2011, 2012 and the six months ended June 30, 2013, interest income from our investments in securities and financial assets designated at fair value through profit or loss was RMB647 million, RMB718 million, RMB1,439 million and RMB1,218 million, respectively, and during the same periods, the annualized average yield of such investments calculated based on the daily average balance was 3.60%, 3.88%, 5.27% and 5.85%, respectively. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our weighted average of the agreed return on our investments in debt securities was 4.06%, 4.52%, 6.03% and 6.15%, respectively.

Trust Beneficiary Rights and Directional Asset Management Plans

Trust beneficiary rights are financial instruments that are linked with the beneficiary rights of trust plans sponsored by trust companies. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the balance of our investments of our own funds in trust beneficiary rights was nil, nil, RMB16.9 billion and RMB26.4 billion, respectively. In 2010, 2011, 2012 and the six months ended June 30, 2013, the interest income on such investments was nil, nil, RMB655 million and RMB788 million, respectively. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the weighted average of the agreed return on such investments was nil, nil, 7.23% and 6.89%, respectively. In addition, as of the same dates, the balance of our investments in trust beneficiary rights as part of wealth management agency services was RMB0.6 billion, RMB0.6 billion, RMB1.2 billion and RMB0.9 billion, respectively. Income from such investments is included in fee and commission income from our intermediary business.

By investing in trust beneficiary rights, we entrust funds to the trust companies for management, and the trust companies in turn use such funds to extend loans in their own names to borrowers. The borrowers would secure letters of credits, unconditional repurchase commitment or other irrevocable guarantees from other banks or guarantee companies to guarantee their obligations to the trust companies. In addition, such banks or guarantee companies would generally require borrowers to provide collaterals or other credit enhancement measures as counter guarantee conditions in order to reduce such banks or guarantee companies' own guarantee risks. The following chart shows the relationship amongst parties involved in our investments in trust beneficiary rights:



Under directional asset management plans, we enter into directional asset management contracts with securities companies, and such securities companies are entrusted by us to provide loans to borrowers under our account and in accordance with the terms and conditions of such contracts. The intended uses of the proceeds of the directional asset management plans are determined prior to the investment and such plan is guaranteed by letters of credits from other banks or guarantee companies.

The proceeds under the directional asset management plans are managed by the securities companies under the specified accounts in accordance with the directional asset management contracts. The directional asset management plans are not treated as entrusted loans or part of our loan portfolio, but as our investments in non-standard debt securities. We started to make investments in directional asset management plans in 2012. As of December 31, 2012 and June 30, 2013, the balance of our investments in directional asset management plans was RMB1.11 billion and RMB3.86 billion, respectively. In 2012 and the six months ended June 30, 2013, the interest income on such investments was RMB2 million and RMB82 million, respectively. As of December 31, 2012 and June 30, 2013, the weighted average of the agreed return on such investments was 6.35% and 6.06%, respectively.

As of June 30, 2013, our investments with our own funds in trust beneficiary rights and directional asset management plans were for the purpose of providing credit to the following types of borrowers: (i) approximately 24.74% to local government financing vehicles, (ii) approximately 23.12% to investment management companies; (iii) approximately 12.60% to information transmission, computer services and software industries (iv) approximately 8.99% to real estate industry, (v) approximately 8.02% to wholesale and retail industry, (vi) approximately 6.61% to coal mining and chemical industry and (vii) approximately 4.94% to construction industry. The remaining 10.98% was extended to borrowers in other industries. Except for the local government financing vehicles, the real estate industry and the coal mining and chemical industry, the loans were not extended to borrowers in any industries to which the PRC government restricts the size of credit.

Our investment strategy with respect to trust beneficiary rights and directional asset management plans is to achieve long-term stable returns on investment by investing our available capital into financial products, issued or established by non-bank financial institutions, that have controllable risk and stable returns and are in conformity with the government's industrial and regulatory policies. In doing so, we take into account trends in the development of the PRC financial markets and the experience of other financial institutions, and take advantage of the professional investment channels and management methods of the non-bank financial institutions that we cooperate with.

We have substantially increased our investments in trust beneficiary rights and directional asset management plans due to the following reasons.

Firstly, we are able to reach more customers with financing needs through trust companies and securities companies. Secondly, the returns of investments in trust beneficiary rights and directional asset management plans are also generally higher than other investment products on the market. As of June 30, 2013, the weighted averages of the agreed return on trust beneficiary rights and on directional asset management plans were 6.98% and 6.06%, respectively, which were higher than the weighted averages of the agreed return on government bonds and bonds issued by policy banks as of the same date, which were 3.23% and 4.00%, respectively. In addition, most of our investments in bank guaranteed trust beneficiary rights or directional asset management plans have a risk weighting of 25% in calculating the risk weighted assets under the Capital Administrative Measures, which contribute to a more efficient use of our capital.

The returns on and the principal of our investments in trust beneficiary rights and directional asset management plans are fully guaranteed by PRC city commercial banks, joint stock banks or major state-owned guarantee companies in Chongqing. If the trust companies that issue the trust beneficiary rights products or the securities companies that manage the directional asset management plans are unable to fully recover the agreed returns on and the principal of our investments from the borrower, we would request the trust companies or the securities companies to take active measures to reduce our losses and exercise their rights under the guarantees to recover any losses from the guarantor banks or the guarantee companies. The enforcement of such guarantees by the trust companies or the securities companies is not subject to any conditions.

We have been advised by C&T Partners, our PRC legal advisor, that in accordance with the Trust Law of the PRC, the trust property shall be segregated from the property owned by the trustee, and may not be included in, or made part of the trustee's own property. Therefore, after the trust companies recover the losses from the guarantor, the proceeds shall not be used to repay the trust companies' own liabilities. The effectiveness of the guarantees on the trust property and our investments in trust beneficiary rights should not be affected if the trust companies encounter financial duress.

As of June 30, 2013, approximately 89.0% of our investments in trust beneficiary rights and directional management asset plans were secured by letters of credit issued by PRC banks, approximately 0.4% of such investments were guaranteed by pledges of certificates of bank deposits and approximately 10.6% of such investments were guaranteed by PRC guarantee companies. The single largest guarantor of our investments in trust beneficiary rights and directional management asset plans as of June 30, 2013 was a PRC bank that guaranteed approximately 22% of these investments secured by the issuance of letters of credit.

We managed the risks of our investments in trust beneficiary rights and directional asset management plans mainly through the following three aspects:

- As the trust company, the securities company and the corresponding guarantor have conducted due diligence on the borrower and project to be funded, we would examine the due diligence studies of such trust company, securities company and guarantor before investing in the trust beneficiary rights and directional asset management plans. However, as we do not act as lender to the borrower, we do not apply credit ratings to the borrower of the trust beneficiary right product or the directional asset management plan.

- Pursuant to the agreement between the trust company and us, the trust company should effectively manage the trust plan and provide us with regular management reports. If the trust company discovers certain risks that would adversely affect our investments in trust beneficiary rights, the trust company is required to provide us with immediate notification and take active measures to reduce the risks.

- If the trust company or the securities company is unable to fully recover the agreed returns on and the principal of our investments from the borrower, we would request that the trust company or the securities company take active measures to reduce our losses and exercise the rights under the guarantees to recover any losses from the guarantor banks or the guarantee companies.

Our investments in trust beneficiary rights and directional asset management plans are subject to a multi-tiered, case-by-case approval process. The issuing department is responsible for investment diligence; the risk assessment department is responsible for assessing the risk of the investment and proposing risk prevention measures; the compliance department reviews legal documents and legal rights and obligations; and the investment is submitted to authorized personnel for approval in accordance with the level of authorization required. Only after the approval procedure is completed may the investment be carried out in accordance with the conditions of approval. At present, the authorization for approving investments in trust beneficiary rights and directional asset management plans is as follows:

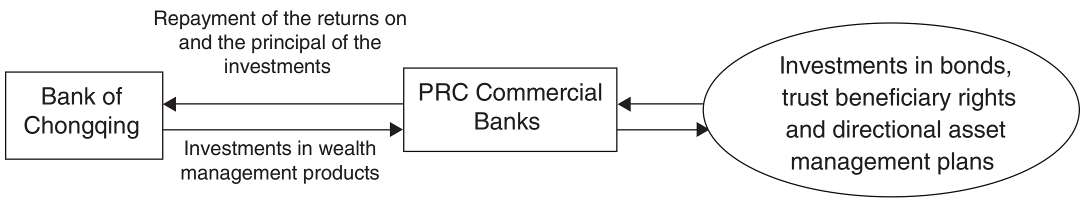
- For investments in financial products guaranteed by banks, the vice president in charge of treasury operations approves financial products where the total amount with respect to a single counterparty on the same day is RMB800 million or below, the president approves financial products whose value is RMB2 billion or below, and our Board approves financial products whose value is more than RMB2 billion.

- For investments in financial products guaranteed by nonbanks, the vice president in charge of treasury operations approves financial products where the total amount with respect to a single counterparty on the same day is RMB300 million or below, the president approves financial products whose value is RMB2 billion or below, and our Board approves financial products whose value is more than RMB2 billion.

We adjust the above authorizations each year, taking into account the implementation of the authorization levels and actual operational conditions.

Wealth Management Products Issued by Other PRC Commercial Banks

We invest in wealth management products issued by other PRC commercial banks. Such banks then invest the proceeds in bonds, trust beneficiary rights and directional asset management plans. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the balance of our investments in wealth management products issued by other PRC commercial banks was RMB5.49 billion, RMB5.17 billion, RMB2.05 billion and RMB2.14 billion, respectively. In 2010, 2011, 2012 and the six months ended June 30, 2013, the interest income on such investments was RMB173 million, RMB403 million, RMB271 million and RMB69 million, respectively. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the weighted average of the agreed return on such investments was 4.73%, 6.28%, 6.95% and 6.84%, respectively. The following chart shows the relationship amongst parties involved in our investments in wealth management products issued by other PRC commercial banks.



Our vice president, Mr. Niu Yueqiang, oversees our treasury operations. He has over 15 years of commercial banking experience in China and has served in operational management roles in commercial banks for significant periods of time. For details of his qualifications and experiences, please refer to the section entitled "Directors, Supervisors and Senior Management — Senior Management" of this prospectus.

The staff members responsible for our securities investments are familiar with the macroeconomic policies of the PRC government, the policies applicable to the development of the industry and the operating mechanics of the PRC financial markets. They are also experienced in investment operations, risk management and market analysis and judgment, and are able to implement our overall investment strategy effectively and achieve favorable returns on investment.

Treasury Operations Conducted on Behalf of Customers

Our treasury operations also manage funds received from the issuance of wealth management products to our corporate and personal customers. In 2010, 2011, 2012 and the six months ended June 30, 2013, we designed and issued 29, 64, 242 and 79 tranches of products, respectively, to our personal customers under the "Yangtze Fortune" brand, and raised funds of RMB123 million, RMB2.5 billion, RMB19.6 billion and RMB13.7 billion, respectively. As of June 30, 2013, the total outstanding amount of personal wealth management products issued by us was RMB9.2 billion. As of the same date, the total outstanding amount of all wealth management products (including corporate wealth management products) issued by us was RMB11.2 billion. Our investments in non-standard debt and equity assets accounted for approximately 8.03% of our outstanding wealth management product investments and approximately 0.58% of the total assets as disclosed in the audited report for the previous year, both meeting the CBRC's requirements.

PRICING

In compliance with the applicable PRC regulatory requirements, we are working towards establishing a competitive product pricing mechanism based on our assessment of related risk-adjusted returns, considering various criteria, such as cost of funds, management cost, cost of risk and expected yield. In addition, we consider the contribution of single customers to our business, the overall market conditions as well as prices for similar products and services offered by our competitors.

Loans

The PBOC regulates the pricing for certain commercial banking products and services, such as our RMB-denominated loans. There has been no upper limit on the interest rates of RMB-denominated loans since October 2004, and the lower limit, which had been at 70% of the relevant PBOC benchmark rate, was removed in July 2013. With respect to residential mortgage loans, the interest rate may not be lower than 70% of the relevant PBOC benchmark rate, and the interest rate for residential mortgage loans to second-time home buyers may not be lower than 110% of the relevant benchmark rate. See "Supervision and Regulation — Regulation of Principal Banking Activities — Lending." Interest rates for foreign currency-denominated loans are generally not subject to PRC regulatory restrictions, and we are permitted to determine freely the interest rates on such loans.

We price our products based on various criteria, such as the borrower's risk profile, the value of any collateral provided, the intended use of the loan, market conditions and the term of the loan. We also consider, among other things, the cost of providing the loan, our expected rates of return, the associated risks, overall market conditions, our market position, as well as the pricing of our competitors. We evaluate the performance of our branch organizations by taking into account their risk-adjusted return on capital, which guides and incentivises our branch organizations to identify and focus on more profitable loan products that also require less capital. Based on these considerations, we seek to match risks with returns and are generally able to charge higher interest rates for customers with higher risk profiles. As interest rates on loans are increasingly liberalized, we expect to rely more on our ability to accurately calculate our expected risk-adjusted return on capital and further differentiate our loan prices based on our internal analyses.

At the same time, we also differentiate the pricing of our corporate loans and advances based on the business size and contribution of customers. We generally enjoy greater pricing power against small and micro enterprise customers than larger corporate customers.

We price personal loans using a risk-adjusted pricing principle, and generally apply a higher risk pricing to personal business loans and unsecured personal loans than other personal loans. Our head office publishes benchmark rates of different types of loans and advances. We charge interest on the credit card overdrafts at a fixed rate without reference to the PBOC benchmark interest rates.

With respect to the removal of the lower limit on interest rates of RMB-denominated loans, we expect that, in the short term, the probability of large fluctuations in loan interest rates will be low and the effect of the removal of the lower limit on loan interest rates on us will be limited, due to regulatory control over the loan-to-deposit ratio of, and amount of credit extended by, commercial banks. However, we expect that, in the medium to long term, the new policy will have a negative impact on our price negotiating power with respect to large and medium enterprise customers. In order to ensure the profitability of loans, we will continue to focus on the development of our small and micro enterprises business and our retail business, where our price negotiating power is greater, in order to establish small and micro enterprises and retail customers with levels of credit at or below RMB5 million as our core customer base, and to increase the amount of personal consumption loans (except for mortgage loans) as a percentage of our total loans.

Deposits

Under current PRC regulations, interest rates on our RMB-denominated deposits may not be higher than 110% of the relevant PBOC benchmark rates. We generally offer our RMB-denominated demand and regular time deposits at the highest interest rates permissible under the regulation to maintain our competitiveness. However, banks are permitted to offer negotiated time deposits to insurance companies, the NSSF and the Postal Savings Bank of China. See "Supervision and Regulation — Regulation of Principal Banking Activities — Pricing of Products and Services — Interest Rates for Loans and Deposits." Starting in 2004, the PBOC liberalized interest rates for lending and deposits between financial institutions, and we determine such rates based primarily on the market interest rate and our assets and liabilities management policies. In addition, we are permitted to negotiate the interest rate on foreign currency deposits other than those denominated in U.S. dollars, Euros, Japanese Yen and Hong Kong dollars for amounts less than US$3 million. Interest rates on interbank foreign currency deposits and foreign currency deposits by non-PRC residents are generally not subject to PRC regulatory restrictions, and we are permitted to negotiate the interest rates on such deposits. Our head office publishes the benchmark rates of different types of deposits. The deposit-taking branches or sub-branches may lower the rates subject to approval by the head office.

Intermediary Business

We generally determine fees and commissions for other products and services based on market conditions, except for certain services which are subject to the PRC government's guideline prices, such as the price for basic Renminbi settlement services, which is specified by the CBRC and the NDRC. See "Regulation and Supervision — Regulation of Principal Banking Activities — Pricing of Products and Services — Pricing for Fee- and Commission-based Services." We divide our personal wealth management customers and customers for our other fee- and commission-based services into different categories, and typically offer different fee structures to different types of customers.

DISTRIBUTION NETWORK

We deliver our products and services through our multi-channel distribution network, consisting of both a branch network and electronic banking channels. As of June 30, 2013, other than our head office business department and small enterprise loan center, we had 106 branches and sub-branches, 96 self-service banking centers and 581 self-service terminals. We also utilize online banking, telephone banking and mobile banking to serve our customers.

Branch Network

As of June 30, 2013, we conducted business through our head office business department, one small enterprise loan center, and 106 branches and sub-branches covering all 38 districts and counties of Chongqing, as well as three provinces in Western China, namely Sichuan Province, Shaanxi Province and Guizhou Province. Each sub-branch in Chongqing covers several geographical areas and functions as a full-service banking outlet for our customers. Our branches are responsible for operations within a geographical area, such as a province or a major metropolitan area outside of Chongqing. As of June 30, 2013, we had 94 sub-branches, 78 self-service banking centers and 491 self-service terminals in Chongqing; one branch, four sub-branches, eight self-service banking centers and 29 self-service terminals in Chengdu; one branch, three sub-branches, six self-service banking centers and 43 self-service terminals in Guiyang; and one branch, two sub-branches, four self-service banking centers and 18 self-service terminals in Xi'an. As of the same date, the amount of loans extended by our Chengdu branch, Xi'an branch and Guiyang branch represented approximately 10.68%, 5.54% and 9.78%, respectively, of our total loans, and the amount of deposits taken by the above three branches represented approximately 9.81%, 6.72% and 6.38%, respectively, of our total deposits.

In line with our goal to become a leading regional bank in Western China, we plan to continue opening new branches and sub-branches to further optimize our distribution network in Chongqing and across Western China, our business structure and our customer mix, as well as to promote the balanced development of our businesses. In 2012 and the six months ended June 30, 2013, we opened 12 sub-branches and five sub-branches respectively.

Electronic Banking

We complement our branch and sub-branch network with electronic banking channels, such as self-service banking, online banking, telephone banking and mobile banking, to provide account management, cash withdrawal, bill payment, fund transfer, investment services and other services.

Online Banking

Our online banking platform, www.cqcbank.com, offers both personal online banking and corporate online banking products and services. Our corporate online banking products and services mainly include account management, money transfer and remittance, group financial services, loans and agency sales services. Our personal online banking products and services include account management, money transfer and remittance, bill payment, investment and wealth management, credit card and personal loans. For large group corporate customers, we also provide special services such as direct portal connection between the customer and our network. As of June 30, 2013, we had approximately 103,000 online banking customers, including 97,000 individual customers and 6,000 corporate customers. In 2012 and the six months ended June 30, 2013, the total transaction volume by value for our online banking was RMB108.0 billion and RMB95.8 billion, respectively. In July 2013, our corporate online banking services received the award of "2013 Leading Chinese Corporate Online Banking — Best Customer Experience (2013年領航中國企業網銀最佳用戶體驗獎)" by China Finance Online (金融界).

Self-Service Banking

Our self-service banking centers and self-service terminals provide safe and convenient services to our customers, and also enhance our input-output ratio. As of June 30, 2013, we had 96 self-service banking centers and 581 self-service terminals, including 292 ATMs, 128 self-service deposit and withdrawal machines and 161 multi-media self-service terminals that offer withdrawal, account inquiry, bill payment, deposit, passcode changing and/or fund transfer services. In 2012 and the six months ended June 30, 2013, we processed approximately 5.7 million and 3.3 million self-service banking transactions, respectively, with total transaction volume of RMB6.8 billion and RMB4.4 billion, respectively.

Telephone Banking and Customer Service Center

We offer telephone banking services to our customers through our 24-hour customer service hotlines "96899 and 4007096899", including both automated voice and teller-operated services. Our customers are able to, among other things, check account information, transfer fund, change passcode, purchase personal wealth management products, check interest rates and conduct appointment for call deposits or withdrawals.

Mobile Banking

We introduced our mobile banking system to our customers on August 31, 2012. Our mobile banking services include account inquiries, account management, money transfer and remittance, credit card repayment and purchase of personal wealth management products, which allow our customers with mobile phones and other mobile devices to access secure and personalized banking services. We also provide ancillary services, such as hotel and air tickets booking and calculator for calculating the yields on various investments. In addition, we provide short messaging notification services to our contracted customers, including sending short messages relating to bank account transactions, safety verifications and bill payments, among others.

Television Banking

We were the first bank in Chongqing to launch television banking services in November 2012. Television banking provides customers with banking financial products and services at home through a digital television network, and employs television remote controls as the operating devices, the television as the display method, and the set-top box as the information processor. Our television banking services include account inquiry, investment and wealth management, fund transfer and remittance, agency bill payment, credit card, and personal loans, as well as inquiry functions such as banking information, financial market information and financial calculator.

INFORMATION TECHNOLOGY

We believe that the use of information technology is critical to the efficient operation and performance of our business, and is a key contributor to our success and future growth. Important operational and management areas that rely upon information technology include transaction processing, customer services, product management, risk management and financial management, among other things. The employment of advanced information technology systems has greatly improved, and will continue to improve, our efficiency, the quality of our customer service and our risk and financial management capabilities. We have invested and will continue to make significant investments in our information technology systems. In 2010, 2011, 2012 and the six months ended June 30, 2013, our capital expenditures for purchasing electronic facilities were approximately RMB15.75 million, RMB18.87 million, RMB37.62 million and RMB22.03 million, respectively.

Leadership and Professional Team

The information technology guidance committee under our board of directors guides the development of and approve our information technology strategies. This committee consists of five directors and reports to the board of directors.

At the senior management level, our information technology management committee, whose members consists of our president, Mr. RAN Hailing, and five chief officers of different business lines, is in charge of managing our information technology systems, coordinating the development of our information technology projects, evaluating risks to our information technology systems and implementing risk management plans.

We have an experienced information technology team. As of June 30, 2013, our information technology team consisted of 116 employees, including 106 employees at our head office and 10 employees in our branches.

Information System

Substantially all of our business transactions are processed and maintained by our information technology systems. We have established a uniform platform at our head office in order to operate all of our key businesses and management systems under the centralized management of our head office. Our information technology system consists of three application systems, namely, the business management system, the management information system and the channel application system. Our business management system primarily consists of the core systems of each of our major business lines and functions, such as the core systems for corporate and personal banking, as well as credit cards, anti-money laundering monitoring and internal control. Our management information system supports our loan portfolio and risk management, regulatory and financial reporting, as well as performance review. Our channel application system provides support to our various banking service channels, such as point-of-sale, online banking, automated teller machines and mobile banking.

We have adopted a variety of security measures, including, advanced firewall technologies, hacker detection systems, digital security certificates and Internet security strategies to provide a high level of network security. To enhance the reliability of our operations, we have also established a same-city disaster recovery center away from our head office, as well as an offsite disaster recovery center in Guizhou province to support business continuity in the event of major disruption or failure of our main data center. We did not suffer any major information technology systems failure and related losses during the Track Record Period.

In response to the evolving regulatory requirements or business needs in corporate governance, risk management, business innovation and other aspects of our operations, we plan to continue upgrading the current information technology systems and improve the information technology facilities and operation to support the growth of our business.

COMPETITION

We mainly face competition from Large Commercial Banks and Joint Stock Commercial Banks with branches in Chongqing, as well as local banks in Chongqing, such as Chongqing Rural Commercial Bank and Chongqing Three Gorges Bank. In addition, we face competition from other city commercial banks which conduct their business in Chongqing. As we are expanding beyond Chongqing, we also compete with national or local banks that operate in the same regional markets as us. We compete with our competitors primarily on product variety and prices, service quality, convenience of banking facilities, brand recognition and information technology capabilities.

In addition, we compete with non-bank financial institutions in the provision of financial services. For example, we compete with micro-loan companies in offering financings to small and micro enterprises and with insurance companies in attracting customer funds.

Competition between us and foreign financial institutions may intensify in the future. In particular, the lifting of various restrictions on foreign financial institutions conducting business in PRC may cause us to lose some existing competitive advantages over foreign financial institutions in the banking market of Chongqing. We expect to face greater challenges in competing with foreign financial institutions in the future.

In response to the aforementioned competitive environment, we intend to pursue strategies that differentiate us from our competitors in terms of customer base, product innovation and distribution channels, among other things, and to enable us to continue to compete effectively in the commercial banking industry. See "— Our Strategies."

EMPLOYEES

As of December 31, 2010, 2011, 2012 and June 30, 2013, we had 2,281, 2,623, 2,871 and 3,016 employees, respectively. The number of our employees as of June 30, 2013 includes 682 employees at our head office and 2,334 employees at our branches and sub-branches. The table below includes a breakdown of our employees by function as of the date indicated:

	As of June 30, 2013	
	Number	% of total
Management	326	10.8%
Corporate banking	643	21.3
Personal banking	468	15.5
General bank tellers(1)	711	23.6
Treasury operations	29	1.0
Finance and accounting	241	8.0
Risk management, internal control, and legal and compliance	250	8.3
Information technology	116	3.9
Others(2)	232	7.7
Total(3)	3,016	100.0%

(1) General bank tellers are employees who provide front desk services for both our corporate banking and personal banking businesses.

(2) Includes human resources, administrative and support staff.

(3) The above employees only include current employees with whom we have entered into employment contracts, and do not include retirees who received early retirement package or independent contract workers.

The following table sets forth the total number of our employees by age as of the date indicated.

	As of June 30, 2013	
	Number	% of total
Under 35	1,897	62.9%
36-45	945	31.3
Over 46	174	5.8
Total	3,016	100.0%

The following table sets forth the total number of our employees by education level as of the date indicated.

	As of June 30, 2013	
	Number	% of total
Master's degree and above	264	8.8%
Bachelor's degree	2,010	66.6
Associate degree and vocational schools	665	22.1
Others	77	2.6
Total	3,016	100.0%

We believe that our sustainable growth depends on the capability and dedication of our employees, and we recognize the importance of human resources in improving our business, financial condition and results of operations. We have devoted substantial attention and resources to recruiting and training our employees. We have also established a performance-based compensation system whereby an employee's compensation is determined based on position and performance reviews. We contribute to our employees' social insurance, provide housing fund and certain other employee benefits in accordance with the applicable PRC laws, rules and regulations.

Our labor union represents the interests of the employees and works closely with our management on labor-related issues. As of the date of this prospectus, we have not experienced any strikes or other material labor disputes that have interfered with our operations, and we believe that the relationship between our management and the labor union has been satisfactory.

In addition to employees with whom we have entered into employment contracts, we had also engaged 758 independent contract workers through third party human resources agencies as of June 30, 2013. These independent contract workers are not our employees and generally hold non-key positions with us. According to the PRC Labor Contract Law, there is no labor contract relationship between the independent contract workers and us, and the independent contract workers enter into labor contracts with the relevant human resources agencies. Pursuant to our contracting agreements with the human resources agencies, we advance salary payments, social security contributions and other related payments for the independent contract workers to the human resource agencies. The human resources agencies, in turn, make payments of salaries to the independent contract workers and social security contributions and other related payments to relevant governmental entities. We have been advised by our PRC legal advisor, C&T Partners, that if the third party human resources agencies fail to pay remuneration to the independent contract workers, we may also be held jointly liable for claims brought by the independent contract workers in accordance with the applicable PRC laws. However, we are entitled to seek indemnification from the third party human resources agencies under the contracting agreements.

PROPERTIES

Our head office is located at No. 153 Zourong Road, Yuzhong District, Chongqing, China. As of June 30, 2013, we owned 202 properties and leased 114 properties in the PRC.

Properties Owned by Us

As of June 30, 2013, we owned 202 properties among which, we have obtained relevant rights certificates for 196 properties, representing an aggregate gross floor area of approximately 102,000 square meters. Due to title defects or other reasons, we have not obtained the relevant title certificates for six properties with an aggregate area of approximately 12,276 square meters.

These properties are primarily located in Chongqing, Chengdu, Xi'an and Guiyang in the PRC and used for offices, business operations and residences for employees, with gross floor areas ranging from approximately 13 square meters to 8,500 square meters.

Properties to be Acquired

As of June 30, 2013, we entered into contracts to purchase twelve additional properties, representing an aggregate gross floor area of approximately 19,935 square meters.

Property under Development

As of June 30, 2013, we obtained land use right to a parcel of land with a total site area of approximately 10,000 square meters. The total consideration for the land transfer was approximately RMB180 million. Construction is under way to build our future head office with an aggregate gross floor area of approximately 80,000 square meters. We expect the construction to be completed by 2015.

Leased Properties

As of June 30, 2013, we leased 114 properties in the PRC with an aggregate lettable area of approximately 33,721 square meters. According to the opinion given by our PRC legal advisor, C&T Partners, the relevant lessors have provided relevant title certificates to lease 74 properties, representing a total lettable area of approximately 26,370 square meters. We have not been provided with the relevant title ownership certificates of 40 properties, representing a total lettable area of approximately 7,351 square meters. Nevertheless, we have obtained confirmation letters or other documentary evidence in respect of all properties from these lessors which undertake to provide us with prior notice to ensure the normal operation of our outlets if there is a change of legal title, or to compensate us for all of our losses arising from defective legal titles.

Our leased properties are primarily located at Chongqing, Chengdu, Xi'an and Guiyang in the PRC and used for business operation and office purposes, with gross floor areas ranging from approximately 23 square meters to 10,700 square meters.

Property Titles

As of June 30, 2013, for the 202 properties we hold and occupy in the PRC, we obtained relevant land use rights certificates for 196 properties, representing an aggregate gross floor area of approximately 101,000 square meters. There are six properties with an aggregate area of approximately 12,276 square meters for which we have not obtained title certificates and which are being used for offices, business operations and residential purposes. In particular:

- As of June 30, 2013, we have not obtained the land use rights certificates for one property with an area of approximately 6,213 square meters because the design plan for the project is still being drawn up. Once a design plan is complete and receives a Planning Permit for Land for Construction Use (建設用地規劃許可證), we will apply for the land use rights certificates. We expect that we will obtain these certificates in 2014.

- As of June 30, 2013, we have not obtained the property rights certificates for five properties with an aggregate area of approximately 6,063 square meters because the property developer is in the process of, but has not yet obtained, the relevant certificates.

We are in the process of applying for the relevant land use rights that we do not yet hold, and we plan to cooperate closely with the local land and property management authorities to expedite such applications and obtain the relevant valid title certificates as soon as practicable. According to the opinion given by our PRC legal advisor, C&T Partners, the properties for which we have not yet obtained title certificates constitute a small percentage of the properties that we hold, the lack of the relevant certificates has not had a material impact on our operations, and no claims by any governmental authority or other third party have been discovered that make any claims against us with respect to such properties. Our Directors are of the view that the six owned properties with defective titles mentioned above are not crucial to, and will not have a material impact on, our operation because (i) we have obtained the relevant valid title certificates for the majority of our owned properties, representing 90.7% of the aggregate gross floor area of our owned properties; and (ii) for six of the owned properties with defective titles, we can substitute such properties with other comparable properties, if necessary, without any material adverse effects on our operations.

As of June 30, 2013, for the 114 leased properties in the PRC, the relevant lessors have not provided valid title certificates to lease 40 properties, representing an aggregate lettable area of approximately 7,351 square meters, which mainly have commercial uses, such as offices, outlets, self-service banking and ATMs. As the owners of the properties, the lessors are responsible for applying for the relevant valid title certificates or providing us the consent to lease the properties. We have proactively procured these lessors to apply for the relevant valid title certificates or provide us the consent to lease properties. Among these leased properties with defective legal title, all the lessors have provided confirmation or other documentary evidence that they agree to provide us with prior notices to ensure the normal operation of our outlets if there is a change of legal title, or to compensate us for losses arising from defective legal title. We are of the view that most of these leased properties occupied could, if necessary, be replaced by other comparable alternative premises without any material adverse effect on our operations. For title defects that we are not able to rectify, we believe that the lack of such title certificates and/or the existence of such title defects will not have a material adverse effect on our business, financial condition and results of operations as the relevant properties represent a minor portion of the total value of our properties. Our Directors are of the view that the defective properties individually and collectively are not crucial to our operations. See "Risk Factors — Risks Relating to Our Business — Issues relating to land use right certificates and building ownership and title certificates may disrupt our ability to occupy and use some of the properties we own and/or lease from third parties."

As of June 30, 2013, our interests in properties (including land and buildings and excluding investment properties) represented approximately 0.64% of our total assets. Our Directors confirmed that none of the interest in any single property was material to us in terms of revenue contribution or rental expenditure. As of June 30, 2013, the maximum book value of our interest in properties was approximately RMB170 million, representing under 0.1% of our total assets. As a result, we are exempted from compliance with requirement of including a property valuation report under the Listing Rules and the Hong Kong Companies Ordinance. Pursuant to Rule 5.01A of the Listing Rules, if the book values of the property business and non-property business the applicant for listing are below 1% and 15% respectively, the prospectus will be exempted from compliance with such requirement. In respect of the requirements under section 342(1)(b) of the Hong Kong Companies Ordinance and section 34(2) of the Third Schedule under Hong Kong Companies Ordinance, similar waivers were also provided under section 6 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

TRADEMARKS

We conduct business under the names and logos of "重慶銀行". We are also the registered owner of the domain names "www.bankofchongqing.com" and "www.cqcbank.com." Details of our intellectual property rights are set out in the paragraph headed "Intellectual Property Rights" under the section entitled "Further Information About Our Business" in Appendix VIII to this prospectus. As of June 30, 2013, we have registered 66 trademarks in the PRC. We are in the process of applying for the registration of 18 trademarks in the PRC and Hong Kong.

As of the Latest Practicable Date, we were not aware of any material incidence of intellectual property rights infringement claims or litigation initiated by others and vice versa for the three years ended December 31, 2012 and the six months ended June 30, 2013.

LEGAL AND REGULATORY

Licensing Requirements

As of the Latest Practicable Date, we had obtained all operating licenses required for conducting our current businesses as described in this prospectus.

Legal Proceedings

We are involved in certain legal proceedings in the ordinary course of our business. Most of these proceedings involve enforcement claims initiated by us to recover payments on our nonperforming loans. The legal proceedings against us include actions relating to customer disputes and claims brought by our counterparties on contracts related to our banking operations.

As of June 30, 2013, we had three pending litigation cases each with a claim value of over RMB10 million, totaling approximately RMB230 million. The aggregate balance of outstanding loans related to the three cases is approximately RMB172 million. In each of these three cases, we or our branch outlets are the plaintiffs. The three cases relate to three impaired loans, with outstanding loan amounts of RMB98 million, RMB44 million and RMB30 million, respectively. The three impaired loans constitute the largest, second largest, and fourth largest non-performing loans in our loan portfolio as of June 30, 2013, and are listed among the ten largest non-performing loans in "Description of Our Assets and Liabilities — Assets — Loans and Advances to Customers — Borrowers with the Largest Amount of Non-Performing Loans." In response to these cases, we have (i) continued to increase our emphasis on, and further standardized, the post-disbursement inspection and management of loans; and (ii) closely monitored the collateral of our loans by tracing the properties of borrowers or guarantors and taking preservation measures on a timely basis. See "Risk Management — Credit Risk Management — Credit Risk Management for Corporate and Personal Loans — Post-Disbursement Management" and "Risk Management — Credit Risk Management — Credit Risk Management for Loans to Small and Micro Enterprises — Post-Disbursement Management." We believe that we have made adequate provisions for our pending litigation cases. Please refer to Note 32 to the Accountant's Report set forth in Appendix I to this prospectus. We do not expect any of our current and pending legal or arbitration proceedings to have, individually or in the aggregate, a material adverse effect on our business, financial condition and results of operations, even if they are determined adversely against us.

As of the Latest Practicable Date, none of our Directors, Supervisors and senior management was involved in any material litigation, arbitration or administrative proceedings.

Regulatory Proceedings

We are subject to inspections and examinations by the relevant PRC regulatory authorities, including the PBOC, CBRC, NAO, SAFE, MOF, CIRC, SAIC, and SAT, as well as their respective local offices. These audits and examinations have previously resulted in findings of incidents of non-compliance and the incurrence of certain penalties. Although these incidents and penalties did not have any material adverse effect on our business, financial condition and results of operations, we have implemented improvement and remedial measures to prevent the recurrence of such incidents.

Administrative Penalties

Certain regulatory inspections and examinations have resulted in our being subject to fines and penalties as a result of our non-compliance with regulatory requirements. From January 1, 2010 to June 30, 2013, we were subject to a total of three fines and penalties with an aggregate value of RMB0.47 million as a result of non-compliance with the PRC regulatory authorities other than the tax authorities:

- in August 2010, a fine of RMB180,000 was imposed by the SAFE Chongqing Bureau for providing foreign currency settlement services for a customer who had not finished the annual foreign exchange inspection without the prior approval of SAFE and only with a statement from the customer;

- in July 2011, a fine of RMB200,000 was imposed by the CBRC Chongqing Bureau for disbursing loans in the amount of RMB180 million to a borrower to finance a project, the actual progress of which did not match the invested amount while the borrowers did not satisfy the disbursement conditions; and

- in June 2013, a fine of RMB90,000 was imposed by the PBOC Chongqing Bureau for certain irregularities of our work in financial statistics, payment and settlement business, national treasury collection and centralized payment business, and personal credit business.

These fines and penalties have been fully paid. These fines and penalties did not, individually or in aggregate, have a material adverse effect on our business, financial condition and results of operations. We have taken steps and measures to rectify the issues identified by the PRC regulatory authorities.

Findings of Regulatory Examinations

Certain routine or ad hoc examinations or inspections conducted by the PRC regulatory authorities have revealed certain deficiencies or incidents of non-compliance in various areas of our business operations, risk management and internal control. With respect to each of the non-compliant matters disclosed in this prospectus, we timely submitted a remedial report to the relevant PRC regulatory authorities, setting forth the subject matter, the content and the time frame of the remedial measures. As of the date hereof, the relevant PRC regulatory authorities have no objections to the remedial measures set forth in the remedial reports and implemented by us, and have not required us to implement any further remedial actions. The results of the principal examinations or inspections are summarized below.

CBRC Chongqing Bureau

The CBRC Chongqing Bureau conducts on-site and off-site inspections of our operations, including on-site inspections of our head office, branches and sub-branches. Based on these inspections, the CBRC Chongqing Bureau issues inspection reports setting forth its findings and recommendations. The key findings identified and recommendations made by the CBRC Chongqing Bureau in its reports and our primary remedial measures adopted are set forth below.

Main inspection findings	Our main rectification measures
From January to February 2010, the CBRC Chongqing Bureau conducted an inspection on our fixed asset loans extended between January 4 to January 22, 2010. The inspection report noted non-compliances in some of our standard loan agreements with recent loan regulations involving loans in the aggregate amount of RMB395 million, failure to open separate accounts for loans in the aggregate amount of RMB100 million used for specific projects subject to the loan regulations and deficiency in certain loan disbursement procedures involving loans in the aggregate amount of RMB336.7 million.	We submitted a remedial report to the CBRC Chongqing Bureau in April 2010. We prepared a supplemental agreement to our standard loan agreements for fixed asset loans, and required the customers who executed the standard loan agreements to execute the supplemental agreement. Meanwhile, for the fixed assets loans extended after January 22, 2010, we use a revised standard loan agreement that is in compliance with the recent loan regulations. We also took measures, such as personnel training and strengthened internal inspections, to ensure that our fixed asset loans business are in compliance with CBRC requirements.

Main inspection findings	Our main rectification measures
From May to June 2010, the CBRC Chongqing Bureau conducted an on-site inspection on our information technology governance and related risk as of the end of April 2010. The inspection report noted certain deficiencies in our information technology management, business continuity management, capacity for certain businesses, and project management.	We submitted a remedial report to the CBRC Chongqing Bureau in October 2010. We prepared an information technology governance plan, a business continuity strategy and a plan to implement our business continuity management, as well as a plan to accelerate the construction of the new information center, which will solve the capacity limitations of our information infrastructure.
From June to July 2011, the CBRC Chongqing Bureau conducted an on-site inspection on our bills business for the period from January to May 2011. The inspection report noted that deficiencies existed in the background check on conducting bank acceptance bills business by certain customers, delay in information collection, and incomprehensiveness in the investigation opinions when conducting the bill discounting business.	We submitted a remedial report to the CBRC Chongqing Bureau in November 2011. We have supplemented and strengthened the internal regulations with respect to business operations and inspection procedure related to acceptance bills business, and improved our inspections of the acceptance bills business.
From July to August 2012, the CBRC Chongqing Bureau conducted an on-site inspection with respect to our prevention measures of operational risks and our five-category loan classifications. The inspection report noted certain non-compliance of internal rules with respect to job rotation among our staff and reconciliation, inadequate implementation of certain internal control rules and inaccurate classification of certain loans.	We submitted a remedial report to the CBRC Chongqing Bureau in October 2012. We have revised our internal control rules to be consistent with the regulatory requirements and have strengthened our personnel training, supervision and inspection.
From March to May 2013, the CBRC Chongqing Bureau conducted an onsite inspection of our internal control. The inspection report noted that we had not established specific operation guidelines or rules for our securities investments, and as a result, there were insufficient pre-investment inspections and risk assessments. In particular, we had not conducted sufficient inspections, assessments and analysis of the creditworthiness of the guarantor banks for our investments in trust beneficiary rights. In addition, we had not investigated and assessed whether the projects to be funded by our investments were in compliance with applicable laws and regulations.	We submitted a remedial report to the CBRC Chongqing Bureau in June 2013. We have established operation procedures for our securities investment, and have established a separate group in June 2013 to review and approve interbank credits. We have also strengthened our management of interbank credit lines and our investigation, review and analysis of the creditworthiness of the guarantor banks. We have also strengthened our investigation and review of the project's compliance with applicable laws and regulations, and have adopted the same review standard for our investments in trust beneficiary rights as the standard that we apply for extending loans.

As of the Latest Practicable Date, the CBRC Chongqing Bureau did not require us to take further remedial measures. We believe that the CBRC Chongqing Bureau's findings described above did not reveal any material deficiencies in our business operations, internal audit, internal control and risk management functions, and have no material adverse effect on our business, financial condition and results of operations.

PBOC Chongqing Bureau

The PBOC Chongqing Bureau conducts on-site inspections of our operations from time to time. The key findings identified and recommendations made by the PBOC Chongqing Bureau in its reports and our primary remedial measures adopted are set forth below.

In April 2009, it conducted an on-site inspection on our responses to disputes regarding personal credit checking results. The PBOC Chongqing Bureau's inspection report noted that we occasionally failed to timely respond to such disputes. We have modified our internal procedures, improved our personal credit database and organized training programs for the relevant staff.

From August to October 2012, the PBOC Chongqing Bureau conducted on-site inspections of our monetary credit and financial market business, financial statistics business, payment and settlement business, treasury income and centralized collection and payment business, Renminbi receipt and payment and anti-counterfeit currency business, credit management business and foreign exchange management business, and has identified certain irregularities and deficiencies of our work in these areas. The key findings identified by the PBOC Chongqing Bureau in its reports and our primary remedial measures adopted are set forth as follows:

Main issues	Our main rectification measures
In respect of currency loans and financial market services, we have certain non-compliance incidents relating to, among others, operational rules and information reporting.	We have adopted rectification measures such as amendment of rules and improvement in the operation process aiming at the non-compliance issues.
In respect of financial statistics business, we have certain incidents of inaccurate statistics.	We have adopted rectification measures such as improvement in the statistical work structures, strengthening the construction of statistical system and reinforcement of staff training.
In respect of payment settlement business, we have certain non-compliance incidents relating to, among others, the opening and usage of settlement accounts, processing of telegraphic transfer certificates, processing and sales of cheques, acceptance of bills, management of self-service machines and immediate payment system feedback.	We have adopted rectification measures in respect of such non-compliances, such as increasing efforts on training and supervision.

Main issues	Our main rectification measures
In respect of national treasury collection and centralized payment business, we have certain issues such as delay in refunding a total amount of RMB147.2 million, non-compliant handling of budget revenue refunds in the aggregate amount of RMB3.1 million and processing of overdue payment letter in the aggregate amount of RMB146,000.	We have developed control system and adopted rectification measures such as increasing efforts on training, strengthening management and supervision as well as strengthening communication and coordination.
In respect of Renminbi receipt and payment and anti-counterfeiting of currency business, we have certain non-compliance incidents relating to, among others, the qualification of employees, confiscation process of counterfeited currencies, completion and preparation of certificates and registers.	We have adopted rectification measures such as adjusting internal personnel, emphasizing standardized practices and increasing efforts on the review and spot-checking of certificates by reviewing personnel and accounting supervisors.
In respect of personal credit business, we have issues such as overdue handling of objections and omission of information.	We have adopted rectification measures such as imposing penalties on related personnel and optimizing work processes.
In respect of foreign exchange management business, we had certain non-compliances such as non-compliant processing of sale and payment of foreign exchange in the amount of US$90,000 and non-compliant filing of statements.	We have adopted rectification measures such as increasing efforts on training, improving the internal control system and strengthening the construction of electronic infrastructure.

We submitted a remedial report to the PBOC Chongqing Bureau in December 2012. As of the Latest Practicable Date, the PBOC Chongqing Bureau did not require us to take further remedial measures, and had not conducted any further inspections on us following its inspection in October 2012. We believe that the PBOC Chongqing Bureau's findings described above did not reveal any material deficiencies in our business operations, internal audit, internal control and risk management functions, and have no material adverse effect on our business, financial condition and results of operations.

Chongqing Audit Bureau (重慶市審計局)

Chongqing Audit Bureau conducts audits on state-owned and state-controlled enterprises in Chongqing, including us, from time to time. In its audit report for 2012, Chongqing Audit Bureau identified certain issues in respect of our credit business compliance, internal control effectiveness, financial management standardization and information system soundness. In addition, in its auditing decisions for 2012, Chongqing Audit Bureau ordered us to write off certain impaired foreclosed assets timely in accordance with the rules. The issues identified by Chongqing Audit Bureau have no material adverse effects on our business, financial condition and results of operations.

Our Bank has submitted a report to Chongqing Audit Bureau in respect of remedial measures that have been or will be implemented by our Bank, including, among other things, reforming the corporate governance structure, strengthening the compliance system, establishing a basic platform for internal control, improving management of human resources, increasing investments in information technology projects and increasing the efforts on non-compliance accountability. Furthermore, we have modified our internal rules in respect of foreclosed assets disposal. Except as described above, as of the Latest Practicable Date, we were not required to adopt further measures as required by Chongqing Audit Bureau.

Compliance

We have, from time to time, detected non-compliance incidents committed by our employees, customers and other third parties. The non-compliance incidents committed by our employees mainly relate to non-compliance with our internal rules regarding the credit review and approval process, counter processing procedures and accounting related matters. None of our Directors and senior management has been involved in any of such non-compliance. We believe that such non-compliance, individually or in the aggregate, did not have a material adverse effect on our business, financial condition and results of operations. During the Track Record Period, we did not discover any material employee misconduct involving criminal activities.

The Directors are of the view that the findings of the regulatory authorities and the non-compliance incidents did not reveal any material deficiencies in our operations, internal audit, internal control or risk management.

SPECIAL INCIDENTS

We and other commercial banks in the PRC have been subject to fraud and other misconduct committed by employees, customers and other third parties. In January 2009, a former customer manager of our Jiangjin sub-branch was detained by the police for embezzlement based on fake loan applications under our Yangtze Card revolving credit line program. In response to this incident, the CBRC Chongqing Bureau suspended review of our application to open new sub-branches and our Yangtze Card revolving credit line program.

We worked closely with the police in its investigations and recovered a majority of the embezzled funds. Since this special incident, we have implemented several major remedial measures, including enhanced inspections of related products, risk assessments of our systems, processes and products, streamline of the management system, enhanced coordination between departments and institutional requirement of job rotations for key positions. We also took disciplinary actions against the responsible persons at our head office and Jiangjin sub-branch. Except for one deputy manager of our sub-branch who was demoted after this special incident, neither the employee who committed the misconduct nor the managers overseeing his activities remained our employees as of June 30, 2013.

In August 2009, the CBRC Chongqing Bureau lifted the suspensions of our opening of new sub-branches and our Yangtze Card revolving credit line program. Of the RMB20.05 million embezzled, we recovered RMB15.40 million from the former employee. We wrote off the remaining RMB4.65 million as other receivables in 2010.

We believe that the financial losses and other negative impact resulting from this special incident have not resulted in any material adverse effect on our business, financial condition and results of operations. None of our Directors, Supervisors or members of our senior management was involved in this incident. We have continued to strengthen our internal controls and risk management system to prevent such incident from recurring in the future.

OVERVIEW

As a commercial bank in the PRC, we are subject to a number of risks, primarily including credit risk, market risk, liquidity risk, operational risk, as well as legal and compliance risk.

We have adopted a prudent risk management strategy and seek to strike a balance between risk and return through a comprehensive, independent and product-centric risk management system. Our primary risk management goal is to achieve sustainable growth and maximize value for our shareholders within acceptable risk parameters. Through our ongoing efforts to develop and enhance our risk management, we seek to achieve the following objectives:

- establishing a comprehensive risk management system across all risk areas;
- optimizing risk management procedures and integrating risk identification, measurement, inspection, reporting and control into each step of our business process;
- developing and applying advanced risk management techniques and methodologies to improve our risk identification and measuring capabilities; and
- cultivating a prudent and disciplined culture throughout our organization.

RISK MANAGEMENT INITIATIVES

In recent years, we have sought to improve our overall risk management through various initiatives, including the following:

- formulating and implementing risk management plans, including:
  - engaging PricewaterhouseCoopers Consultants (Shenzhen) Limited, Shanghai Branch (普華永道諮詢(深圳)有限公司上海分公司) to design for us a comprehensive risk management plan for the period from 2011 through 2015, including plans to improve our comprehensive risk management in the areas of strategy, organizational structure and functions, policies and systems, procedures, measurement methodologies and tools, data and information systems as well as disclosure and reporting; and
  - formulation of 31 management improvement projects using the new Basel Capital Accord, the latest regulatory requirements in the PRC and leading practical experience of other banks as benchmarks, which includes the commencement or implementation of 17 risk management improvement projects since 2011, such as the improvement and development of our non-retail customer internal ratings system, the development of our operational risk management information system and our retail customer scorecard;
- optimizing our risk management structure and functions, including:
  - creating the office of Chief Risk Officer who, with the authorization of the President, manages and monitors the risks that we face in accordance with the directions of the Board;

- dividing risk management responsibilities in accordance with the principle of specialization and integrating these responsibilities with our lines of business, including:

  - establishing the small enterprise loan center, the risk management team of which is authorized to approve, and manage the risks of, small and micro enterprises loans within the scope of its authorization;

  - establishing the small and micro enterprise risk assessment center in the small and micro enterprise banking department to be in charge of overseeing branches and sub-branches in risk management relating to the small and micro enterprises business as well as credit review and approval of loans within its scope of authorization;

  - establishing the personal loan approval center to be in charge of credit review and approval of personal consumer loans and to provide relevant guidance and training; and

  - establishing the risk assessment department to be in charge of credit review and approval of corporate loans and interbank credit, and to provide the Bank with system design, guidance and training with respect to credit approval;

- establishing the assets and liabilities management department in order to strengthen the management of liquidity and of interest rate risk for our banking book; and

- building up a risk management structure for each of our branches and sub-branches, including relevant committees and departments in branches, relevant departments in large sub-branches, and relevant positions in other sub-branches;

• improving our risk management policies, including:

- adopting an overall risk management policy at the Board level to provide the fundamental principles, risk preference and procedures for our system of risk management;

- establishing limits on our exposures to various types of risk;

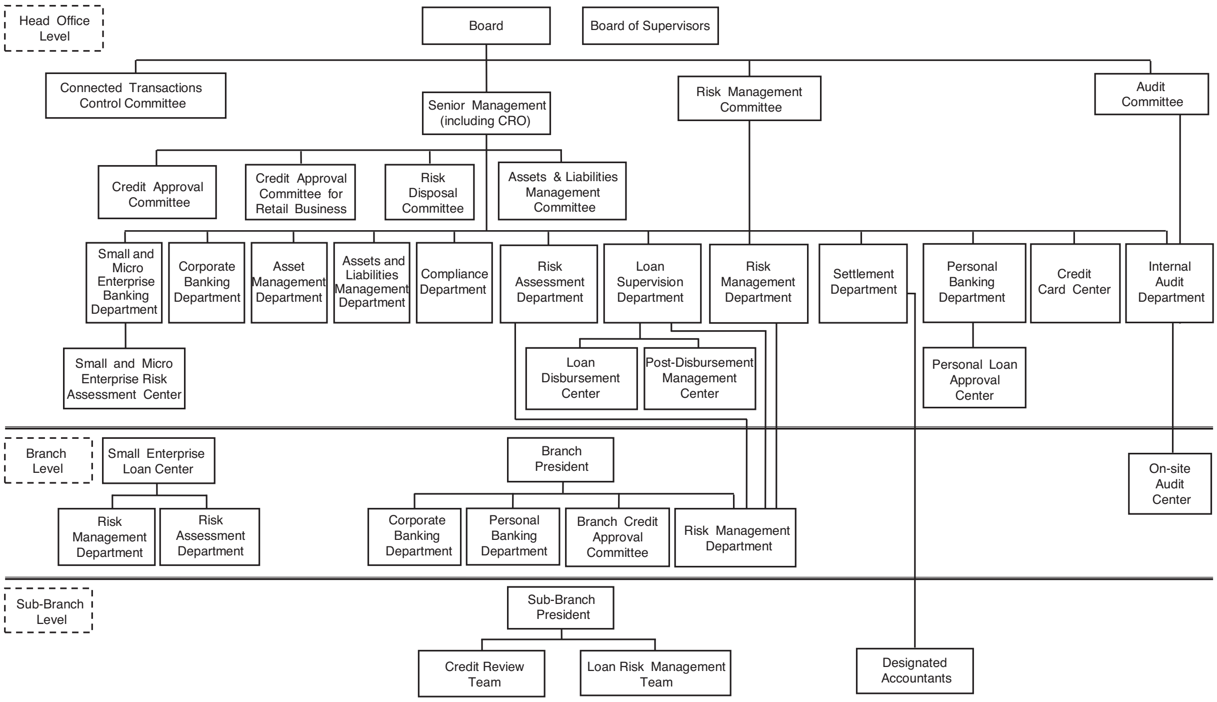
- establishing risk management policies to control credit, operational, market and liquidity risks, and clarifying recognition standards, organizational structure and responsibilities, tools and methodologies, systems and procedures, as well as data and informational systems for various types of risk; and

- establishing a series of risk management policies for our branches;

- developing and implementing information technology systems and introducing advanced risk management tools, including:
  - — developing an information technology risk management tool;
  - — implementing a credit management system to support credit approval, loan classification and post-disbursement management;
  - — implementing an internal rating system, which is a platform for the operation, maintenance and oversight of customer and loan ratings, and putting into practice our internal rating system through procedural and data integration with our loan management system;
  - — implementing a banking regulatory information management system to gather, compile, report and analyze regulatory information;
  - — implementing a financial management system to manage accounts and financial reporting;
  - — implementing an information technology surveillance system to monitor the information technology infrastructure of our data center;
  - — implementing a multi-dimensional performance reporting system for profitability analysis, internal funds transfer pricing and assets and liabilities management;
  - — implementing a self-evaluation system on operational risk and internal control;
  - — monitoring key risk indicators and establishing a methodology on key risk indicators; and
  - — applying comprehensive risk management tools to the risk management process;
- implementing risk management reporting policies, including:
  - — establishing reporting policies for special incidents and for significant credit risk and market risk events;
  - — requiring each business department at our head office to submit periodic risk management reports to our senior management; and
  - — requiring the risk management department to submit periodic risk management reports to senior management and the risk management committee of the Board.

RISK MANAGEMENT STRUCTURE

Our risk management structure consists of our Board, board of supervisors and senior management, as well as our standing committees, ad hoc committees and departments responsible for risk management. The organizational structure of our risk management function as of the date of this prospectus is illustrated below:



Board and Board Committees

Our Board bears ultimate responsibility for managing our risk exposures. In particular, our Board is responsible for reviewing and approving our key risk management strategies and policies, monitoring risk control systems and evaluating our overall risk exposures. Our Board has delegated certain risk management responsibilities to the risk management committee, the audit committee and the connected transactions control committee of the Board.

Risk Management Committee

The risk management committee evaluates our overall risk exposures, risk appetite and tolerance levels, and monitors our risk management. The risk management committee currently consists of five members: Mr. Li He, Mr. Gan Weimin, Mr. Ran Hailing, Mr. To Koon Man Henry and Mr. Zhan Wanghua. Mr. Li and Mr. To are independent directors and Mr. Li He currently chairs the committee. The committee meets at least four times a year, or more frequently as necessary, to discuss significant issues with respect to our risk management and related policies and procedures.

Audit Committee

The audit committee is primarily responsible for assisting our Board in reviewing our accounting policies, financial position and financial reporting procedures, and overseeing auditing of our financial statements and our internal audit operations. The audit committee currently consists of five members: Dr. Sun Fangcheng, Mr. Deng Yong, Mr. Li He, Ms. Lv Wei and Mr. To Koon Man Henry. Dr. Sun, Mr. Li and Mr. To are independent directors and Dr. Sun currently chairs the committee. This committee meets at least twice a year, or more frequently as necessary, to discuss significant accounting or auditing issues.

Connected Transactions Control Committee

The connected transactions control committee is primarily responsible for evaluating, overseeing and managing our related party transactions. The committee currently consists of five members: Mr. Han Deyun, Dr. Sun Fangcheng, Mr. Li He, Mr. To Koon Man Henry and Dr. Zhang Weiguo. All of them are independent directors, and Mr. Han currently chairs the committee. The committee meets at least twice a year, or more frequently as necessary, to discuss significant issues with respect to our related party transactions and corresponding policies and procedures.

For details of the responsibilities of our Board, as well as of the risk management committee, audit committee and connected transactions control committee, please refer to the section entitled "Directors, Supervisors and Senior Management — Committees under the Board of Directors" and Appendix VI — "Summary of Articles of Association" of this prospectus.

Board of Supervisors

Our board of supervisors is responsible to our shareholders. It supervises and independently assesses the Board and our senior management in the fulfillment of their responsibilities relating to risk management.

Senior Management and Senior Management Committees

Our senior management is responsible for overseeing our overall risk management, including the formulation and implementation of risk management policies and procedures. Our President reports directly to the Board and is in charge of the overall management of our operations, including risk management. Our Chief Risk Officer, Mr. Zhan Wanghua (詹旺華), is nominated by our President, and reports to our Board and President on the effectiveness of our risk management system and risk management operations. Mr. Zhan has over 15 years of experience in risk management in the banking industry. Prior to joining our Bank, Mr. Zhan worked as the director of the risk management department and the secretary of risk control committee of Dah Sing Bank (China) Co., Ltd. (大新銀行（中國）有限公司), and he was responsible for managing the systems, procedures and operations of credit risk (including credit approval and post-disbursement management), liquidity risk, market risk and operational risk. The major responsibilities of our Chief Risk Officer include formulating the overall risk management strategies, establishing and maintaining a risk management structure and policies, coordinating on the implementation of overall risk management planning, and approving our risk-taking activities that are within the scope authorized by our President. We also have four senior management committees relating to risk management: the credit approval committee; the credit approval committee for retail business; the risk disposal committee; and the assets and liabilities management committee.

Credit Approval Committee

The credit approval committee is responsible for (i) approving loans (other than retail loans) within the scope of authorization of our head office (which approval may be overruled by our President at his discretion) and (ii) the risk and structural control of our credit businesses. Our Vice President in charge of the risk assessment department serves as the chairman of the committee. Members of the committee also include the general manager and the assistant to the general manager of the risk assessment department. The committee meets weekly and may meet more frequently as needed.

Credit Approval Committee for Retail Business

The credit approval committee for retail business is responsible for approving material retail loans, including personal consumer loans and credit card applications (which approval may be overruled by our President at his discretion). Our chief retail officer, who is in charge of the retail banking business, chairs the committee. The other members of the committee are nominated by the chairman of the committee and approved by our President. The credit approval committee for retail business meets weekly.

Risk Disposal Committee

The risk disposal committee is responsible for reviewing and approving collection and restructuring of non-performing assets, litigation matters, disposal and management of fixed assets and asset risk classifications. One of our Vice Presidents responsible for finance and asset management chairs the committee and other members include the general managers of our head office departments. The risk disposal committee meets monthly but may meet more frequently as needed.

Assets and Liabilities Management Committee

The assets and liabilities management committee is responsible for managing our assets and liabilities. The committee is responsible for:

- establishing risk management objectives and policies in respect of our assets and liabilities;
- establishing the targets for our assets and liabilities composition and operational indicators;
- assessing our assets and liabilities and formulating corresponding management policies; and
- reviewing reports relating to our liquidity risk, interest rate risk, capital adequacy and assets and liabilities.

Our President serves as the chairman of the committee and one of our Vice Presidents serves as the vice chairman. Other members of the committee also include the general managers of our head office departments. This committee meets quarterly and may meet more frequently as needed.

Departments with Risk Management Functions

Head Office Departments with Risk Management Functions

The risk management department and several other departments in our head office perform various risk management functions.

Risk Management Department

The risk management department is in charge of our overall risk management structure, policies and tools, and has primary responsibility over:

- formulating risk management policies;
- monitoring the overall risks of the Bank;
- developing various risk management techniques and tools; and
- coordinating the establishment of a risk management system for the Bank .

Risk Assessment Department

The risk assessment department is responsible for daily management of credit approval, including:

- reviewing and approving corporate and interbank credit within its scope of authorization; and
- providing the Bank with system design, guidance and training.

Loan Supervision Department

The loan supervision department is in charge of loan disbursement and management, and has primary responsibility over:

- loan disbursement verification within the scope authorized by our head office;
- guidance of and supervision over post-disbursement management undertaken by the loans businesses of our operating branches;
- management of risk classification for loan assets;
- maintenance and management of credit management and credit information collection systems;
- credit statistics; and
- supervision over third party collateral appraisers.

Asset Management Department

The asset management department is primarily responsible for (i) directing the restructuring, collection and disposal of non-performing loans, and (ii) handling litigation matters relating to non-performing loans.

Personal Banking Department

The personal banking department includes the personal loan approval center. The personal loan approval center is responsible for reviewing and approving personal consumer loans within its approval limit and providing relevant guidance and training.

Credit Card Department

The credit card center is responsible for risk control and management of the credit card business.

Small and Micro Enterprise Banking Department

The small and micro enterprise banking department oversees the small and micro enterprise risk assessment center, which is primarily responsible for overseeing the branches and sub-branches in conducting risk management for the small and micro enterprises business and in the review and approval of loans within its approval limits.

Small Enterprise Loan Center

The small enterprise loan center oversees a risk management team, which is responsible for credit approval and risk management in respect of small and micro enterprise customers.

Assets and Liabilities Management Department

The assets and liabilities management department is primarily in charge of managing our liquidity risk and banking book interest rate risk, and has responsibility over:

- implementing the resolutions and decisions of the assets and liabilities management committee;
- managing the portfolio of, and the maturities and gaps with respect to, assets and liabilities;
- managing the interest rate risk of our banking book; and
- conducting inspection of branches and sub-branches with respect to their assets and liabilities management.

Internal Audit Department

The internal audit department is primarily in charge of internal audit inspections of our head office departments, our branches and sub-branches, and has responsibility over:

- supervision and inspection of internal control matters;

- formulation of internal audit procedures; and
- conducting and supervising the internal audit process.

Compliance Department

The compliance department is primarily responsible for:

- formulating our compliance policies;
- reviewing the legal compliance of various policies, rules, procedures and compliance manuals;
- coordinating the identification, evaluation and reporting of compliance risk;
- organizing and implementing of delegation of authority, and its supervision and inspection;
- review contracts and other legal documents;
- reviewing the legal compliance of extensions of credit of substantial amount; and
- handling litigation matters that are not related to assets.

Settlement Department

The settlement department is primarily responsible for (i) managing settlements and (ii) anti-money laundering.

Operations Management Department

The operations management department is primarily responsible for:

- planning and formulation of policies for our overall business operation;
- management of compliance risk and operational risk of our operation; and
- developing products and systems to support our operation.

Branch Risk Management Functions

We have established a credit approval committee as well as various credit management departments in all of our branches, namely, the risk management department, corporate banking department and personal banking department. The risk management department and personal banking department at each branch are responsible for the review and approval of loan applications within their respective scopes of authorization for credit approval.

Sub-Branch Risk Management Functions

Our sub-branch risk management functions consist of credit review teams and loan risk management teams. The credit review teams are primarily responsible for inspecting the credit approval operations of the sub-branches. The loan risk management teams are primarily responsible for reviewing the five-category loan classification determinations made by customer managers at the sub-branches. These sub-branch teams report to corresponding departments in our head office.

CREDIT RISK MANAGEMENT

Credit risk is the risk of losses resulting from the default, rating downgrade, or decline in repayment ability of a borrower or counterparty. We are exposed to credit risk primarily through our loan portfolio, investment portfolio, guarantees and commitments, and other payment commitments.

We aim to further improve our credit risk management by optimizing our credit risk management structure and improve communications between policy-making departments, such as the risk management department, and business departments, such as the small enterprise loan center. We also aim to improve our risk measurement by developing our proprietary credit rating models and tools.

Industry Risk Limits

In order to effectively measure credit risk levels and establish risk limits for each industry and improve our internal rating model, we have developed an industry risk scorecard and have divided customers into 32 industries and conducted risk scoring on these industries. Our industry risk scorecard includes quantitative and qualitative indicators that reflect repayment ability, development potential, and governmental regulation and support. In 2013, we divided the industries into five risk categories based on scoring results, and set risk limits on the five lowest-ranked industries such that the loan proportions of these industries do not exceed the risk limits.

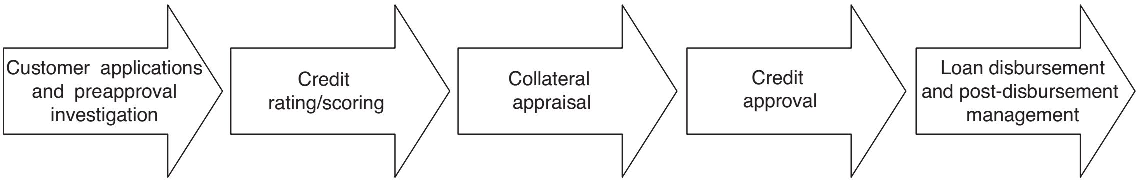
Credit Policy Guidelines

Our risk assessment department works with relevant business departments to issue annual credit policy guidelines. The credit policy guidelines provide guidance on our loan portfolio composition, customer base adjustments, loan products and key customer and industry focus. We also proactively adjust our credit guidelines in line with the PRC government's macroeconomic control policies. For example, the PRC government has implemented certain restrictive measures with respect to loans to local government financing vehicles and real estate developers in recent years. In light of these measures, we have adjusted our credit guidelines that are applicable to local government financing vehicles and real estate developers accordingly. We have also adopted industry-specific credit guidelines which consist primarily of industry-specific customer approval policies. We divide customer groups into "preferred", "normal" and "restricted" categories and we generally do not extend new loans to borrowers operating in industries that fall within "restricted" category. We adjust our credit policy guidelines based on a number of considerations, including changes in the PRC government's industry policies and the developments of various industries as well as the overall effectiveness of our existing credit guidelines.

Credit Risk Management for Corporate and Personal Loans

We have established credit risk management procedures for each stage of the credit extension process for both corporate and personal loans, including pre-approval investigation, credit rating/scoring, collateral appraisal, credit approval, loan disbursement and post-disbursement management.

The following flow chart summarizes the main aspects of our credit risk management process for corporate and personal loans:



Pre-Approval Investigation

We conduct pre-approval inspection under a policy of two-person investigation and review. Pre-approval inspection is carried out by a primary reviewer (typically a customer manager) and a secondary reviewer (for example, the manager of the relevant business department) at a branch or sub-branch. These reviewers gather and verify information of the prospective borrowers, carry out on-site visits and conduct in-person interview with the borrowers. Upon completion of the pre-approval investigation, the reviewers will submit an investigation report to the credit review team at the branch or sub-branch level.

Corporate Loan

With respect to corporate loans, the investigation primarily includes (i) the borrower's basic information such as corporate structure, management quality and credit history, (ii) the industry risks applicable to the borrower, (iii) the borrower's financial conditions including its profitability, operational ability, growth potential and cash flow; (iv) the market environment in which the borrower operates; and (v) the intended use of the loan proceeds and source of financing for repayment. With respect to corporate loans secured by collateral, the investigation also includes the reliability and value of the collateral. With respect to corporate loans intended for specific projects, the investigation also includes the feasibility and legal compliance of such projects.

Personal Loan

With respect to personal loans, we gather the information on the borrower's financial condition, employment, source of income, indebtedness and credit history.

Credit Rating/Scoring

Non-Retail Internal Rating

In 2011, we engaged KPMG Advisory (China) Limited (畢馬威企業諮詢(中國)有限公司) to design and develop a non-retail customer rating model, including a default probability model and a scorecard model, as well as a loan rating model, in order to improve our existing credit rating system and develop, on that basis, a corresponding internal rating system for credit risk that is suitable for our current business operations and basis for risk measurement while taking into consideration the need to meet the requirements of Foundation IRB under the new Basel Capital Accord in the future. In order to ensure the suitability and accuracy of the model prior to its implementation, we engaged Deloitte Consulting (Shanghai) Company Limited (德勤企業諮詢(上海)有限公司) to conduct an independent third party pre-implementation appraisal of the development and results of the model. The major conclusions of the appraisal included: (i) the definitions used in the ratings scale in the rating model developed is capable of effective differentiation of credit risk; (ii) the completeness and accuracy of the data used for modeling during the development process are sufficient to reflect the core requirements of regulatory guidelines and (iii) our modeling segmentation strategy is substantially in line with mainstream industry practice. This system was implemented in June 2013 and is gradually replacing the preexisting customer credit rating system.

We divide customers into 16 levels, ranging from AAA+ to D, which correspond to the rating scale that we have established. There are two types of customer rating models. First, the default probability model, which we use for industrial customers and for commercial or service industry customers, was created by selecting financial indicators that effectively differentiate the credit situation of customers and incorporating these indicators into the modeling process. Second, the scorecard model, which we use for customers in real estate, customers in the construction industry, public institutions, small and micro enterprises, ordinary enterprises, guarantee corporations and financial institutions, was a replacement plan that we adopted where existing information was insufficient for the construction of a default probability model; in this case, modeling was completed by analyzing the relationship between levels of customer credit risk and risk factors. In addition, the rating of our loans makes use of a scorecard model, which estimates default losses after considering factors such as the guarantor, the nature of the borrower and the credit environment.

In addition, we began to amend our systems and procedures relating to credit in 2012, in order to ensure that the internal rating is integrated into our credit business and management procedures, and we seek to realize the core applications of the internal rating in accordance with regulatory requirements — i.e., in areas such as credit approval, post-disbursement management, the establishment of credit limits and a differentiated credit policy.

Our customer managers generally monitor credit ratings of their customers on an ongoing basis. We will re-evaluate a borrower's credit rating in case of any material change to its operations, financial condition or management. Our branches and sub-branches are responsible for credit rating with respect to loans within their respective scopes of authorization, while the credit rating center under the small and micro enterprise banking department and the risk assessment department at our head office is responsible for loans ratings exceeding the scopes of authorization of the branches or sub-branches.

Retail Scorecard

We have formulated a set of criteria used to assess the credit status of individual applicants, primarily including age, educational background, occupation, income, credit history and previous business with us. We are currently implementing, on the basis of our planning for comprehensive risk management, a project for the development of a retail scorecard model and the improvement of our business strategy, which consists of (i) the development of a retail scorecard and (ii) the formulation of a targeted and feasible improvement plan relating to the use of our rating models and key risk indicators within the entire process of our retail loans business.

Collateral Appraisal

Most of the loans we extend to borrowers are guaranteed by third parties or secured by collateral. With respect to secured loans, we generally require collateral appraisal reports from pre-approved appraisers who meet certain criteria, primarily qualification and capability.

Credit approvers at all levels review the coverage ratio of collateral within their respective approval authority; and our branches and sub-branches refer to the valuation by collateral appraisers before making the final determination of the value of collateral.

Loans secured by collateral are generally subject to the following maximum loan-to-value ratio based on the type of collateral as set forth in the table below.

Collateral	Maximum loan-to-value ratio (under normal circumstances)
Properties	
Real estate	Up to 70%
Land use rights	Up to 70%
Construction in progress	Up to 50%
Manufacturing equipment	Up to 40%
Automobiles and vessels	Up to 40%
Other movable assets	Up to 40%
Monetary assets	
Certificate of deposit	Up to 90%
Bank bills	Up to 90%
Warehouse receipts	Up to 70%
Receivables	Up to 70%
Share certificate	Up to 50% (for non-tradable state-owned shares of listed companies, shares of non-listed joint stock limited companies and shares of limited liability companies) or up to 60% (for tradable shares of listed companies)
Others	Up to 70%

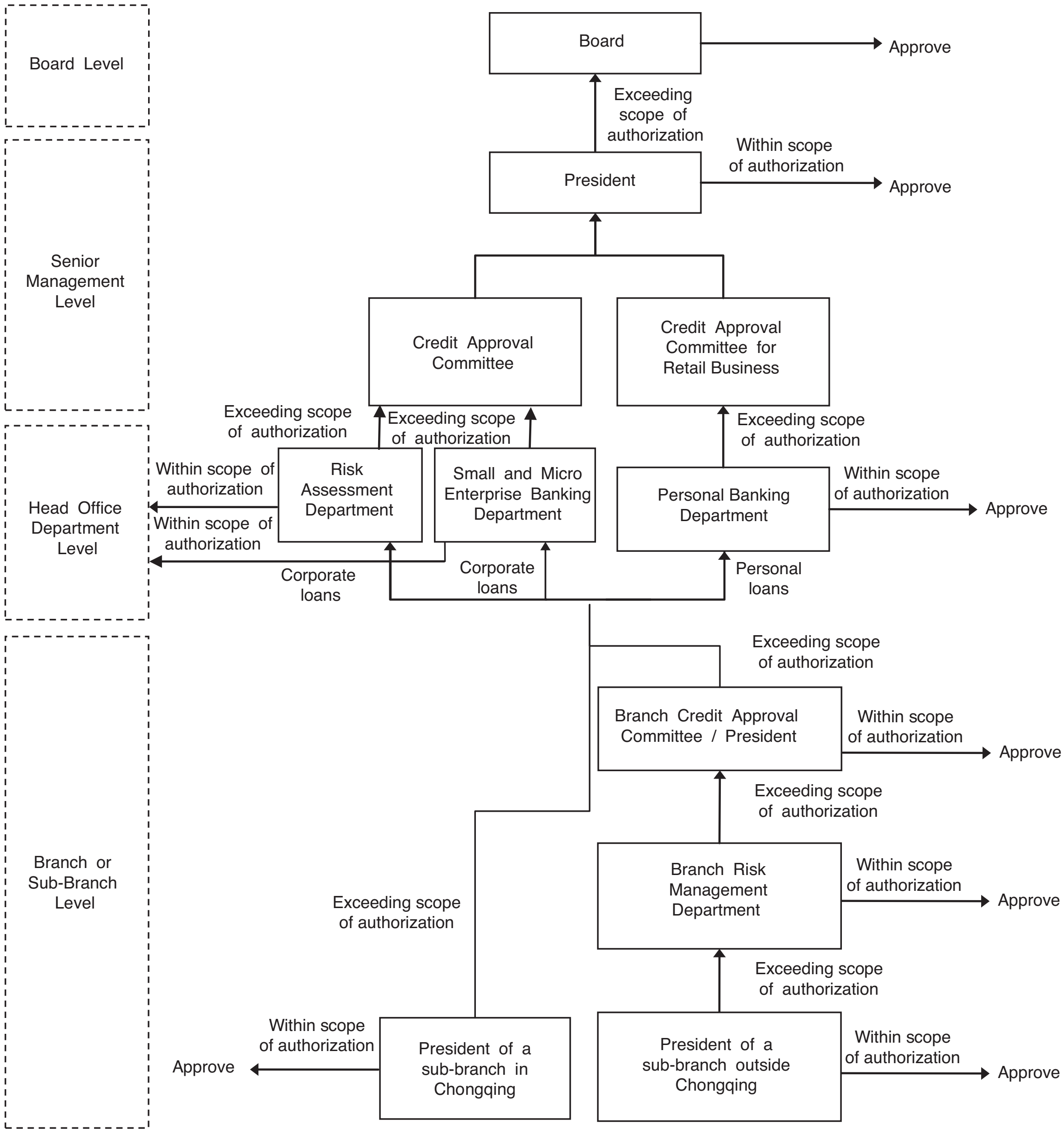
We apply the same credit rating system to guarantors as applicable to corporate borrowers and conduct detailed analyses of a guarantor's financial position, credit history and repayment ability in order to determine the appropriate guarantee amount.

Credit Approval

We have adopted a multi-tiered loan approval system for both corporate and personal loans.

Authorized credit approvers at our branch and sub-branch levels may approve loan applications within the scope of their authority. They may also recommend any loan applications exceeding their scope of authorization for approval by higher level authorized credit approvers. For example, corporate loans exceeding the scope of authorization of the authorized credit approvers at branch or sub-branch levels require the approval of the applicable branch credit approval committee and branch president if the loan amount is within the branch's scope of authorization, or the approval of the head office risk assessment department or the small and micro enterprise banking department if the loan amount exceeds the relevant branch credit approval committee's scope of authorization but is within the scope of authorization of the head office risk assessment department or the small and micro enterprise banking department, respectively. Loan applications exceeding the scope of authorization of the risk assessment department or the small and micro enterprise banking department will require the review of our credit approval committee and may be vetoed by our President. Loan applications exceeding the scope of authorization of our President will require the approval of our Board.

The diagram below illustrates the general procedures applicable to the approval of corporate and personal loans originated from a branch or a sub-branch as of the Latest Practicable Date.



Our risk management center under the credit card department processes and approves credit card applications. In evaluating these applications, the risk management center primarily considers factors such as an applicant's income, stability of income, profession and credit information obtained from the PBOC's national credit information database. We generally set credit lines based on the income and creditworthiness of the applicant.

Loan Disbursement

After the loan application is approved by authorized approvers, the completeness and accuracy of information in the application are examined by reviewers at various levels to ensure that the conditions for loan disbursement have been met before disbursing the funds.

Post-Disbursement Management

Loan Risk Classification

As required by the CBRC, we classify our outstanding loans based on a five-category classification rule (i.e., pass, special mention, substandard, doubtful and loss) and report the classification data to regulatory authorities on a monthly basis.

We generally adopt the following procedures with respect to loan classification:

- Our customer managers determine the classification of a loan based on factors including the borrower's repayment ability, repayment record, intention to repay, profitability of the financed project, third party guarantees, collateral and length of any overdue period;

- The loan risk management team of the sub-branch collectively reviews such classifications and, upon confirmation by the head of the sub-branch, reports to the head office loan supervision department;

- The loan supervision department at our head office reviews such classification by reference to opinions and inspection findings of relevant business departments; and

- Reports of the loan classification are made to the risk disposal committee at our head office for approval.

Post-Disbursement Inspection

Corporate Loans. We generally require an initial customer follow-up inspection within 15 days of the corporate loan disbursement. After the initial follow-up inspection, we typically carry out routine supervisions on a regular and irregular basis based on the scale of the corporate client. We also review each loan 60 days prior to its maturity to determine the borrower's intention and ability to repay.

The scope of our post-disbursement inspections primarily includes verification of the borrower's use of proceeds, continuous supervision of the borrower's business operations, fulfillment of subsequent conditions, and timely examination and management of the borrower's risks during the loan period, including but not limited to obtaining comprehensive information about the borrower's general status, business operations, project inspection results, financial condition and the fulfillment of subsequent conditions, as well as guarantors' ability to meet their obligations under their guarantees and the quality of collateral.

We conduct post-disbursement inspections of group customers on a consolidated basis, taking into account the aggregate credit limit and consolidated financial statements of the relevant group customer. We also focus on group customers' related party transactions to prevent misuse of loan proceeds among the group members.

If potential problems with respect to a particular loan are identified in post-disbursement inspection, our branches and sub-branches will, based on an analysis of the specific circumstances, devise an action plans for the problematic loan and report to its superordinate units for approval. Following receipt of approval, our branches and sub-branches will then take follow-up management measures in accordance with the approved plan and make timely reports in respect of working progress to the superordinate units. If the problems cannot be resolved and the loans are classified as non-performing loans, the management of such loans will be taken over by our asset management department.

Personal Loans. We conduct regular post-disbursement inspections for personal loans that are mainly focused on changes in the repayment history, credit conditions, repayment ability and intention to repay of the borrowers and guarantors, as applicable, the use of proceeds, as well as the title and value of the corresponding collateral. The frequency of post-disbursement inspections varies depending on the nature of the loan and the associated risk exposure.

Risk Monitoring and Alert

We actively monitor, identify and manage potential and actual risks that may harm our asset quality. The risk management department at our head office regularly aggregates, collects, consolidates and analyzes various categories of our information relating to our risk and assesses our overall risk level. Our loan supervision department sets risk alert indicators, while our customer managers are responsible for obtaining risk information regarding our borrowers and their guarantors from various sources, including on-site inspections, regulatory authorities, industry reports, research analyst reports, consulting firms, the media and other sources. Our branches and sub-branches are required to report any identified risk alert to the loan supervision department or asset management department at our head office so that we may take corresponding risk mitigating or remedial measures.

Management of Special Mention Loans

We closely monitor the borrower of special mention loans and designate a customer manager to follow up with such borrower. Our customer manager may arrange meetings with such borrower to discuss any possible solutions.

Management and Collection of Non-Performing Loans

Loans classified as substandard or lower are carried by us as non-performing loans in accordance with applicable CBRC requirements. Our asset management department at our head office is responsible for the monitoring, analysis and management of non-performing loans, as well as for matters relating to the collection, restructuring or disposal of, or legal actions relating to, non-performing loans.

As an initial step in our collection efforts on non-performing loans, a demand for payment will be delivered to the relevant borrower. If we are not able to collect on a non-performing loan within a reasonable time after a collection notice has been given, depending on the specific circumstances of the borrower, we negotiate with the borrower regarding the possibility of restructuring the non-performing loan. If we are unable reach an agreement with the borrower, we typically commence legal proceedings to collect on the loan or enforce our rights in respect of collateral or any third party guarantees. We typically dispose of collateral through a public auction process in accordance with the judicial decisions.

We write off a loan classified as a loss once we have exhausted all means of collection and recovery and such loan meets the relevant criteria for write-offs established by the MOF. All loan write-offs must be first reviewed by the head of branch or sub-branch, the asset management department and the loan write-off verification team at our head office. All loan written-offs must be approved by our President or by our Board depending on the amount of the write-off. We generally continue to pursue recovery efforts on a loan even after its write-off.

Credit Risk Management for Loans to Small and Micro Enterprises

We have established a separate credit risk management process for providing corporate loans and personal business loans to small and micro enterprises with outstanding amounts of less than RMB20 million. The small and micro enterprise risk assessment center under the small and micro enterprise banking department at our head office is responsible for credit risk management process for loans within its respective approval limits. Each branch, sub-branch and the small enterprise loan center manages the credit risk for loans to small and micro enterprises by referring to or adopting the credit risk management procedures of the head office.

Pre-Approval Investigation

We require our customer managers to gather and verify information of the prospective borrowers. Such information includes the financial condition and cash flow of the prospective borrower, information on collateral, if any, and other non-financial factors. Upon completion of the credit assessment, our customer managers prepare an investigation report based on the gathered information.

Compared to larger enterprises, small and micro enterprises tend to be less sophisticated in bookkeeping and may lack assets suitable as collateral. Our customer managers typically assist a small or micro business borrower in collecting and compiling essential financial data required for credit analysis. They also take additional due diligence procedures, such as home visits and third party inquires, to better understand, among other things, the borrower's business operations, financial condition and reputation, and to establish a meaningful basis for assessing the borrower's creditworthiness.

Credit Approval

Our branches, sub-branches and small enterprise loan center may approve loan to small and micro enterprises within their respective scope of authorization. Any loan applications exceeding their respective scope of authorization will be submitted for approval by the small and micro enterprise risk assessment center. The small and micro enterprise risk assessment center has adopted a three-tiered loan approval system in relation to small and micro enterprises. Depending on the size of the loans, such loans are either approved by two assessors, by the head of the small and micro enterprise banking department, or by the credit review group for small and micro businesses.

Post-Disbursement Management

We require our customer managers to conduct on-site and off-site inspection and closely monitor use of loans and the borrower's business and operations. Any potential risk or material change in the borrower's business or operations must be reported to the loan supervision department at our head office. The loan supervision department will then take remedial measures, including reducing the credit line, canceling the unused facility or accelerating the repayment.

The other aspects of the credit risk management process for loans to small and micro enterprises, including loan disbursement, management of special mention loans and non-performing loans, as well as loan write-offs, are largely identical to those for corporate and personal loans. See "— Credit Risk Management for Corporate and Personal Loans — Loan Disbursement", " — Credit Risk Management for Corporate and Personal Loans — Post Disbursement Management — Management of Special Mention Loans", and " — Credit Management for Corporate and Personal Loans — Post Disbursement Management — Management and Collection of Non-Performing Loans".

Credit Risk Management for Loans to Local Government Financing Vehicles

In managing the risks of loans to local government financing vehicles, we strictly comply with the risk management requirements promulgated by the CBRC and its local dispatched bureaus. In accordance with these requirements, we have formulated specific implementation measures, pursuant to which we strictly monitor the source of repayment, devise schedules for repayment in installments, implemented a customer list-based management system, strictly control the aggregate amount of loans to local government financing vehicles and improve our credit access criteria. We had also established a comprehensive data reporting system for loans to local government financing vehicles to timely monitor our full credit exposure to, as well as manage our insolvency risks associated with, such loans.

We have established a centralized credit risk management for loans to local government financing vehicles as follows: (i) we have withdrawn from our branches and sub-branches the authority to approve such loans, such that these loans must be approved by credit approval units at our head office; and (ii) we have implemented a limit over the aggregate amount of loans to local government financing vehicles, such that the total outstanding balance of these loans at the end of each year after 2011 must not exceed the level as of December 31, 2011. In recent years, we have set strict limits on the amount of loans extended to local government financing vehicles, and the number of such borrowers and outstanding balance of such loans have shown a downward trend. As of December 31, 2012, the number of such borrowers decreased by 31 and the outstanding balance decreased by RMB931 million compared with December 31, 2009. As of June 30, 2013, all of our loans to local government financing vehicles were classified as pass under the five-category loan classification rules, among which, loans of "managed as a vehicle" type were RMB4.1 billion, representing 4.8% of our total loans outstanding, and loans of "exiting as a general company" type were RMB6.6 billion, representing 7.8% of our total loans outstanding.

Credit Risk Management for Loans to Real Estate Developers

We adopt annual credit guidelines for loans to real estate developers. All such loans must be approved by the credit approval committee at our head office. The outstanding balance of loans extended to real estate developers must not exceed 5% of our total loans to customers. We also monitor the loan to value ratio. Our credit approval criteria for real estate loans focus on the strength of the real estate developer, the real estate project to be financed and PRC government's industry policy. In conducting the credit assessment, we also verify the capital contribution by the real estate developer and do not approve and extend loans to real estate developers that do not meet the capital contribution requirements. In addition, we monitor the entire process of the financed project to ensure that the sales proceeds are used to repay our loans.

Credit Risk Management for Treasury Operations

The risks in our treasury operations primarily involve credit risk related to financial institutions. We set up an interbank review group to review and approve credit to other financial institutions and set maximum credit limits for the financial institutions that act as counterparties in our treasury business, and our treasury operations department conducts treasury operations within such limits. We also developed score cards for financial institutions and will gradually apply the score cards to our interbank transaction process. For more details, please refer to "Business — Treasury Operations — Securities Investment."

Information System in Credit Risk Management

Our credit risk management system primarily includes the credit management system and the internal rating system for non-retail credit risks. The credit management system is our primary information platform for credit risk management, including management of corporate and individual customers; process management for loan application, approval, disbursement and accounting; business authority management and control; calculation and automated debiting of interest and penalty interest for loans to small and micro enterprises; post disbursement management and five-category classification; as well as statistics and information inquiries in relation to credit business. The internal rating system for non-retail credit risks provides rating model configuration, rating calculation, approval of rating results and feedback for non-retail businesses.

MARKET RISK MANAGEMENT

Market risk is the risk that market movements and fluctuations, including interest rates, foreign exchange rates, stock prices and commodity prices, may reduce our income or the value of our investment portfolios. We are exposed to market risk primarily through the assets and liabilities on our balance sheet. The primary market risk that we face is interest rate risk. Interest rate risk refers to the risk of loss arising from adverse movements in statutory or market interest rates. We are also exposed to a certain level of exchange rate risk, which refers to the risk of loss resulting from mismatches in the currency denomination of our assets and liabilities. As we have a small proportion of assets and liabilities relating to foreign currency, we are exposed to a much lower level of exchange rate risk compared to interest rate risk.

The objective of our market risk management is to manage and control market risk exposures while maintaining a market risk profile at a level acceptable to us.

Our market risk management system was established in accordance with the Guidance on the Market Risk Management of Commercial Banks issued by the CBRC on December 29, 2004. Our Board is ultimately responsible for our market risk management, including approving market risk management policies, risk preference and risk exposure limits. Our Chief Risk Officer is responsible for implementing the market risk management strategies and policies approved by our Board. Our head office risk management department is responsible for the formulation and monitoring the implementation of our market risk management policies and procedures and creating market risk control tools. Our treasury operations departments conduct business within the market risk limits. Our internal audit department is responsible for reviewing market risk management policies and guidance to ensure the integrity of our market risk management process.

We apply various analytical tools, including duration analysis, gap analysis and sensitivity analysis to identify, measure and monitor the market risk of our business.

Market Risk Management for Our Banking Book

Interest Rate Risk Management

The major source of interest rate risk in our banking book is the mismatch of the maturity or repricing dates of our interest rate-sensitive assets and liabilities. Due to the mismatch, our net interest income and financial conditions may be affected by changes in interest rates. We currently manage the interest rate risk in our banking book primarily through managing the composition of our assets and liabilities. Applying interest rate sensitivity and gap analysis, we conduct static measurements of the repricing and maturity match characteristics of our assets and liabilities and evaluate the potential impact of changes in interest rates. Based on the results of this analysis, we adjust the maturity profile of our assets and liabilities and improve the management of the interest rate risk exposure in our banking book.

Exchange Rate Risk Management

Exchange rate risk refers to the risk due to mismatches in the currency denominations of our assets and liabilities. Through exposure limit management and the management of the currency composition of our assets and liabilities, we seek to ensure that the adverse impact of exchange rate fluctuations falls within an acceptable range.

Market Risk Management for Our Trading Book

Market risk arising from our trading book primarily comes from fluctuations in the value of trading securities on our trading book resulting from changes in exchange rates and interest rates. We analyze interest risk sensitivity indicators such as duration and basis point value to monitor the market risks of our trading book. In addition, we strictly segregate the trading from non-trading functions and responsibilities to ensure proper monitoring of the compliance of our trading positions with our policies. We also apply various analytical tools, including value-at-risk model, stress test and sensitivity analysis, to monitor and measure the market risk of our trading book. Moreover, we manage market risk by imposing approval limits on each level of business departments.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of being unable to finance funds or liquidate a position at a reasonable cost and in a timely manner to fulfill our payment obligations. The principal objective of our liquidity risk management is to effectively identify, measure, monitor and control our liquidity risk to ensure that we are able to timely meet our payment obligations and fund our lending, investment and other operations.

The assets and liabilities management department of our head office carries out the policies and strategies related to our day-to-day liquidity risk under the supervision of our assets and liabilities management committee. We manage our liquidity risk through the following measures:

- Establishing, at the beginning of each year, annual targets for assets and liabilities management as well as a business development plan, and organizing quarterly meetings to assess the implementation of the annual plan and make appropriate adjustments;

- Holding weekly meetings among the assets and liabilities department and major business departments, in which our liquidity situation is evaluated and countermeasures, such as adjusting the portfolio of investments in loans and securities, are discussed and determined;

- Conducting liquidity stress testing and formulating contingency plans in accordance with the results of these tests;

- Establishing warning indicator levels for measures of liquidity and corresponding countermeasures;

- Investing in high liquidity securities, such as government bonds and bonds issued by policy banks;

- Seeking financing through multiple channels, such as the issuance of bonds to other financial institutions; and

- Implementing measures to reduce liquidity mismatches, such as limiting medium- and long-term loans.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk to our operations resulting from inadequate or failed internal control procedures, human errors, fraud, information technology system failures or external events. The principal objective of our operational risk management is to effectively identify, evaluate, monitor and manage our operational risk to minimize any associated losses. Our head office risk management department is responsible for setting up our operational risk management framework as well as establishing rules and procedures for mitigating operational risk. Each of our head office business departments, our branches and sub-branches is responsible for assessing its operational risks and implementing our operational risk management policies and procedures.

We have implemented the following initiatives to monitor and control our operational risks and strengthen our operational risk management:

- setting up an operational risk management framework as well as establishing rules and procedures for mitigating operational risk;
- developing risk assessment tool for information technology; and
- creating two management tools: (i) measurements of key indicators and (ii) self-evaluation on operational risk and internal control.

LEGAL AND COMPLIANCE RISK MANAGEMENT

Compliance risk refers to the risk of legal sanction, regulatory penalties, material financial loss or reputational damage resulting from failure to comply with applicable laws, rules and regulations or industry standards. We have a three-tier compliance risk management structure: (i) each of our business departments is responsible for the implementation of rules and procedures relating to compliance risk, including conducting business in compliance with applicable laws, rules and regulations, organizing compliance self-examination, monitoring and reporting actual and suspected breaches of laws, rules and regulations; (ii) our legal and compliance department is responsible for establishing and implementing rules and procedures for compliance risk management; and (iii) our internal audit department is responsible for conducting internal compliance audit of our overall operations and independently evaluating the effectiveness of our compliance risk management.

Legal risk refers to the risk of financial loss resulting from contract non-performance, dispute, litigation or other legal disputes due to failure to satisfy or violation of applicable industry standards and legal requirements in daily operating activities or transactions. Our legal and compliance department is responsible for legal risk management, including reviewing material contracts and other legal documents, reviewing legal compliance of documents for loans exceeding RMB30 million and providing compliance recommendations to our business departments regarding applicable laws, regulations, rules and policies, managing non-asset-related legal proceedings and arbitrations and conducting legal training. Our asset management department is responsible for managing all asset-related litigation and arbitration matters.

ANTI-MONEY LAUNDERING

We have established an anti-money laundering working team that is responsible for formulating our anti-money laundering policies and procedures, monitoring compliance with anti-money laundering laws and regulations, and cooperating with governmental authorities in respect of anti-money laundering matters. The anti-money laundering working team is chaired by our chief operations officer, coordinated by the settlement department in our head office, and includes general managers of various business departments.

We have set up an anti-money laundering center under the settlement department of our head office. We have two full-time staff members in the anti-money laundering center and approximately 380 staff members in the business departments of our head office and the branches and sub-branches (including the accounting officers in our branches and sub-branches) who have responsibilities for anti-money laundering activities. Each of the full-time staff members has more than ten years of experience in the banking industry, and has more than three years of full-time anti-money laundering work experience.

We carry out two intensive trainings each year for new employees on the basic knowledge of anti-money laundering activities, and one or two practical trainings on reporting of suspicious transactions each year for the staff members who have responsibilities for anti-money laundering activities. We also invite the anti-money laundering experts from the PBOC to give lectures to the senior management and the staff members responsible for anti-money laundering activities in each of our branches and sub-branches and organize special trainings on anti-money laundering held by the PBOC for such employees. In addition, we require the accounting officers in our branches or sub-branches to provide regular trainings on the knowledge and skills of anti-money laundering for the employees of our branches or sub-branches, in order to improve the awareness and skills of our employees regarding anti-money laundering at branch and sub-branch levels.

In accordance with the PRC Anti-Money Laundering Law and the relevant anti-money laundering regulations promulgated by the PBOC, we have implemented internal rules and procedures with respect to “client identity verification” requirements, customer identification and transaction record keeping, and large and suspicious transaction reporting. As required by the PRC Anti-Money Laundering Law and related regulations, we submit to the PRC Anti-Money Laundering Monitoring and Analysis Center under the PBOC on a daily basis a large transaction report and a suspicious transaction report. In the event we have a reasonable basis to believe that a transaction or a customer is connected with any money laundering activities, we will also make a simultaneous report to the local branch offices of the PBOC and cooperate with any subsequent PBOC’s anti-money laundering investigation. During the Track Record Period, we submitted 18 suspicious transaction reports to the senior management and relevant regulatory authorities, and assisted the public security authorities in uncovering various cases involving illegal fund-raising and corruption.

We established an anti-money laundering and anti-terrorism financing transaction monitoring system that is designed to enhance our ability to detect and monitor suspicious activities. Our internal audit department conducts on-site and off-site anti-money laundering inspections of our branches and sub-branches. We also provide relevant trainings to our employees to strengthen the guidance to our business departments, branches and sub-branches.

INTERNAL AUDIT

Our internal audit department is responsible for conducting internal audits, including off-site internal audit and risk control of our head office departments and on-site internal audit on head office departments, branches and sub-branches.

Our internal audit department performs three types of internal audits: (i) periodic comprehensive internal audit on the businesses and implementation of internal policies of our head office business department, branches and sub-branches; (ii) ad hoc internal audit on problematic transactions; and (iii) off-site internal audit through gathering and analyzing operational data.

During the Track Record Period, our internal audit department identified certain non-compliance issues through various inspections of our branches and sub-branches, including incomplete collection of pre-disbursement credit data, inadequate or infrequent post-disbursement inspections, non-compliances in the daily operations of front desk staff, failure to verify seals in business operations, deficiencies in the implementation of the credit certification management system, lack of budget control, non-compliance with expense reimbursement procedures, and inadequate self-monitoring and self-correction system. Our internal audit department requested each of the relevant branches and sub-branches to take remedial measures with respect to the identified issues and carry out remedial measures within the prescribed time frame. Our internal audit department also focuses on the identified issues in subsequent inspections to effectively correct and prevent occurrence of similar issues.

According to the internal audit guidelines applicable to PRC banking institutions promulgated by the CBRC, internal audit staff are required to constitute no less than 1% of the total employees of a bank. As of the date of this prospectus, the number of our internal audit staff is in compliance with this regulatory requirement.

You should read the discussion and analysis set forth in this section in conjunction with Appendix I — "Accountant's Report," which has been prepared in accordance with IFRS. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

ASSETS

Our total assets as of December 31, 2010, 2011 and 2012 and June 30, 2013 were RMB108,326 million, RMB127,340 million, RMB156,163 million and RMB188,428 million, respectively. The principal components of our assets are (i) loans and advances to customers, (ii) investment securities, (iii) cash and balances with central banks and (iv) assets due from other banks and non-bank financial institutions, which accounted for 44.3%, 23.0%, 16.6% and 13.2%, respectively, of our total assets as of June 30, 2013. The following table sets forth the balances of principal components of our total assets as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Assets								
Total loans and advances to customers	52,968	48.9%	64,022	50.3%	76,634	49.1%	84,943	45.1%
Allowance for impairment losses	(1,013)	(0.9)	(1,197)	(1.0)	(1,377)	(0.9)	(1,474)	(0.8)
Loans and advances to customers, net	51,955	48.0	62,825	49.3	75,257	48.2	83,469	44.3
Investment securities(1)	21,084	19.5	17,091	13.4	32,132	20.6	43,287	23.0
Cash and balances with central banks	15,065	13.9	19,340	15.2	25,243	16.1	31,236	16.6
Due from other banks and financial institutions(2)	18,035	16.6	24,340	19.1	18,532	11.9	24,964	13.2
Others(3)	2,187	2.0	3,744	3.0	4,999	3.2	5,472	2.9
Total assets	108,326	100.0%	127,340	100.0%	156,163	100.0%	188,428	100.0%

(1) Include investment securities classified as loans and receivables, available-for-sale securities and held-to-maturity securities, but exclude financial assets at fair value through profit or loss.

(2) Include bills, securities, credit assets and other financial assets held under resale agreements and placements at banks, net of the related impairment allowance of RMB11 million, RMB11 million, zero and zero as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

(3) Include financial assets at fair value through profit or loss, property, plant and equipment, deferred income tax assets, investment in an associate and other assets.

Loans and Advances to Customers

Loans and advances to customers are the largest component of our assets. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our total loans and advances to customers, net of allowance for impairment losses, represented 48.0%, 49.3%, 48.2% and 44.3%, respectively, of our total assets. Our total loans and advances to customers increased by 20.9% to RMB64,022 million as of December 31, 2011 from RMB52,968 million as of December 31, 2010, by 19.7% to RMB76,634 million as of December 31, 2012 from RMB64,022 million as of December 31, 2011, and by 10.8% to RMB84,943 million as of June 30, 2013 from RMB76,634 million as of December 31, 2012. We have provided a broad range of loan products to our customers through our head office, branches and sub-branches. Except otherwise indicated, the following discussion is based on our total loans and advances to customers before deducting the related allowance for impairment losses.

Loans and Advances to Customers by Business Type

Our loans and advances to customers principally consist of corporate loans, including discounted bills, and personal loans. See "Business — Our Principal Business Activities" for a description of our principal loan products and services. The following table sets forth the components of our loans and advances to customers by business type as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans	44,097	83.3%	49,901	77.9%	57,134	74.6%	61,439	72.3%
Including: Discounted bills	7,503	14.2	5,457	8.5	6,458	8.4	5,180	6.1
Personal loans	8,871	16.7	14,121	22.1	19,500	25.4	23,504	27.7
Total	52,968	100.0%	64,022	100.0%	76,634	100.0%	84,943	100.0%

Corporate Loans

Corporate loans constitute the largest component of our loan portfolio. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our corporate loans were RMB44,097 million, RMB49,901 million, RMB57,134 million and RMB61,439 million, respectively, representing 83.3%, 77.9%, 74.6% and 72.3%, respectively, of our total loans and advances to customers.

Our corporate loans increased by 13.2% from RMB44,097 million as of December 31, 2010 to RMB49,901 million as of December 31, 2011, by 14.5% to RMB57,134 million as of December 31, 2012 and by 7.5% to RMB61,439 million as of June 30, 2013, primarily due to (i) an increase in the volume of our corporate loans in the Chongqing market in line with our continued focus on extending loans to enterprises in key industries in Chongqing, such as manufacturing, wholesale and retail and construction; (ii) an increase in the volume of corporate loans extended by our branches outside Chongqing, reflecting our efforts to expand to regional markets outside Chongqing and our focus on developing our Chengdu, Guiyang and Xi'an branches; and (iii) an increase in the volume of our corporate loans to small and micro enterprises, reflecting our efforts to develop our small and micro enterprises business.

Corporate Loans by Contract Maturity

A majority of our corporate loans were short-term loans, which are loans with contract maturities of one year or less. The following table sets forth the distribution of our corporate loans by contract maturity as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Short-term loans[(1)]	24,694	56.0%	25,979	52.1%	37,237	65.2%	41,812	68.1%
Medium- and long-term loans[(2)]	19,403	44.0	23,922	47.9	19,897	34.8	19,627	31.9
Total	44,097	100.0%	49,901	100.0%	57,134	100.0%	61,439	100.0%

(1) Consists of loans with contract maturities of one year or less.

(2) Consists of loans with contract maturities of more than one year.

Medium- and long-term loans as a percentage of our corporate loan portfolio increased from 44.0% as of December 31, 2010 to 47.9% as of December 31, 2011, decreased to 34.8% as of December 31, 2012 and decreased further to 31.9% as of June 30, 2013. The decrease in our medium- and long-term loans both in volume and as a percentage of our corporate loan portfolio between December 31, 2011 and June 30, 2013 was primarily due to our decision to focus on extending short-term loans as we aimed to reduce the maturity mismatch between our assets and liabilities and increase our liquidity.

Concentration of Corporate Loans by Industry

Our corporate loans consist of loans to customers in a broad range of industries. The following table sets forth a breakdown of our corporate loans by industry as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Manufacturing	9,533	21.6%	12,007	24.1%	13,275	23.2%	14,972	24.4%
Wholesale and retail	2,799	6.3	5,161	10.3	7,320	12.8	9,369	15.2
Construction	2,875	6.5	4,036	8.1	5,670	9.9	6,219	10.1
Water conservation, environment and public facility administration	5,947	13.5	5,615	11.3	4,884	8.6	4,702	7.7
Real estate	3,556	8.0	3,841	7.7	4,438	7.8	4,491	7.3
Leasing and commercial services	4,896	11.1	4,444	8.9	4,319	7.6	4,199	6.8
Mining	1,064	2.4	1,921	3.9	2,736	4.8	3,007	4.9
Transportation, warehousing and postal and telecommunication services	1,716	3.9	1,770	3.6	2,238	3.9	2,492	4.1
Agriculture, forestry, animal husbandry and fishery	962	2.2	1,295	2.6	1,379	2.4	1,476	2.4
Utilities supply	1,403	3.2	1,918	3.8	1,431	2.5	1,236	2.0
Education	484	1.1	702	1.4	894	1.6	1,083	1.8
Service	67	0.1	167	0.3	654	1.1	891	1.5
Hotel and catering	402	0.9	387	0.8	580	1.0	491	0.8
Information transmission, computer services and software industries	201	0.5	344	0.7	303	0.5	440	0.7
Science, technology and geological survey	72	0.2	77	0.2	62	0.1	427	0.7
Culture, physical education and entertainment	390	0.9	454	0.9	407	0.7	394	0.6
Financial institutions	108	0.3	18	0.0	39	0.1	173	0.3
Public administration and social organization	31	0.1	221	0.4	—	—	145	0.2
Health, social security and welfare	88	0.2	66	0.1	47	0.1	52	0.1
Discounted bills	7,503	17.0	5,457	10.9	6,458	11.3	5,180	8.4
Total	44,097	100.0%	49,901	100.0%	57,134	100.0%	61,439	100.0%

As of June 30, 2013, loans to customers in the (i) manufacturing, (ii) wholesale and retail, (iii) construction and (iv) water conservation, environment and public facility administration industries represent the largest components of our corporate loans. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the volume of loans to corporate customers in these four industries totaled RMB21,154 million, RMB26,819 million, RMB31,149 million and RMB35,262 million, respectively, accounting for 47.9%, 53.8%, 54.5% and 57.4%, respectively, of our total corporate loans.

Loans to corporate customers in the manufacturing sector accounted for 21.6%, 24.1%, 23.2% and 24.4%, respectively, of our total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013. As manufacturing is the pillar industry of Western China and, in particular, of Chongqing, we focus on extending loans to large manufacturing enterprises and corresponding upstream and downstream manufacturing enterprises.

Loans to corporate customers in the wholesale and retail industry accounted for 6.3%, 10.3%, 12.8% and 15.2%, respectively, of our total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013. The increase in our loans provided to the wholesale and retail industry as a percentage of our corporate loan portfolio during this period was primarily due to the rapid development of the wholesale and retail industry along with China's transition to a consumption-driven economy and our decision to increase the volume of loans extended to small and micro enterprises, a substantial proportion of which were in the wholesale and retail industry.

Loans to corporate customers in the construction industry accounted for 6.5%, 8.1%, 9.9% and 10.1%, respectively, of our total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013. The increase in loans to the construction industry as a percentage of our corporate loan portfolio during this period was primarily due to our focus on extending loans to construction companies responsible for key construction projects as well as state-owned enterprises owned by the central and municipal governments and their subsidiary enterprises in the construction industry, in response to the credit demand of this industry driven by ongoing urbanization in China.

Loans to corporate customers in the water conservation, environment and public facility administration industry accounted for 13.5%, 11.3%, 8.6% and 7.7%, respectively, of our total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013. The decrease in the percentage of loans to this category of customers in our corporate loan portfolio during this period primarily reflected our adjustment of credit extension to reduce our risk exposure to loans extended to infrastructure-related local government financing vehicles.

Loans by Size of Corporate Borrowers

The following table sets forth the outstanding corporate loans by size of corporate borrowers as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Large enterprises[(1)]	13,613	30.9%	14,176	28.4%	11,292	19.8%	10,385	16.9%
Medium enterprises[(1)]	18,577	42.1	18,287	36.7	22,267	39.0	24,569	40.0
Small enterprises[(1)]	4,404	10.0	11,981	24.0	15,615	27.3	19,113	31.1
Micro enterprises[(1)]	—	—	—	—	1,502	2.6	2,192	3.6
Others[(2)]	7,503	17.0	5,457	10.9	6,458	11.3	5,180	8.4
Total	44,097	100.0%	49,901	100.0%	57,134	100.0%	61,439	100.0%

(1) The classification criteria for large, medium and small enterprises in 2010 and 2011 are pursuant to the Interim Provisions on the Standards for Medium and Small Enterprises (中小企業標準暫行規定) jointly promulgated by the State Economic and Trade Commission (國家經濟貿易委員會), the State Development Planning Commission (國家發展計劃委員會), the MOF and the NBSC in 2003. The classification criteria for large, medium, small and micro enterprises in 2012 and 2013 are pursuant to the Provisions on the Standards for the Classification of Medium and Small Enterprises (中小企業劃型標準規定) jointly promulgated by the PRC Ministry of Industry and Information Technology (中國工業和信息化部), the NBSC, the NDRC and the MOF in 2011.

(2) Refers to discounted bills.

Loans extended to medium and small enterprises represent a majority of our corporate loans as of December 31, 2010 and 2011, and loans extended to medium, small and micro enterprises represent a majority of our corporate loans as of December 31, 2012 and June 30, 2013. The percentage of our corporate loans extended to small enterprises in our corporate loan portfolio increased from 10.0% as of December 31, 2010 to 24.0% as of December 31, 2011, and our corporate loans extended to small enterprises increased from RMB4,404 million as of December 31, 2010 to RMB11,981 million as of December 31, 2011. The percentage of our corporate loans extended to small and micro enterprises in our corporate loan portfolio increased from 29.9% as of December 31, 2012 to 34.7% as of June 30, 2013, and our corporate loans extended to small and micro enterprises increased from RMB17,117 million as of December 31, 2012 to RMB21,305 million as of June 30, 2013. These increases were primarily due to an increase in the volume of loans extended to small and micro enterprises resulting from our efforts to develop small and micro enterprises business. Comparisons are not made between our loans extended to small enterprises as of December 31, 2010 and December 31, 2011 and our loans extended to small and micro enterprises as of December 31, 2012 and June 30, 2013, because the former and the latter were calculated based on different classification criteria for large, medium, small and micro enterprises as indicated in the notes to the above table.

Corporate Loans by Size of Loans to Single Corporate Borrowers

The following table sets forth the outstanding corporate loans by size of loans to single borrowers as of the dates indicated (excluding discounted bills):

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Up to RMB1 million (including RMB1 million)	344	0.9%	499	1.1%	531	1.0%	558	1.0%
Over RMB1 million to RMB3 million (including RMB3 million)	1,082	3.0	1,964	4.4	2,797	5.5	3,163	5.6
Over RMB3 million to RMB5 million (including RMB5 million)	1,275	3.5	2,340	5.3	4,393	8.7	5,787	10.3
Over RMB5 million to RMB10 million (including RMB10 million)	2,551	7.0	3,823	8.6	4,708	9.3	5,638	10.0
Over RMB10 million to RMB50 million (including RMB50 million)	11,530	31.5	13,806	31.1	14,482	28.6	16,948	30.1
Over RMB50 million to RMB100 million (including RMB100 million)	7,759	21.2	7,963	17.9	9,110	18.0	9,850	17.5
Over RMB100 million	12,053	32.9	14,049	31.6	14,655	28.9	14,315	25.5
Total	36,594	100.0%	44,444	100.0%	50,676	100.0%	56,259	100.0%

Loans for amounts over RMB1 million to RMB3 million (including RMB3 million) represented 3.0%, 4.4%, 5.5% and 5.6% of total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively, while loans for amounts over RMB3 million to RMB5 million (including RMB5 million) represented 3.5%, 5.3%, 8.7% and 10.3% of total corporate loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The growth in these loans was largely due to our focus on extending loans to small and micro enterprises, which were typically between RMB1 million and RMB5 million in amount.

Discounted Bills

As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had discounted bills of RMB7,503 million, RMB5,457 million, RMB6,458 million and RMB5,180 million, respectively, representing 17.0%, 10.9%, 11.3% and 8.4%, respectively, of our total corporate loans. The following table sets forth our discounted bills by type as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Bank acceptance bills	7,503	100.0%	5,457	100.0%	6,403	99.1%	5,142	99.2%
Commercial acceptance bills	—	—	—	—	55	0.9	38	0.8
Total	7,503	100.0%	5,457	100.0%	6,458	100.0%	5,180	100.0%

The amount of our discounted bills decreased by 27.3% from RMB7,503 million as of December 31, 2010 to RMB5,457 million as of December 31, 2011, increased by 18.3% to RMB6,458 million as of December 31, 2012, and decreased by 19.8% to RMB5,180 million as of June 30, 2013. Discounted bills is a source of financing for our corporate clients. As the market demand for corporate loans fluctuated, the volume of our discounted bills also changed as we adjusted the size of discounted bills that we purchased to supplement corporate loans.

Personal Loans

As of December 31, 2010, 2011 and 2012 and June 30, 2013, our personal loans were RMB8,871 million, RMB14,121 million, RMB19,500 million and RMB23,504 million respectively, accounting for 16.7%, 22.1%, 25.4% and 27.7%, respectively, of our loans and advances to customers.

Our personal loans increased by 59.2% from RMB8,871 million as of December 31, 2010 to RMB14,121 million as of December 31, 2011, increased by 38.1% to RMB19,500 million as of December 31, 2012, and further increased by 20.5% to RMB23,504 million as of June 30, 2013. The increases were primarily due to our continued focus on our personal loans business, which led to rapid growth in our personal business loans, such as “Qi Dong Li” entrepreneur loans, as well as rapid growth in our personal mortgage loans in response to the increased market demand.

Personal Loans by Product

Our personal loans consist of mortgage loans, personal business loans, personal consumer loans, credit card overdrafts and other personal loans. The following table sets forth the principal components of our personal loans by product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Mortgage loans	5,784	65.2%	9,797	69.4%	12,398	63.6%	15,192	64.6%
Personal business loans[1]	1,966	22.2	3,033	21.5	4,846	24.9	5,471	23.3
Personal consumer loans	1,049	11.8	1,153	8.2	1,695	8.7	1,965	8.4
Credit card overdrafts[2]	26	0.3	103	0.7	536	2.7	855	3.6
Others[3]	46	0.5	35	0.2	25	0.1	21	0.1
Total	8,871	100.0%	14,121	100.0%	19,500	100.0%	23,504	100.0%

(1) Include personal entrepreneur loans, sole proprietor loans, "Qi Dong Li" loans, "Wei Qi Tong" start-up loans and loans under our micro business loans program.

(2) Include non-interest earning overdraft, interest earning overdraft and installment payment balances.

(3) Primarily consist of student loans.

Mortgage loans are the largest component of our personal loans, accounting for 65.2%, 69.4%, 63.6% and 64.6%, respectively, of our personal loans as of December 31, 2010, 2011 and 2012 and June 30, 2013. Our mortgage loans increased by 69.4% from RMB5,784 million as of December 31, 2010 to RMB9,797 million as of December 31, 2011, increased by 26.6% to RMB12,398 million as of December 31, 2012, and further increased by 22.5% to RMB15,192 million as of June 30, 2013. The increases in the volume of mortgage loans during these periods were primarily driven by ongoing urbanization in Chongqing and growth in market demand for personal mortgage loans in recent years.

Personal business loans represent a significant portion of our personal loans, accounting for 22.2%, 21.5%, 24.9% and 23.3% of our personal loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. Personal business loans increased by 54.3% from RMB1,966 million as of December 31, 2010 to RMB3,033 million as of December 31, 2011, increased by 59.8% to RMB4,846 million as of December 31, 2012, and further increased by 12.9% to RMB5,471 million as of June 30, 2013. The increases in personal business loans during these periods were primarily due to our efforts to promote "Qi Dong Li" personal business loans product.

Personal consumer loans accounted for 11.8%, 8.2%, 8.7% and 8.4% of our personal loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The overall decrease in personal consumer loans as a percentage of our personal loans portfolio during these periods were primarily due to the rapid growth of the other categories of personal loans.

Credit card overdrafts accounted for 0.3%, 0.7%, 2.7% and 3.6% of our personal loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The increases of credit card overdrafts during these periods were primarily due to our efforts to develop the credit card installment payment business and an increase in the number of credit cards issued.

Other personal loans, which primarily consist of student loans, in aggregate accounted for 0.5%, 0.2%, 0.1% and 0.1% of our personal loans as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

Personal Loans by Size of Loans to Single Personal Borrowers

The following table sets forth the outstanding personal loans by size of outstanding loans to single borrowers (excluding credit card overdrafts) as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount(1)	% of total	Amount(1)	% of total	Amount(1)	% of total	Amount(1)	% of total
	(in millions of RMB, except percentages)							
Up to RMB50,000	149	1.7%	261	1.9%	297	1.6%	227	1.0%
Over RMB50,000 to RMB300,000	5,185	58.6	7,094	50.6	9.172	48.3	7,367	32.5
Over RMB300,000 to RMB1,000,000	2,263	25.6	4,499	32.1	6,429	33.9	8,123	35.9
Over RMB1,000,000 to RMB5,000,000	1,214	13.7	2,040	14.5	2,880	15.2	5,803	25.6
Over RMB5,000,000	34	0.4	124	0.9	186	1.0	1,129	5.0
Total(1)	8,845	100.0%	14,018	100.0%	18,964	100.0%	22,649	100.0%

(1) Excluding credit card overdrafts.

As a percentage of our total personal loans excluding credit card overdrafts, personal loans to single borrowers with aggregate outstanding loan amounts over RMB300,000 increased from 39.7% as of December 31, 2010 to 66.5% as of June 30, 2013. The increase was primarily due to an increase in "Qi Dong Li" start-up loans, which comprises a relatively large number of loans with outstanding amounts over RMB300,000 as well as an increase in residential mortgage loans with outstanding amounts over RMB300,000.

Loans to Customers by Geographical Region

The following table sets forth the geographic distribution of our loans to customers based on the location of the operations where the loan was originated as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Chongqing	43,543	82.2%	50,841	79.4%	56,591	73.8%	62,856	74.0%
Sichuan Province	5,637	10.6	6,358	9.9	9,044	11.8	9,068	10.7
Guizhou Province	3,788	7.2	4,636	7.2	6,785	8.9	8,310	9.8
Shaanxi Province	—	—	2,187	3.5	4,214	5.5	4,709	5.5
Total	52,968	100.0%	64,022	100.0%	76,634	100.0%	84,943	100.0%

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the total volume of loans extended through our operating outlets in Chongqing was RMB43,543 million, RMB50,841 million, RMB56,591 million and RMB62,856 million, respectively, representing 82.2%, 79.4%, 73.8% and 74.0%, respectively, of our total loans and advances to customers. The increase in the volume of these loans between December 31, 2010 and June 30, 3013 was mainly due to our continued focus on extending loans to enterprises in key industries in Chongqing, such as manufacturing, wholesale and retail and construction.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the total volume of loans extended through our operating outlets in Sichuan Province was RMB5,637 million, RMB6,358 million, RMB9,044 million and RMB9,068 million, respectively, representing 10.6%, 9.9%, 11.8% and 10.7%, respectively, of our total loans and advances to customers. Between December 31, 2010 and June 30, 2013, we increased the volume of loans extended to customers in Sichuan Province in light of Sichuan Province's relatively high level of economic development and its relatively well developed private business sector in Western China.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the total volume of loans extended through our operating outlets in Guizhou Province was RMB3,788 million, RMB4,636 million, RMB6,785 million and RMB8,310 million, respectively, representing 7.2%, 7.2%, 8.9% and 9.8%, respectively, of our total loans and advances to customers. The increase in the volume of these loans between December 31, 2010 and June 30, 3013 was primarily due to our focus on extending loans to enterprises in principal industries in Guizhou Province, such as the coal industry, and our development of a popular "base liquor pledging" product that captured additional business opportunities offered by Guizhou Province's traditional liquor industry.

In March 2011, we received the approval of the CBRC Shaanxi Bureau to set up a branch in Xi'an, Shaanxi Province. As of December 31, 2011 and 2012 and June 30, 2013, the total volume of loans extended through our operating outlets in Shaanxi Province was RMB2,187 million, RMB4,214 million and RMB4,709 million, respectively, representing 3.5%, 5.5% and 5.5%, respectively, of our total loans and advances to customers. The increase between December 31, 2011 and June 30, 2013 was due to our focus on extending loans to enterprises in principal industries in Shaanxi Province, such as manufacturing and infrastructure construction.

Loans to Customers by Collateral

As of December 31, 2010, 2011 and 2012 and June 30, 2013, loans secured by mortgages, pledges or guarantees, in aggregate, accounted for 85.4%, 88.5%, 92.9% and 93.8%, respectively, of our total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of our loans to customers by collateral type as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans secured by mortgages	21,193	40.0%	27,584	43.1%	33,716	44.0%	39,672	46.7%
Loans secured by pledges	9,713	18.3	9,055	14.2	10,486	13.7	10,320	12.1
Guaranteed loans	14,331	27.1	19,996	31.2	26,985	35.2	29,693	35.0
Unsecured loans	7,731	14.6	7,387	11.5	5,447	7.1	5,258	6.2
Total	52,968	100.0%	64,022	100.0%	76,634	100.0%	84,943	100.0%

As a percentage of our total loans, the volume of loans secured by pledges or mortgages decreased from 58.3% as of December 31, 2010 to 57.3% as of December 31, 2011, then increased to 57.7% as of December 31, 2012 and to 58.8% as of June 30, 2013. As a percentage of our total loan portfolio, guaranteed loans increased from 27.1% as of December 31, 2010 to 31.2% as of December 31, 2011, 35.2% as of December 31, 2012 and 35.0% as of June 30, 2013. As a percentage of our total loan portfolio, our unsecured loans decreased from 14.6% as of December 31, 2010 to 11.5% as of December 31, 2011, 7.1% as of December 31, 2012 and 6.2% as of June 30, 2013. The decrease in the percentage of unsecured loans and the increase in the percentage of loans secured by mortgages and guarantees primarily reflected our continued efforts to conduct prudent risk management and strengthen the application approval process for unsecured loans.

Borrower Concentration

Ten Largest Single Borrowers by Borrowing Amount

Under current PRC banking regulations, the aggregate amount of our loan exposure to any single borrower may not exceed 10% of our net regulatory capital. See "Supervision and Regulation — Regulation of Principal Banking Activities — Other Operational and Risk Management Ratios." The following table sets forth the borrowing amount of the ten largest single borrowers as of June 30, 2013.

	June 30, 2013				
Borrower	Industry	Amount[(1)]	% of total loans	% of net regulatory capital[(2)]	Categorization
		(in millions of RMB, except percentages)			
Borrower A	Manufacturing	600	0.70%	4.87%	Pass
Borrower B......	Water conservation, environment and public facility administration	382	0.45	3.10	Pass
Borrower C......	Water conservation, environment and public facility administration	380	0.45	3.08	Pass
Borrower D......	Mining	354	0.42	2.87	Pass
Borrower E......	Manufacturing	333	0.39	2.70	Pass
Borrower F	Leasing and commercial services	330	0.39	2.68	Pass
Borrower G......	Real estate	320	0.38	2.60	Pass
Borrower H......	Construction	320	0.38	2.60	Pass
Borrower I	Manufacturing	300	0.35	2.43	Pass
Borrower J.......	Real estate	300	0.35	2.43	Pass
Total................		3,619	4.26%	29.36%	

(1) Includes discounted bills.

(2) Represents loan balance as a percentage of our net regulatory capital. For details of our regulatory capital calculation as of June 30, 2013, see "Supervision and Regulation — Regulation of Principal Banking Activities — Supervision Over Capital Adequacy — Capital Adequacy Measures."

Ten Largest Group Borrowers by Credit Amount

Under current PRC banking regulations, the aggregate amount of credit extended to any group borrower may not exceed 15% of our net regulatory capital. See "Supervision and Regulation — Regulation of Principal Banking Activities — Other Operational and Risk Management Ratios." The following table sets forth the ten largest group borrowers in terms of credit extended as of June 30, 2013.

	June 30, 2013			
Borrower	**Industry**	**Amount[1]**	**% of net regulatory capital[2]**	**Categorization**
		(in millions of RMB, except percentages)		
Group A..........	Construction	633	5.13%	Pass
Group B..........	Manufacturing	600	4.87	Pass
Group C	Utilities supply	588	4.77	Pass
Group D	Transportation, warehousing and postal and telecommunication services	530	4.30	Pass
Group E..........	Real estate	520	4.22	Pass
Group F..........	Manufacturing	516	4.19	Pass
Group G	Wholesale and retail	453	3.67	Pass
Group H	Manufacturing	430	3.49	Pass
Group I............	Leasing and commercial services	394	3.19	Pass
Group J	Manufacturing	391	3.18	Pass
Total................		5,055	41.01%	

(1) Includes discounted bills and excludes security deposits, bank deposit slips and government bonds.

(2) Represents credit exposure excluding security deposits, bank deposit slips and government bonds as a percentage of our net regulatory capital. For details of our regulatory capital calculation as of June 30, 2013, see "Supervision and Regulation — Regulation of Principal Banking Activities — Supervision Over Capital Adequacy — Capital Adequacy Measures."

Maturity Profile of Loans to Customers

The following table sets forth the scheduled maturities, defined as time remaining until maturity, of our loans to customers as of the dates indicated:

	As of June 30, 2013				
	Due within 1 year	Due between 1 and 5 years	Due more than 5 years	Overdue(1)	Total
	(in millions of RMB)				
Corporate loans					
Short-term loans	41,597	—	—	215	41,812
Medium-and long-term loans	5,214	12,722	1,655	36	19,627
Subtotal	46,811	12,722	1,655	251	61,439
Personal loans					
Mortgage loans	48	734	14,407	3	15,192
Personal consumer loans	665	420	878	2	1,965
Personal business loans(2)	5,216	182	—	73	5,471
Credit card overdrafts(3)	849	—	—	6	855
Others(4)	18	3	—	—	21
Subtotal	6,796	1,339	15,285	84	23,504
Total	53,607	14,061	16,940	335	84,943

(1) Refers to customer loans where the payment of principal or interest is overdue.

(2) Include personal entrepreneur loans, sole proprietor loans, "Qi Dong Li" loans, "Wei Qi Tong" start-up loans and loans under our micro business loans program.

(3) Include non-interest earning overdraft, interest-earning overdraft and installment payment balances.

(4) Primarily include student loans.

A significant portion of our loans and advances to customers as of June 30, 2013 were due within one year. Such loans represented 63.1% of our loans and advances to customers as of June 30, 2013. The majority of our personal business loans as of June 30, 2013 consisted of loans due within one year mainly because the maximum term for "Qi Dong Li" loans, which comprised 69.7% of our total personal business loans as of the same date, is one year. See "Business — Our Principal Business Activities — Personal Banking Business — Personal Loans — Personal Business Loans."

Loan Interest Rate Profile

Interest rates have historically been highly regulated in the PRC. In recent years, interest rates have been gradually liberalized, and the lower limit on interest rates for RMB-denominated loans was removed in July 2013. With respect to residential mortgage loans, the interest rate may not be lower than 70% of the relevant PBOC benchmark rate, and the interest rate for residential mortgage loans to second-time home buyers may not be lower than 110% of the relevant benchmark rate.

As of June 30, 2013, a majority of our existing loans had floating interest rates. For personal loans with floating rates, the interest rates are generally reset on the first day of each calendar year.

Asset Quality of Our Loan Portfolio

We measure and monitor the asset quality of our loans to customers through our loan classification system. We generally classify our loans to customers using a five-category loan classification system, which complies with the CBRC's guidelines. See "Supervision and Regulation — Regulation of Principal Banking Activities — Loan Classification, Allowance and Write-Offs — Loan Classification."

Loan Classification

We measure and manage the quality of our loans to customers based on the Guiding Principles of Risk-Based Classification of Loans (貸款風險分類指引) and the Loan Classification Principles. The Loan Classification Principles provide that the principal determination in classifying a loan should be based on the assessment of the repayment ability of the borrower. Based on the Loan Classification Principles, we have also developed our own set of more detailed operating rules relating to loan classification. The factors we generally consider include: (i) the borrower's ability to repay the loan; (ii) the repayment record of the borrower; (iii) the borrower's willingness to repay; (iv) profitability of the project being financed by the loans; and (v) the net realizable value of any collateral and the prospect for support from any guarantor . The key factors for each loan classification are listed below. See "Risk Management — Credit Risk Management — Credit Risk Management for Corporate and Personal Loans — Post-Disbursement Management — Loan Classification."

Corporate Loans

We classify our corporate loans (including discounted bills) by way of the above criteria. Set forth below are the major factors that we consider for each loan classification.

Pass. The borrower is able to perform the terms of its loans and there is insufficient evidence to doubt the borrower's ability to repay principal and interest in full on a timely basis.

Special Mention. The borrower is able to make principal and interest payments, but there are factors that may adversely affect the borrower's ability to repay. If one of the following situations arises with respect to a corporate loan, the loan must, at minimum, be categorized as special mention:

- The payment of principal or interest is overdue;
- The borrower receives advances from us;

- Payments of principal and interest are not overdue, but the borrower is suspected of evading its bank debts through measures such as corporate merger, restructuring or division;

- The borrower is borrowing additional funds to repay existing debts, or needs to engage in other methods of financing to repay its loans;

- The use of loan proceeds has changed;

- The payment of principal and interest is not overdue, but the borrower has non-performing loans with us or other banks;

- Any of borrower's major shareholders, affiliates or key management experienced a material adverse change; or

- The guarantor experienced problems in its operation, which may have an adverse effect on the bank debts.

Substandard. There are obvious problems with the borrower's ability to repay, such that it cannot rely entirely on normal business revenues to repay principal and interest, and losses may result even if collateral or guarantee obligations are enforced. If one of the following situations arises with respect to a corporate loan, the loan must, at minimum, be categorized as substandard:

- The payment of principal or interest of the loan (excluding the advance which the borrower receives from us) is overdue for more than 91 days (inclusive) and less than 360 days;

- The payment of the advance which the borrower receives from us is overdue for more than 91 days and less than 180 days (inclusive);

- The use of loan proceeds has changed, which has affected the normal repayment of the loan;

- The borrower has, in the ordinary course of production and operations, experienced operational losses, and its net cash flows and net cash flows from operational activities in the two most recent years are negative;

- The payment of principal and interest is overdue, and the borrower has non-performing loans with other banks;

- The underlying project is progressing slowly, with a delay of over one year in construction schedule without a valid reason, and has not caught up with the scheduled level of progress as of the time of categorization;

- The loss on the loan is estimated to be below 30% of the loan amount; or

- Legal action has been brought against the borrower with respect to its repayment obligations.

Doubtful. The borrower is unable to repay principal and interest in full and significant losses will result even if the security is enforced. If one of the following situations arises with respect to a corporate loan, the loan must, at minimum, be categorized as doubtful:

- The payment of principal or interest of the loan (excluding the advance which the borrower receives form us) is overdue for more than 360 days (inclusive);
- The payment of the advance which the borrower receives from us is overdue for more than 180 days;
- The operations of the borrower have been suspended for at least half a year, and the loss on the loan is estimated to be above 30% of the loan amount even if collateral or guarantee obligations are enforced;
- The borrower is insolvent, is experiencing operational losses, and cannot obtain additional funding, and the loss on the loan is estimated to be above 30% of the loan amount even if collateral or guarantee obligations are enforced;
- The borrower is involved in a material and adverse event and has been ordered to cease operations by a governmental authority entitled to do so with no prospect of resumption, and the loss on the loan is estimated to be above 30% of the loan amount even if collateral or guarantee obligations are enforced; or
- The project underlying a fixed asset loan is in a non-normal state of cessation with no prospect of resumption, and the loss on the loan is estimated to be above 30% of the loan amount even if collateral or guarantee obligations are enforced;

Loss. No principal and interest or only a minimal portion of principal and interest could be recovered after all possible measures have been taken and all legal remedies have been exhausted. If one of the following situations arises with respect to a corporate loan, the loan must, at minimum, be categorized as loss:

- The loan is unrecoverable despite enforcement of a court decision, a court has issued a non-appealable decision against us with respect to the full amount of the loan, or the loan is unrecoverable despite a favorable court decision due to a failure to apply to the court for enforcement before the applicable deadline, the borrower's lack of assets against which the decision may be enforced or force majeure;
- The statute of limitations relating to the primary loan agreement has expired, or the borrower has refused to recognize documentation relating to any indebtedness, and the loan is uncoverable after all possible measures have been taken and all legal remedies have been exhausted; or
- The borrower and guarantor (if applicable) have declared bankruptcy, have dissolved or have been deregistered or closed down, their status as corporate entities has been terminated, and the loans have not been recovered after we have sought recovery from the borrower and guarantor (if applicable).

Personal Loans and Loans to Small and Micro Enterprises

In applying the loan classification criteria to personal loans or loans to small and micro enterprises, we primarily consider the length of time by which payments of principal or interest are overdue, as well as the risk characteristics of the borrower and the collateral or guarantee for the loan, and categorize loans in reference to the matrix for loan categorization by overdue time. The following table sets forth the five-category classification for our personal loans and loans to small and micro enterprises according to time overdue for the payment of principal or interest:

Time overdue / Type of Guarantee	Current (not overdue)	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	361 days and above
Unsecured	Pass	Special Mention	Substandard	Doubtful	Doubtful	Loss
Guaranteed	Pass	Pass	Special Mention	Substandard	Doubtful	Loss
Secured by mortgages	Pass	Pass	Special Mention	Substandard	Substandard	Doubtful
Secured by pledges	Pass	Pass	Pass	Special Mention	Substandard	Doubtful

Loans to small and micro enterprises refer to extensions of credit of RMB5 million or below to an enterprise, a corporate entity engaged in operational activities or a self-employed household with total assets of no more than RMB10 million or annual sales of no more than RMB30 million.

In addition, supplemental factors, such as the following, apply to the classification of personal loans:

- If the usage of the loan proceeds is not in accordance with terms of the loan, the loan is classified, at minimum, as special mention;

- If the borrower is involved in litigation or is investigated by a government authority, the loan is classified, at minimum, as special mention;

- If the loan is not due, but the borrower is involved in a litigation or investigated by a government authority, or is missing or deceased, and this circumstance has adversely affected the willingness and ability of the borrower to repay the loan, the loan is classified, at minimum, as substandard; and

- If the payment of principal or interest is overdue, and the borrower has non-performing loans with other banks, the loan is classified, at minimum, as substandard.

For a small and micro enterprises loan, if certain major events which affect the ability of the small and micro enterprise to perform its contractual obligations occur, such as its proprietor, major shareholder or affiliate provides guarantees beyond its capacity or experiences a material adverse change in its financial positions or is involved in a litigation or a material breach of contract, or a risk warning signal occurs relating to its proprietor or management or its business operational environment, the classification of this loan is adjusted to a category at least one level below the level in accordance with the matrix for loan categorization by overdue time.

Credit Card

In applying the loan classification criteria to credit card overdrafts, we consider the length of time by which the payment of principal or interest is overdue. The following table sets forth the five-category loan classification for our credit card overdrafts according to the length of time by which the payment of principal or interest is overdue:

	Overdue days
Pass	0
Special mention	1-90
Substandard	91-120
Doubtful	121-180
Loss	>180

In addition, supplemental factors, such as the following, apply to the classification of credit card overdrafts:

- If the cardholder applied for and received, or made use of, the credit card through fraudulent means, the risk asset in question is classified as doubtful or loss as soon as such circumstance has been confirmed; and

- Risk assets resulting from an internal criminal act or a conspiracy between internal and external parties are classified as doubtful or loss.

Five-Category Loan Classification

The following table sets forth, as of the dates indicated, our loans to customers in each category of the five-category loan classification. We use the term "non-performing loan(s)" and "impaired loans" synonymously to refer to the loans identified as "individually identified loans with impairment allowances" in Notes 3.1.4 and 18(c) to the Accountant's Report in Appendix I to this prospectus. Under the five-category loan classification system, non-performing loans refer to loans to customers that are classified in the substandard, doubtful and loss categories. As of June 30, 2013, we reported non-performing loans of RMB322 million and our allowance for impaired loans was RMB1,474 million. The following table sets forth our loans to customers under the five-category loan classification as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Pass	52,063	98.3%	62,888	98.2%	74,917	97.8%	83,309	98.1%
Special mention	715	1.3	907	1.4	1,461	1.9	1,312	1.5
Substandard	8	0.1	59	0.1	145	0.2	189	0.2
Doubtful	128	0.2	107	0.2	100	0.1	117	0.2
Loss	54	0.1	61	0.1	11	0.0	16	0.0
Total	52,968	100.0%	64,022	100.0%	76,634	100.0%	84,943	100.0%
Non-performing loans[(1)]	190	0.36%	227	0.35%	256	0.33%	322	0.38%

(1) Loans to customers classified as substandard, doubtful or loss.

The following table sets forth the distribution of our loans to customers by business type and by the five-category loan classification as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate loans								
Pass	35,734	97.7%	43,376	97.6%	49,058	96.8%	54,795	97.4%
Special mention	704	1.9	881	2.0	1,399	2.8	1,202	2.1
Substandard	3	0.0	50	0.1	125	0.2	157	0.3
Doubtful	121	0.3	100	0.2	93	0.2	102	0.2
Loss	32	0.1	37	0.1	1	0.0	3	0.0
Subtotal	36,594	100.0%	44,444	100.0%	50,676	100.0%	56,259	100.0%
Non-performing loans(1)	156	0.4%	187	0.4%	219	0.4%	262	0.5%
Personal loans								
Pass	8,826	99.5%	14,055	99.4%	19,401	99.5%	23,334	99.3%
Special mention	11	0.1	26	0.2	62	0.3	110	0.4
Substandard	5	0.1	9	0.1	20	0.1	32	0.1
Doubtful	7	0.1	7	0.1	7	0.0	15	0.1
Loss	22	0.2	24	0.2	10	0.1	13	0.1
Subtotal	8,871	100.0%	14,121	100.0%	19,500	100.0%	23,504	100.0%
Non-performing loans(1)	34	0.4%	40	0.3%	37	0.2%	60	0.3%
Discounted bills								
Pass	7,503	100.0%	5,457	100.0%	6,458	100.0%	5,180	100.0%
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Subtotal	7,503	100.0%	5,457	100.0%	6,458	100.0%	5,180	100.0%
Non-performing loans(1)	—	—	—	—	—	—	—	—
Total loans to customers	52,968		64,022		76,634		84,943	
Non-performing loans(1)	190	0.36%	227	0.35%	256	0.33%	322	0.38%

(1) Loans to customers classified as substandard, doubtful or loss.

Changes in the Asset Quality of Our Loans

Loans Classified as Special Mention

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the volume of our loans to customers that are classified as special mention was RMB715 million, RMB907 million, RMB1,461 million and RMB1,312 million, respectively, representing 1.3%, 1.4%, 1.9% and 1.5%, respectively, of our total loans to customers. The percentage of loans classified as special mention increased from 1.3% as of December 31, 2010 to 1.5% as of June 30, 2013, principally as a result of the downward migration of loans classified as pass to loans classified as special mention, due to the impact of the global financial crisis on the macroeconomic conditions of the PRC and our prudent implementation of five-category loan classification. Taking into account the increase in the total volume of loans, we do not expect the increase in loans classified as special mention to have a material impact on our financial performance. The following table sets forth the distribution of our loans to customers classified as special mention by the type of collateral as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Loans secured by mortgages	368	51.5%	482	53.2%	449	30.7%	398	30.3%
Loans secured by pledges	—	—	152	16.7	39	2.7	16	1.2
Guaranteed loans	346	48.3	271	29.9	955	65.3	887	67.6
Unsecured loans	1	0.2	2	0.2	18	1.3	11	0.9
Total	715	100.0%	907	100.0%	1,461	100.0%	1,312	100.0%

As of December 31, 2010, 2011 and 2012 and June 30, 2013, special mention loans secured by mortgages and pledges accounted for 51.5%, 69.9%, 33.4% and 31.5%, respectively, of total loans classified as special mention.

Movements in Non-Performing Loans

The following table sets forth the changes in the outstanding balance of non-performing loans of our loans to customers for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Opening balance	199	190	227	256
Increases	10	67	148	87
Decreases				
Write-offs	(2)	(3)	(57)	(2)
Recoveries	(17)	(26)	(62)	(18)
Upgrades	(0)	(1)	(0)	(1)
Subtotal	(19)	(30)	(119)	(21)
Closing balance	190	227	256	322

The following table sets forth the migration ratios of our loan portfolio for the periods indicated, calculated in accordance with the applicable CBRC requirements:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Pass and special mention loans(1)	0.06%	0.23%	0.58%	0.19%
Pass loans(2)	0.17%	1.74%	3.78%	0.48%
Special mention loans(3)	1.34%	6.18%	0.78%	1.37%
Substandard loans(4)	83.67%	38.51%	45.25%	20.12%
Doubtful loans(5)	4.34%	8.02%	1.70%	6.06%

(1) Represents migration ratios of loans classified as pass or special mention which were downgraded to other classifications. The migration ratio of pass and special mention loans represents a fraction, the numerator of which equals the sum of (i) loans classified as pass at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and (ii) loans classified as special mention at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and the denominator of which equals the sum of (i) the difference between the balance of pass loans at the beginning date of the period and the decrease, in the period, in the loans which were classified as pass at the beginning date of the period, and (ii) the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(2) Represents migration ratio of loans classified as pass which were downgraded to other classifications. The pass loan migration ratio represents a fraction, the numerator of which equals loans classified as pass at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of pass loans at the beginning date of the period and the decrease in such loans in the period.

(3) Represents migration ratio of loans classified as special mention which were downgraded to other classifications. The special mention loan migration ratio represents a fraction, the numerator of which equals the loans which were classified as special mention at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(4) Represents migration ratio of loans classified as substandard which were downgraded to other classifications. The substandard loan migration ratio represents a fraction, the numerator of which equals the loans classified as substandard at the beginning date of the period and downgraded to other classifications, and the denominator of which equals the difference between the balance of substandard loans at the beginning date of the period and the decrease in such loans in the period.

(5) Represents migration ratio of loans classified as doubtful which were downgraded to other classification. The doubtful loan migration ratio represents a fraction, the numerator of which equals the loans classified as doubtful at the beginning date of the period and downgraded to other classification, and the denominator of which equals the difference between the balance of doubtful loans at the beginning date of the period and the decrease in such loans in the period.

Distribution of Non-Performing Loans by Product Type

The following table sets forth our non-performing loans by product type as of the dates indicated:

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Corporate loans												
Short-term loans	104	54.7%	0.60%	138	60.8%	0.55%	209	81.6%	0.66%	226	70.2%	0.62%
Medium- and long-term loans	52	27.4	0.27%	49	21.6	0.25%	10	3.9	0.05%	36	11.2	0.18%
Subtotal	156	82.1	0.43%	187	82.4	0.42%	219	85.5	0.43%	262	81.4	0.47%
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Corporate loans (including discounted bills)	156	82.1	0.35%	187	82.4	0.38%	219	85.5	0.38%	262	81.4	0.43%
Personal loans												
Mortgage loans	5	2.6	0.09%	6	2.6	0.06%	9	3.5	0.07%	12	3.7	0.08%
Personal consumption loans	22	11.6	2.12%	20	8.8	1.74%	5	2.0	0.30%	6	1.9	0.31%
Personal business loans	6	3.2	0.29%	14	6.2	0.45%	22	8.6	0.47%	40	12.4	0.73%
Credit card overdrafts	1	0.5	2.13%	0	0.0	0.25%	1	0.4	0.13%	2	0.6	0.23%
Others	0	0.0	0.03%	0	0.0	0.10%	0	0.0	0.11%	—	—	—
Subtotal	34	17.9	0.38%	40	17.6	0.28%	37	14.5	0.19%	60	18.6	0.26%
Total	190	100.0%	0.36%	227	100.0%	0.35%	256	100.0%	0.33%	322	100.0%	0.38%

(1) Calculated by dividing non-performing loans (i.e., loans classified as substandard, doubtful or loss) in each product type by total loans in that product type.

Our non-performing loans increased by 19.5% from RMB190 million as of December 31, 2010 to RMB227 million as of December 31, 2011, by 12.8% to RMB256 million as of December 31, 2012, and by 25.8% to RMB322 million as of June 30, 2013. The non-performing loan ratio, defined as non-performing loans divided by our total loans and advances to customers, was 0.36% as of December 31, 2010, 0.35% as of December 31, 2011, 0.33% as of December 31, 2012, and 0.38% as of June 30, 2013.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the non-performing loan ratio of our corporate loans (including discounted bills) was 0.35%, 0.38%, 0.38% and 0.43%, respectively. The non-performing loan ratio of our personal loans as of the same dates was 0.38%, 0.28%, 0.19% and 0.26%, respectively.

The increase in the non-performing loan ratio of our corporate loans as of June 30, 2013 as compared to December 31, 2010, 2011 and 2012 was primarily due to the failure of a large corporate borrower in the manufacturing industry to timely repay a loan extended by us.

The decrease in the non-performing loan ratio of our personal loans between December 31, 2010 and June 30, 2013 was primarily due to an increase in the volume of our personal loans resulting from rapid growth in our personal loans business, and our effective implementation of risk control measures on personal loans.

Distribution of Non-Performing Corporate Loans by Industry

The following table sets forth the distribution of our non-performing corporate loans by industry as of the dates indicated:

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio[(1)]	Amount	% of total	NPL ratio[(1)]	Amount	% of total	NPL ratio[(1)]	Amount	% of total	NPL ratio[(1)]
	(in millions of RMB, except percentages)											
Manufacturing	19	12.1%	0.20%	66	35.4%	0.55%	122	55.9%	0.92%	127	48.5%	0.85%
Wholesale and retail	7	4.8	0.27%	11	6.1	0.22%	6	2.9	0.09%	54	20.6	0.58%
Financial institutions (including discounted bills)	8	5.3	0.11%	8	4.4	0.15%	8	3.7	0.13%	3	1.1	0.05%
Construction	8	5.0	0.27%	4	2.0	0.09%	—	—	—	—	—	—
Water conservation, environment and public facility administration	—	—	—	—	—	—	—	—	—	—	—	—
Real estate	52	33.1	1.45%	42	22.2	1.09%	32	14.4	0.71%	32	12.2	0.76%
Leasing and commercial service	2	1.2	0.04%	2	1.0	0.04%	2	0.9	0.05%	2	0.8	0.04%
Mining	—	—	—	—	—	—	—	—	—	—	—	—
Transportation, warehousing and postal and telecommunication services	—	—	—	—	—	—	—	—	—	—	—	—
Utilities supply	—	—	—	—	—	—	—	—	—	—	—	—
Agriculture, forestry, animal husbandry and fishery	3	2.0	0.32%	0	0.0	0.00%	—	—	—	—	—	—
Education	—	—	—	—	—	—	—	—	—	—	—	—
Service	—	—	—	—	—	—	—	—	—	—	—	—
Hotel and catering	1	0.3	0.13%	1	0.3	0.13%	5	2.1	0.78%	—	—	—
Information transmission, computer services and software industries	56	36.1	28.05%	53	28.5	15.52%	44	20.1	14.52%	44	16.8	11.17%
Science, technology and geological survey	—	—	—	—	—	—	—	—	—	—	—	—
Culture, physical education and entertainment	—	—	—	—	—	—	—	—	—	—	—	—
Public administration and social organization	—	—	—	—	—	—	—	—	—	—	—	—
Health, social security and welfare	0	0.1	0.19%	0	0.1	0.26%	—	—	—	—	—	—
International organization	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	—	—
Total (including discounted bills)	156	100.0%	0.35%	187	100.0%	0.38%	219	100.0%	0.38%	262	100.0%	0.43%

(1) Calculated by dividing non-performing loans (i.e., loans classified as substandard, doubtful or loss) in each industrial category by total loans and advances in that industrial category.

As of June 30, 2013, a significant portion of our non-performing corporate loans were attributable to the manufacturing industry, primarily due to a large manufacturing customer's failure to timely repay a loan extended by us. As of June 30, 2013, our non-performing corporate loans to this industry accounted for 48.5% of the total of our non-performing corporate loans. The non-performing corporate loans and the NPL ratio in information transmission, computer services and software industries were relatively high as of December 31, 2010, 2011 and 2012 and June 30, 2013, mainly because a large corporate borrower in the relevant industry was unable to repay a loan extended by us due to a deterioration in its financial position.

Distribution of Non-Performing Loans by Geographical Region

The following table sets forth the distribution of our non-performing loans by geographical region as of the dates indicated:

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Chongqing Municipality	190	100.0%	0.44%	204	89.7%	0.40%	137	53.5%	0.24%	145	45.0%	0.23%
Sichuan Province	—	—	—	3	1.5	0.05%	101	39.5	1.12%	156	48.5	1.72%
Guizhou Province	—	—	—	20	8.8	0.43%	18	7.0	0.26%	20	6.2	0.24%
Shaanxi Province	—	—	—	—	—	—	0	0.0	0.00%	1	0.3	0.01%
Total	190	100.0%	0.36%	227	100.0%	0.35%	256	100.0%	0.33%	322	100.0%	0.38%

(1) Calculated by dividing non-performing loans (i.e., loans classified as substandard, doubtful or loss) in each region by total loans and advances in that region.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the non-performing loan ratios of loans provided by our operating outlets in each province and municipality other than Sichuan Province have continued to decrease. The increase of the non-performing loan ratios in Sichuan provinces during this period was primarily due to one large corporate customer's failure to timely repay a loan extended by us. See "— Changes in the Asset Quality of Our Loans and Advances — Movements in Non-Performing Loans" for a general discussion on the decrease in our non-performing loan ratio between these dates.

Distribution of Non-Performing Loans by Collateral

The following table sets forth the distribution of our non-performing loans by type of collateral as of the dates indicated:

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Corporate loans												
Unsecured loans	11	5.7%	0.14%	9	3.9%	0.12%	1	0.3%	0.01%	1	0.3%	0.02%
Guaranteed loans	71	37.3	0.52%	97	42.8	0.52%	48	18.5	0.19%	91	28.3	0.33%
Loans secured by mortgages	74	39.3	0.56%	77	34.0	0.51%	166	64.9	0.94%	170	52.8	0.85%
Loans secured by pledges	—	—	—	4	1.8	0.12%	4	1.6	0.11%	—	—	—
Subtotal	156	82.3%	0.43%	187	82.5%	0.42%	219	85.3	0.43%	262	81.4%	0.47%
Personal loans												
Unsecured loans	6	3.0	4.26%	5	2.0	2.18%	3	1.4	0.52%	5	1.5	0.54%
Guaranteed loans	18	9.3	2.29%	24	10.6	1.90%	16	6.3	0.66%	31	9.6	1.30%
Loans secured by mortgages	10	5.4	0.13%	11	4.9	0.09%	18	7.0	0.11%	24	7.5	0.12%
Loans secured by pledges	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	34	17.7%	0.38%	40	17.5	0.28%	37	14.7	0.19%	60	18.6	0.26%
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Total	190	100.0%	0.36%	227	100.0%	0.35%	256	100.0%	0.33%	322	100.0%	0.38%

(1) Calculated by dividing non-performing loans (i.e., loans classified as substandard, doubtful or loss) in each collateral category by total loans and advances in that collateral category.

Distribution of Non-performing Loans by Term of Loans

The following table sets forth the distribution of our non-performing loans by the term of the loan as of the dates indicated:

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(in millions of RMB, except percentages)											
Corporate loans												
Less than one year	103	54.3%	0.55%	107	47.3%	0.51%	177	68.9%	0.57%	226	70.2%	0.62%
One to five years	50	26.3	0.36%	78	34.2	0.44%	41	16.1	0.31%	36	11.2	0.23%
More than five years	3	1.7	0.06%	2	1.0	0.04%	1	0.3	0.02%	—	—	—
Subtotal	156	82.3%	0.43%	187	82.5%	0.42%	219	85.3%	0.43%	262	81.4%	0.47%
Personal loans												
Less than one year	25	13.0	1.15%	26	11.3	1.12%	18	7.3	0.41%	28	8.7	0.44%
One to five years	6	3.3	0.97%	10	4.4	0.58%	11	4.3	0.76%	18	5.6	1.03%
More than five years	3	1.4	0.04%	4	1.8	0.04%	8	3.1	0.06%	14	4.3	0.09%
Subtotal	34	17.7%	0.38%	40	17.5%	0.28%	37	14.7%	0.19%	60	18.6%	0.26%
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Total	190	100.0%	0.36%	227	100.0%	0.35%	256	100.0%	0.33%	322	100.0%	0.38%

(1) Calculated by dividing non-performing loans (i.e., loans classified as substandard, doubtful or loss) in each category by total loans and advances in that category.

Borrowers with the Largest Amount of Non-Performing Loans

The following table sets forth the ten single borrowers with the largest amount of non-performing loans as of the date indicated:

	As of June 30, 2013		
	Industry	Outstanding Principal Amount	% of total non-performing loans
		(in millions of RMB, except percentages)	
Borrower A	Manufacturing	98	30.43%
Borrower B	Information transmission, computer services and software industries	44	13.66%
Borrower C	Wholesale and retail	40	12.42%
Borrower D	Real estate	30	9.32%
Borrower E	Manufacturing	18	5.59%
Borrower F	Wholesale and retail	9	2.80%
Borrower G	Manufacturing	4	1.24%
Borrower H	Financial institutions	3	0.93%
Borrower I	Manufacturing	3	0.93%
Borrower J	Wholesale and retail	2	0.62%

Overdue Loans

The following table sets forth our overdue loans to customers as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Not overdue	52,782	99.7%	63,850	99.7%	76,403	99.7%	84,608	99.6%
Overdue by:[1]								
1 to 90 days	4	0.0	9	0.0	11	0.0	116	0.2
91 to 360 days	2	0.0	7	0.0	119	0.2	24	0.0
More than 361 days	180	0.3	156	0.3	101	0.1	195	0.2
Total overdue loans	186	0.3%	172	0.3%	231	0.3%	335	0.4%
Total loans and advances to customers	52,968	100.0%	64,022	100.0%	76,634	100.0%	84,943	100.0%
Overdue by more than 90 days	182	0.3%	163	0.3%	220	0.3%	219	0.2%

(1) Refers to loans for which the payments of principal or interest are overdue.

Allowance for Impairment Losses on Loans to Customers

We evaluate our loans for impairment quarterly to determine a level of allowance for impairment losses and recognize any related provisions made in a given year. See Note 3.1.4 to Appendix I — "Accountant's Report" to this prospectus. Our loans are reported net of the allowance for impairment losses on our balance sheet.

Allowance for impairment losses on loans consists of two components — individually assessed allowance and collectively assessed allowance. We perform individual assessments to determine the allowance for impairment losses against such loans, if there is objective evidence of impairment as a result of new events occurring after the initial recognition of loans that affect the estimated future cash flows of the loans. Most of those individually significant loans are corporate loans. The allowance for impairment losses on loans is measured as the difference between the carrying amounts and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future cash flows of the loans, including, among other things, the recoverable value of the collateral.

Individually significant loans for which no evidence of impairment has been individually identified consist of loans classified as pass and special mention. These loans are grouped in portfolios of similar credit risk characteristics for the purpose of assessing collective impairment losses. Homogeneous groups of loans that are not considered individually significant are also collectively assessed for the purpose of determining the allowance for impairment losses. The allowance for impairment losses on the collectively assessed loans is assessed based on our historical loss experience in similar portfolios and on prevailing economic conditions. For further discussion of individually assessed allowance and collectively assessed allowance, see "Financial Information — Critical Accounting Estimates and Judgments — Allowance for Impairment Losses" and Note 3.1.4 to our financial information included in Appendix I — "Accountant's Report" to this prospectus.

The following table sets forth our allowance for impairment losses on our loans to customers as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Individually assessed.........	166	16.4%	171	14.3%	144	10.5%	159	10.8%
Collectively assessed........	847	83.6	1,026	85.7	1,233	89.5	1,315	89.2
Total...........................	1,013	100.0%	1,197	100.0%	1,377	100.0%	1,474	100.0%

Allowance for Impairment Losses on Loans by Loan Classification

The following table sets forth the allocation of our allowance for impairment losses by loan classification category as of the dates indicated:

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)	Amount	% of total	Allowance to loans(1)
	(in millions of RMB, except percentages)											
Pass	805	79.5%	1.5%	969	81.0%	1.5%	1,176	85.5%	1.6%	1,267	86.0%	1.5%
Special mention	42	4.1	5.9%	57	4.7	6.3%	57	4.1	3.9%	49	3.3	3.7%
Subtotal	847	83.6%	1.6%	1,026	85.7%	1.6%	1,233	89.6%	1.6%	1,316	89.3%	1.5%
Substandard	2	0.2	25.0%	15	1.2	25.4%	36	2.6	25.0%	45	3.0	23.8%
Doubtful	110	10.9	85.9%	95	8.0	88.8%	96	7.0	96.0%	97	6.6	82.9%
Loss	54	5.3	100.0%	61	5.1	100.0%	12	0.8	100.0%	16	1.1	100.0%
Subtotal	166	16.4%	87.4%	171	14.3%	75.3%	144	10.4%	56.3%	158	10.7%	49.1%
Total	1,013	100.0%	1.9%	1,197	100.0%	1.9%	1,377	100.0%	1.8%	1,474	100.0%	1.7%

(1) Calculated by dividing the allowance for impairment losses on loans in each category by the total loans and advances in that category.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the provision coverage ratio, which is the total allowance for impaired losses divided by total non-performing loans, was 534.0%, 526.7%, 537.7% and 458.3% respectively.

Movements in Allowance for Impairment Losses

We report net provisions for impairment losses on loans to customers on our income statement. See "Financial Information — Results of Operations — Comparison of the Six Months ended June 30, 2012 and June 30, 2013 — Allowances for loan impairment" and "Financial Information — Results of Operations — Comparison of the Years 2010, 2011 and 2012 — Allowances for loan impairment." The following table sets forth the changes to the allowance for impairment losses on loans to customers for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Opening balance	760	1,013	1,197	1,377
Charge for the year	349	260	325	144
Release during the year	(96)	(76)	(85)	(42)
Net provisions for impairment losses on loans to customers	253	184	240	102
Unwinding of discount	(1)	(1)	(5)	(3)
Write-offs	(1)	(3)	(57)	(2)
Recoveries	2	4	2	0
Closing balance	1,013	1,197	1,377	1,474

Allowance for impairment losses on loans to customers increased by 7.0% from RMB1,377 million as of December 31, 2012 to RMB1,474 million as of June 30, 2013, which was in line with the increase in the total volume of loans.

Allowance for impairment losses on loans to customers increased by 15.0% from RMB1,197 million as of December 31, 2011 to RMB1,377 million as of December 31, 2012, which was in line with the increase in the total volume of loans.

Allowance for impairment losses on loans to customers increased by 18.2% from RMB1,013 million as of December 31, 2010 to RMB1,197 million as of December 31, 2011, primarily due to the increase in the total volume of loans and our adjustment of the allowance for impairment losses for loans to local government financing vehicles after assessment of the potential risks and estimated losses in connection with liabilities borne by local governments.

Allowance for Impairment Losses by Geographical Region

The following table sets forth the allocation of our allowance for impairment losses by geographical region as of the dates indicated:

	As of December 31,									As of June 30,		
	2010			2011			2012			2013		
	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs(1)	Amount	% of total	Allowance to NPLs (1)	Amount	% of total	Allowance to NPLs (1)
	(in millions of RMB, except percentages)											
Chongqing Municipality	876	86.5%	462.0%	972	81.2%	476.5%	1,026	74.5%	749.6%	1,104	74.9%	761.4%
Sichuan Province	90	8.9	—	107	8.9	3,210.5%	153	11.1	151.3%	162	11.0	103.8%
Guizhou Province	47	4.6	—	71	5.9	353.8%	99	7.2	551.0%	120	8.2	600.0%
Shaanxi Province	—	—	—	47	4.0	—	99	7.2	—	88	5.9	8800.0%
Total	1,013	100%	534.0%	1,197	100%	526.7%	1,377	100%	537.7%	1,474	100.0%	458.3%

(1) Calculated by dividing the amount of the allowance for impairment losses on loans in each region by the amount of non-performing loans in that region.

Investment Securities

Overview

As of December 31, 2010, 2011 and 2012 and June 30, 2013, we held investment securities (including investment securities classified as loans and receivables, available-for-sale securities and held-to-maturity securities, but excluding financial assets designated at fair value through profit or loss) of RMB21,084 million, RMB17,091 million, RMB32,132 million and RMB43,287 million, respectively, representing 19.5%, 13.4%, 20.6% and 23.0%, respectively, of our total assets.

The following table sets forth the components of our investment securities as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amounts	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Debt securities(1)	20,895	99.1%	16,904	98.9%	31,933	99.3%	43,099	99.6%
Equity securities(2)	189	0.9	187	1.1	199	0.7	188	0.4
Total	21,084	100.0%	17,091	100.0%	32,132	100.0%	43,287	100.0%

(1) Include investments in trust beneficiary rights, government bonds, bonds issued by policy banks, bonds issued by commercial banks, corporate bonds, wealth management products purchased from financial institutions and directional asset management plans.

(2) Primarily consists of our equity investment in Three Gorges Bank.

Our total investment securities decreased by 18.9% from RMB21,084 million as of December 31, 2010 to RMB17,091 million as of December 31, 2011, increased by 88.0% to RMB32,132 million as of December 31, 2012, and further increased by 34.7% to RMB43,287 million as of June 30, 2013. The increase in investment securities in 2012 and the first six months of 2013 primarily reflected the significant increase in our investments in trust beneficiary rights. See "Business — Our Principal Business Activities — Treasury Operations — Securities Investment" for further information.

Debt Securities

Substantially all of our investment securities consist of debt securities. As of December 31, 2010, 2011 and 2012 and June 30, 2013, debt securities accounted for 99.1%, 98.9%, 99.3% and 99.6%, respectively, of our investment securities.

Our debt securities decreased by 19.1% from RMB20,895 million as of December 31, 2010 to RMB16,904 million as of December 31, 2011, primarily due to a decrease in our investment in corporate bonds. Our debt securities increased by 88.9% from RMB16,904 million as of December 31, 2011 to RMB31,933 million as of December 31, 2012, and further increased by 35.0% to RMB43,099 million as of June 30, 2013, mainly due to a significant increase in our investments in trust beneficiary rights.

Our debt securities include government bonds, bonds issued by policy banks, bonds issued by commercial banks, corporate bonds, wealth management products purchased from financial institutions, investments in trust beneficiary rights and directional asset management plans. The following table sets forth the components of our debt securities portfolio (including investment securities classified as loans and receivables, available-for-sale securities and held-to-maturity securities, but excluding financial assets designated at fair value through profit or loss) as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Government bonds	6,770	32.3%	6,394	37.8%	5,236	16.4%	4,734	11.0%
Bonds issued by policy banks	4,368	20.9	3,942	23.3	4,820	15.1	4,419	10.3
Bonds issued by other banks and non-bank financial institutions	583	2.8	550	3.3	550	1.7	550	1.3
Corporate bonds	3,087	14.8	249	1.5	95	0.3	108	0.3
Investments in trust beneficiary rights	600	2.9	600	3.5	18,075	56.6	27,286	63.1
Wealth management products purchased from financial institutions	5,487	26.3	5,169	30.6	2,047	6.4	2,142	5.0
Directional asset management plans	—	0.0	—	0.0	1,110	3.5	3,860	9.0
Total	20,895	100.0%	16,904	100.0%	31,933	100.0%	43,099	100.0%

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the balance of our investments in trust beneficiary rights was RMB600 million, RMB600 million, RMB18,075 million and RMB27,286 million, respectively, accounting for 2.9%, 3.5%, 56.6% and 63.3% of our debt securities, respectively. The increase was primarily due to our decision to increase these investments given their higher yields. These investments also carry a lower risk weighting in calculating risk weighted total assets to the extent such investments have a credit support facility or are guaranteed by a third party.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the balance of our government bonds, bonds issued by policy banks and bonds issued by other banks and non-bank financial institutions were RMB11,721 million, RMB10,886 million, RMB10,606 million and RMB9,703 million, respectively, accounting for 56.0%, 64.4%, 33.2% and 22.6%, respectively. The decrease in these types of investments was primarily due to our adjustment of our overall investment portfolio to allocate our fund resources to products with higher yields.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the balance of our corporate bonds was RMB3,087 million, RMB249 million, RMB95 million and RMB108 million, accounting for 14.8%, 1.5%, 0.3% and 0.3%, respectively, of our total debt securities. The decrease was primarily because we reduced the volume of this type of investments as they have relatively lower yields and a higher risk weight in calculating risk weighted assets.

As of June 30, 2013, all of the debt securities that we held were denominated in Renminbi.

The following table sets forth the balance of our investment securities by remaining maturity as of the date indicated:

	As of June 30, 2013					
	Due 3 months or less	Due between 3 months and 1 year	Due between 1 and 5 years	Due more than 5 years	Indefinite	Total
	(in millions of RMB)					
Held-to-maturity securities	350	1,081	2,045	3,269	—	6,745
Available for sale	—	—	1,983	1,083	188	3,254
Investment securities classified as loans and receivables	1,090	11,477	20,721	—	—	33,288
Total	1,440	12,558	24,749	4,352	188	43,287

The following table sets forth the distribution of our debt securities between fixed interest rate and floating interest rate as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Fixed interest rate	18,331	87.7%	14,559	86.1%	30,793	96.4%	42,361	98.3%
Floating interest rate	2,564	12.3	2,345	13.9	1,140	3.6	738	1.7
Total	20,895	100.0%	16,904	100.0%	31,933	100.0%	43,099	100.0%

Equity Instruments

Our equity investments decreased from RMB189 million as of December 31, 2010 to RMB188 million as of June 30, 2013.

Investments in Securities by Investment Intention

Our investments in securities (excluding financial assets designated at fair value through profit or loss) are classified into (i) held-to-maturity securities, (ii) available-for-sale securities and (iii) investment securities classified as loans and receivables, primarily based on our investment intentions. See Note 2.3 to Appendix I — "Accountant's Report" to this prospectus for the basis of such classification.

The following table sets forth the components of our investments in securities by investment intention as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Held-to-maturity investments	9,915	47.0%	9,721	56.8%	7,656	23.8%	6,745	15.6%
Available-for-sale financial assets	5,082	24.1	1,601	9.4	3,244	10.1	3,254	7.5
Investment securities classified as loans and receivables	6,087	28.9	5,769	33.8	21,232	66.1	33,288	76.9
Total	21,084	100.0%	17,091	100.0%	32,132	100.0%	43,287	100.0%

Our held-to-maturity investments were RMB9,915 million, RMB9,721 million, RMB7,656 million and RMB6,745 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. Our held-to-maturity investments decreased by 2.0% from RMB9,915 million as of December 31, 2010 to RMB9,721 million as of December 31, 2011, decreased by 21.2% to RMB7,656 million as of December 31, 2012, and further decreased by 11.9% to RMB6,745 million as of June 30, 2013, primarily because we reduced the volume of investments in government bonds, bonds issued by policy banks and bonds issued by other banks and non-bank financial institutions as a result of our adjustment of our overall investment portfolio to allocate our fund resources to products with higher yields.

Our available-for-sale financial assets were RMB5,082 million, RMB1,601 million, RMB3,244 million and RMB3,254 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. Our available-for-sale financial assets decreased by 68.5% from RMB5,082 million as of December 31, 2010 to RMB1,601 million as of December 31, 2011, increased by 102.6% to RMB3,244 million as of December 31, 2012, and increased by 0.3% to RMB3,254 million as of June 30, 2013. The decrease between December 31, 2010 and June 30, 2013 was primarily due to the decrease in the volume of our investments in corporate bonds.

Our investment securities classified as loans and receivables were RMB6,087 million, RMB5,769 million, RMB21,232 million and RMB33,288 million as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. Our investment securities classified as loans and receivables decreased by 5.2% from RMB6,087 million as of December 31, 2010 to RMB5,769 million as of December 31, 2011, increased by 268.0% to RMB21,232 million as of December 31, 2012, and increased by 56.8% to RMB33,288 million as of June 30, 2013. The increase between December 31, 2010 and June 30, 2013 was primarily due to the significant increase in the volume of our investments in trust beneficiary rights.

Carrying Value and Fair Value

All investment securities classified as available-for-sale securities and financial assets at fair value through profit or loss are stated at fair value. The following table sets forth the net carrying value and the fair value of the debt securities classified as investment securities classified as loans and receivables and held-to-maturity securities as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(in millions of RMB, except percentages)							
Investment securities classified as loans and receivables	6,087	6,162	5,769	5,848	21,232	21,875	33,288	34,048
Held-to-maturity securities	9,915	9,690	9,721	9,677	7,656	7,573	6,745	6,702
Total	16,002	15,852	15,490	15,525	28,888	29,448	40,033	40,750

Debt Securities Issued by Financial Institutions

Debt securities issued by financial institutions in our investment portfolio consist primarily of debt securities issued by policy banks and commercial banks. As of June 30, 2013, we held debt securities issued by financial institutions in an aggregate amount of RMB4,969 million, of which RMB4,419 million was in financial bonds issued by policy banks and RMB550 million was in bonds issued by commercial banks. The table sets forth below the ten largest debt securities issued by banks and non-bank financial institutions as of the date indicated:

	As of June 30, 2013		
	Principal amount (in millions of RMB)	Annual interest rate	Maturity date
Investment A	1,000	4.70%	April 18, 2018
Investment B	1,000	3.39%	July 9, 2015
Investment C	500	4.21%	June 29, 2019
Investment D	500	4.11%	April 23, 2017
Investment E	500	3.93%	April 23, 2015
Investment F	500	3.87%	June 28, 2019
Investment G	496	2.93%	February 6, 2014
Investment H	420	3.40%	March 22, 2017
Investment I	380	3.79%	June 28, 2021
Investment J	250	3.27%	November 15, 2021
Total	5,546		

Other Assets

In addition to loans and advances to customers and investments in securities, the principal components of our other total assets include (i) cash and deposits with central banks, (ii) deposits with banks and non-bank financial institutions and (iii) other assets. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our assets other than loans to customers and investment securities amounted to RMB35,287 million, RMB47,424 million, RMB48,774 million and RMB61,672 million, respectively.

Cash and deposits with central banks consist primarily of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represent the minimum level of cash deposits that we are required to maintain at the PBOC. The minimum level is determined as a percentage of our customer deposits. Surplus deposit reserves are deposits with the PBOC in excess of statutory deposit reserves which we maintain for settlement and clearing purposes. Our cash and balances with central banks increased by 28.4% from RMB15,065 million as of December 31, 2010 to RMB19,340 million as of December 31, 2011, by 30.5% to RMB25,243 million as of December 31, 2012, and by 23.7% to RMB31,236 million as of June 30, 2013. The increase was primarily due to the fact that we have increased the volume of our statutory deposit reserves resulting from the ongoing increase of the volume of deposits from our customers, and the increase of our period-end excess reserve.

Deposits with banks and non-bank financial institutions consist mainly of our account balances maintained at other banks and non-bank financial institutions for settlement and clearance purposes, bills, securities, credit assets and other financial assets held under resale agreements and placements at banks. Our interbank business operations consist of conventional bank funding operations and are not linked to other lending arrangements that involve non-bank borrowers and trust companies. Deposits with banks and non-bank financial institutions, net of the allowance for impairment losses, increased by 35.0% from RMB18,035 million as of December 31, 2010 to RMB24,340 million as of December 31, 2011, decreased by 23.9% to RMB18,532 million as of December 31, 2012, and increased by 34.7% to RMB24,964 million as of June 30, 2013 primarily as a result of an increase in notes purchased under resale agreements. The amount of notes purchased under resale agreements decreased 3.0% from RMB14,380 million as of December 31, 2010 to RMB13,949 million as of December 31, 2011, increased by 15.8% to RMB16,150 million as of December 31, 2012, and increased by 34.1% to RMB21,654 million as of June 30, 2013. This increase was primarily attributable to the fact that such assets generally have relatively short maturities (no more than six months) and relatively high levels of liquidity. As a result, such assets are useful for complementing maturity mismatches between loans and deposits. Moreover, such assets involve relatively low risks and relatively high yields. Consequently, we can adjust our holdings of such assets relatively quickly based on our liquidity situation, and receive relatively high yields while meeting our liquidity requirements.

The amount of placements with other banks (net of allowance for impairment losses) increased from RMB530 million as of December 31, 2010 to RMB3,975 million as of December 31, 2011, decreased by 95.8% to RMB167 million as of December 31, 2012, and decreased by 28.7% to RMB119 million as of June 30, 2013. These changes were primarily because we adjusted our investments in these highly liquid assets to meet our liquidity needs.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities as of December 31, 2010, 2011 and 2012 and June 30, 2013 were RMB103,296 million, RMB120,887 million, RMB147,905 million and RMB178,899 million, respectively. The principal components of our liabilities are (i) customer deposits, (ii) liabilities due to other banks and financial institutions and (iii) debt issued, which accounted for 78.0%, 16.8% and 2.7%, respectively, of our total liabilities as of June 30, 2013.

Customer deposits constitute the largest component of our total liabilities, accounting for 71.5%, 73.9%, 77.1% and 78.0% of our total liabilities as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The following table sets forth the components of our total liabilities as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Customer deposits	73,856	71.5%	89,307	73.9%	114,043	77.1%	139,614	78.0%
Due to other banks and financial institutions	26,839	26.0	28,446	23.5	27,659	18.7	30,003	16.8
Debt issued	994	1.0	995	0.8	1,790	1.2	4,776	2.7
Other liabilities(1)	1,607	1.5	2,139	1.8	4,413	3.0	4,506	2.5
Total	103,296	100.0%	120,887	100.0%	147,905	100.0%	178,899	100.0%

(1) Include interest payable, salaries payable, business tax payable, dividends payable, other payables, funds of wealth management products, current tax liabilities, deferred income tax liabilities and other liabilities.

Customer Deposits

We provide demand and time deposit products to corporate and personal customers. The following table sets forth our customer deposits and product type as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate(1)								
Demand	38,398	52.0%	36,007	40.3%	37,560	32.9%	45,064	32.3%
Time	18,669	25.3	31,289	35.0	44,569	39.1	52,687	37.7
Subtotal	57,067	77.3	67,296	75.3	82,129	72.0	97,751	70.0
Personal								
Demand	5,600	7.6	6,995	7.9	8,488	7.4	9,483	6.8
Time	6,245	8.4	7,702	8.6	10,134	8.9	13,849	9.9
Subtotal	11,845	16.0	14,697	16.5	18,622	16.3	23,332	16.7
Other deposits(2)	4,944	6.7	7,314	8.2	13,292	11.7	18,531	13.3
Total	73,856	100.0%	89,307	100.0%	114,043	100.0%	139,614	100.0%

(1) Includes deposits from governmental institutions.

(2) Primarily consists of pledged deposits held as collateral.

Customer Deposits by Business Type

Corporate Deposits

Corporate deposits represent a significant portion of our customer deposits. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our corporate deposits accounted for 77.3%, 75.3%, 72.0% and 70.0%, respectively, of our customer deposits.

Corporate deposits increased by 17.9% from RMB57,067 million as of December 31, 2010 to RMB67,296 million as of December 31, 2011, increased by 22.0% to RMB82,129 million as of December 31, 2012, and increased by 19.0% to RMB97,751 million as of June 30, 2013, mainly due to (i) the continued growth of our corporate customer base and the establishment of business relationships with new customers as a result of the sustained economic growth of Chongqing (ii) our close relationships with governmental institutions in Chongqing at each level, as well as the corporations and public institutions affiliated with them, whose deposits with us increased during the periods; and (iii) the completion of our distribution network in 2011 that covered all 38 districts and counties in Chongqing, as well as the establishment of three branches outside Chongqing, which contributed to the rapid growth of our corporate business in Chongqing and Western China.

Personal Deposits

Our personal deposits increased by 24.1% from RMB11,845 million as of December 31, 2010 to RMB14,697 million as of December 31, 2011, increased by 26.7% to RMB18,622 million as of December 31, 2012, and increased by 25.3% to RMB23,332 million as of June 30, 2013, primarily reflecting (i) our focus on developing a client base of mid-end individual customers, (ii) our development and offering of new products, including our payroll payment services and new electronic service channels, and (iii) the completion of our distribution network in 2011 that covered all 38 districts and counties in Chongqing which attracted more individual customers.

Customer Deposits by Product Type

As of December 31, 2010, 2011 and 2012 and June 30, 2013, time deposits accounted for 33.7%, 43.7%, 48.0% and 47.6%, respectively, while demand deposits accounted for 59.6%, 48.1%, 40.3% and 39.1% respectively, of our total customer deposits. The increase in the percentage of time deposits during these periods and the corresponding decrease in the percentage of demand deposits during the same periods were primarily due to our decision to focus on attracting time deposits in order to decrease the maturity mismatch between our assets and liabilities and increase the stability of our deposits.

Customer Deposits by Geographical Region

We classify the geographic distribution of deposits based on the location of the branch that takes the deposits. The following table sets forth the geographic distribution of our customer deposits as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Chongqing	65,106	88.2%	73,966	82.8%	91,069	79.9%	107,629	77.1%
Sichuan Province	5,373	7.2	7,753	8.7	11,000	9.6	13,693	9.8
Guizhou Province	3,377	4.6	4,087	4.6	6,913	6.1	8,905	6.4
Shaanxi Province	—	—	3,501	3.9	5,061	4.4	9,387	6.7
Total	73,856	100.0%	89,307	100.0%	114,043	100.0%	139,614	100.0%

Maturity Profile of Customer Deposits

A majority of our customer deposits as of June 30, 2013 were demand deposits or deposits that mature in three months or less. The following table sets forth the distribution of our customer deposits by maturity as of the date indicated:

	As of June 30, 2013					
	Demand	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
	(in millions of RMB)					
Corporate deposits	45,064	8,256	23,710	20,720	1	97,751
Personal deposits	9,483	3,763	7,325	2,761	0	23,332
Other deposits[(1)]	263	10,783	7,448	32	5	18,531
Total	54,810	22,802	38,483	23,513	6	139,614

(1) Consists primarily of pledged deposits held as collateral.

Customer Deposits by Currency

Substantially all of our customer deposits are denominated in Renminbi. The following table sets forth the distribution of our customer deposits by currency as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Renminbi deposits	73,463	99.5%	88,958	99.6%	113,680	99.7%	139,053	99.6%
U.S. dollar deposits	388	0.5	284	0.3	299	0.3	537	0.4
Hong Kong dollar deposits	2	0	59	0.1	41	0	1	0
Other foreign currency deposits	3	0	6	0	23	0	23	0
Total	73,856	100.0%	89,307	100.0%	114,043	100.0%	139,614	100.0%

Corporate Deposits by Size

The following table sets forth the distribution of our corporate deposits by total balance of deposits from a single customer as of the dates indicated:

	As of December 31,						As of June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Up to RMB10 million	19,914	27.0%	23,167	26.0%	27,471	24.1%	34,216	24.5%
Over RMB10 million to RMB100 million	23,555	31.9	26,204	29.3	31,301	27.4	38,003	27.2
Over RMB100 million	30,387	41.1	39,936	44.7	55,271	48.5	67,395	48.3
Total	73,856	100.0%	89,307	100.0%	114,043	100.0%	139,614	100.0%

Other Liabilities

In addition to customer deposits, other major components of our liabilities are (i) deposits and placements from banks and non-bank financial institutions, (ii) debt issued by us, (iii) interest payable and (iv) funds for wealth management products.

Amounts due to other banks and financial institutions increased by 6.0% from RMB26,839 million as of December 31, 2010 to RMB28,446 million as of December 31, 2011, decreased by 2.8% to RMB27,659 million as of December 31, 2012, and increased by 8.5% to RMB30,003 million as of June 30, 2013. The overall increase during this period was primarily as a result of increases in deposits from other banks and in rediscounting by the PBOC. The increase in deposits from other banks was primarily a result of increased cooperation between us and other banks, as well as liquidity matching by us. The increase in rediscounting by the PBOC was mainly attributable to the importance of such liabilities as a complement to our short term funding sources due to its relatively low cost.

Debt issued consists of subordinated bonds we issued in 2009 and 2012, respectively, with an aggregate principal amount of RMB1.8 billion, as well as financial bonds for small and micro enterprise loans that we issued in 2013 with an aggregate principal amount of RMB3.0 billion. See "Financial Information — Financial Position — Capital Resources — Debts Issued."

Interest payable consists primarily of interest payable for customer deposits, deposits from banks and non-bank financial institutions and subordinated debt. Interest payable increased by 96.1% from RMB331 million as of December 31, 2010 to RMB649 million as of December 31, 2011, by 64.6% to RMB1,068 million as of December 31, 2012 and by 73.5% to RMB1,853 million as of June 30, 2013. The changes during these periods were mainly due to the continued growth in the volume of our customer deposits, as well as the increase of time deposits as a proportion of our deposits.

Funds for wealth management products decreased by 1.3% from RMB630 million as of December 31, 2010 to RMB622 million as of December 31, 2011, increased by 265.3% to RMB2,272 million as of December 31, 2012 and decreased by 51.2% to RMB1,109 million as of June 30, 2013. The significant changes in the funds for wealth management products as of the above dates were primarily due to the time gap between the maturity dates and payment dates of our wealth management products, as well as the time gap between the issuance date of our wealth management products and the investment date of the funds raised from such products.

You should read the discussion and analysis set forth in this section in conjunction with Appendix I — "Accountant's Report" to this prospectus, which has been prepared in accordance with IFRS, together with the accompanying notes. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and based on PRC GAAP financial information. The capital adequacy ratios discussed in this section are not part of the Accountant's Report and have not been audited.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

OVERVIEW

We are one of the leading commercial banks based in Chongqing. As of June 30, 2013, our total assets were RMB188,428 million, our total loans to customers were RMB84,943 million and our total customer deposits were RMB139,614 million. From 2010 to 2012, our operating income grew at a CAGR of 29.5% from RMB2,776 million to RMB4,657 million and our net profit grew at a CAGR of 32.1% from RMB1,102 million to RMB1,925 million. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our non-performing loan ratio was 0.36%, 0.35%, 0.33% and 0.38%, respectively, and the ratio of our allowance for impairment losses to non-performing loans was 534.0%, 526.7%, 537.7% and 458.3%, respectively. According to the August 2012 issue of Asia Week, our rate of return on shareholders' equity in 2011 was the 9th highest among the Top 300 Asian Banks.

GENERAL FACTORS THAT AFFECT OUR RESULTS OF OPERATIONS

Operating Environment in the PRC and Chongqing

Our financial condition and results of operations are affected by various factors relating to the operating environment in the PRC and Chongqing, including the economic conditions and development of both China and Chongqing and the macroeconomic policies implemented by the PRC government. In recent years, China has experienced rapid economic growth and Chongqing's economic growth rate has been higher than the national average. Between 2008 and 2012, Chongqing's nominal GDP grew at a CAGR of 18.6%, while the CAGR of national nominal GDP during the same period was 13.4%. The banking industry has grown significantly as a result of the rapid development of China's economy. From December 31, 2008 to December 31, 2012, total RMB-denominated loans and RMB-denominated deposits of the PRC banking industry increased at a CAGR of 20.0% and 18.4%, respectively, while Chongqing's banking sector expanded at a CAGR of 25.7% in terms of total loans and 24.4% in terms of total deposits.

The PRC government has in the past implemented various monetary and other macroeconomic policies, including adjusting benchmark interest rates and the statutory deposit reserve ratio applicable to PRC commercial banks, imposing lending limits (including imposing limits on the extension of personal mortgage loans and loans to property developers to cool down the overheated real estate market), and publishing industry development guidelines to promote or control the growth of specific industries in the PRC. Each of these policies has had a direct effect on lending activities or an indirect impact on the demand for banking services, and has significantly impacted the business and growth prospects of PRC commercial banks, including us.

Regulatory Environment

The PRC commercial banking industry is highly regulated. Our business, financial condition and results of operations are materially affected by changes in PRC banking laws, rules, regulations and policies, such as the scope of business activities PRC commercial banks are permitted to engage in, interest and fees PRC commercial banks are allowed to charge and limits imposed by regulators on lending to borrowers in specific industries or in respect of specific loan products. PRC commercial banks are mainly regulated by the PBOC and the CBRC. PRC commercial banks are also subject to supervision and regulation by other regulatory bodies, such as the MOF, the SAFE, the CSRC and the CIRC. See "Supervision and Regulation."

The PBOC is responsible for formulating and implementing monetary policies. For example, the PBOC adjusts benchmark interest rates from time to time to regulate market interest rates and money supply. The PBOC also sets the statutory deposit reserve ratio, extends loans to commercial banks, accepts discounted bills from commercial banks and conducts open market operations, all of which have a material effect on the volume of deposits and loans as well as interest rates.

The CBRC regulates the disclosure requirements, corporate governance, risk management, capital adequacy and internal control of PRC commercial banks. For example, the CBRC promulgated the Capital Administrative Measures in June 2012, which increased the capital regulatory requirements for PRC commercial banks.

In recent years, the PBOC and the CBRC have gradually liberalized restrictions on fee- and commission-based banking services that a commercial bank in the PRC may provide, such as investment banking services, sale of financial products to individual customers and other wealth management services. This trend is expected to continue promoting innovation in the PRC banking industry.

Interest Rates

In the PRC, interest rates on RMB-denominated loans and deposits are set by commercial banks within a permitted range with reference to the benchmark lending and deposit interest rates published and modified from time to time by the PBOC. Under current PBOC regulations, commercial banks in the PRC generally may not set interest rates for RMB-denominated deposits above 110% of the PBOC benchmark rate for RMB-denominated deposits. See "Supervision and Regulation — Regulation of Principal Banking Activities — Pricing of Product and Services — Interest Rates for Loans and Deposits."

Changes in the PBOC benchmark interest rates may materially influence the average yield on outstanding loans and the average cost of customer deposits of PRC commercial banks, which in turn may have a material impact on the bank's net interest spread and net interest margin. See "— Quantitative and Qualitative Analysis of Market Risk — Interest Rate Risk — Repricing Gap Analysis" for a repricing gap analysis on our interest-earning assets and interest-bearing liabilities.

In recent years, the PRC government has taken measures to gradually liberalize interest rates. For example, PBOC lifted restrictions on interbank market interest rates, bond market interest rates and interest rates on foreign currency deposits, and removed the interest rate ceiling for RMB-denominated loans and the interest rate floor for RMB-denominated deposits. In July 2013, the PBOC removed the interest rate floor for RMB-denominated loans. With the introduction of SHIBOR in 2007 by the National Interbank Loans Center, a market interest rate system based on SHIBOR has been gradually taking shape. As the PRC government continues its policy of liberalizing interest rates on loans and deposits, we expect interbank competition on interest rates to play an increasingly important role in the pricing of loans and deposits.

Competitive Landscape in the Banking Industry in Chongqing

Competition in the banking industry in Chongqing is intensifying. As a regional bank, we compete primarily with the Chongqing branches of the Large Commercial Banks and Joint Stock Commercial Banks as well as Chongqing Rural Commercial Bank. We also face competition from policy banks and foreign financial institutions. In recent years, a large number of commercial banks in the PRC have completed restructurings or public offerings, which have permitted them to offer more innovative products and higher quality services, and have afforded them with greater adaptability in a changing market environment. The increase in competition and the resulting changes in the PRC banking industry may affect the pricing of our loans and deposits and the pricing of and revenues from our fee- and commission-based banking services. See "Industry Overview" and "Business — Competition."

SELECTED FINANCIAL DATA

The following table sets forth our statements of comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012 (unaudited)	2013
	(in millions of RMB, except per share data)				
Interest income	3,953	6,107	8,309	4,084	4,930
Interest expense	(1,408)	(2,786)	(4,159)	(2,033)	(2,456)
Net interest income	2,545	3,321	4,150	2,051	2,474
Fee and commission income	227	328	406	114	390
Fee and commission expense	(29)	(38)	(38)	(13)	(23)
Net fee and commission income	198	290	368	101	367
Net trading gain	(8)	(14)	25	96	13
Net gain on investment securities	13	(49)	88	62	51
Other operating income	27	23	26	11	45
Operating income	2,775	3,571	4,657	2,321	2,950
Operating expenses	(1,108)	(1,451)	(1,901)	(791)	(994)
Allowances for loan impairment	(253)	(184)	(240)	(98)	(102)
Operating profit	1,414	1,936	2,516	1,432	1,854
Investments in associates	—	(0)	1	1	1
Profit before tax	1,414	1,936	2,517	1,433	1,855
Income tax expense	(312)	(448)	(592)	(322)	(445)
Profit after tax and net profit attributable to shareholders	1,102	1,488	1,925	1,111	1,410
Basic and diluted earnings per share (in RMB)	0.55	0.74	0.95	0.55	0.70

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012 (unaudited)	2013
	(in millions of RMB)				
Net profit attributable to shareholders	1,102	1,488	1,925	1,111	1,410
Other comprehensive income					
Changes in fair value in available-for-sale securities included in other comprehensive income	(20)	47	(26)	38	2
Minus: corresponding effect on income tax	5	(12)	7	(9)	0
Subtotal	(15)	35	(19)	29	2
Revaluation of retirement plans	2	1	0	0	0
Minus: corresponding effect on income tax	(1)	(0)	(0)	0	0
Subtotal	1	1	0	0	0
Net after-tax other comprehensive income	(14)	36	(19)	29	2
Total comprehensive income attributable to shareholders	1,088	1,524	1,906	1,140	1,412
Dividends					
Dividends declared during the year/period	111	101	101	101	141

The following table sets forth our statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Assets				
Cash and deposits with central banks	15,065	19,340	25,243	31,236
Deposits with banks and non-bank financial institutions	18,035	24,340	18,532	24,964
Financial assets designated at fair value through profit or loss	415	1,615	2,414	2,316
Loans to customers	51,955	62,825	75,257	83,469
Investment securities				
Investment securities classified as loans and receivables	6,087	5,769	21,232	33,288
Available-for-sale securities	5,081	1,601	3,244	3,254
Held-to-maturity securities	9,916	9,721	7,656	6,745
Investments in associates	—	22	23	24
Fixed assets	879	1,154	1,471	1,838
Deferred tax assets	159	167	177	173
Other assets	734	786	914	1,121
Total	108,326	127,340	156,163	188,428
Liabilities				
Deposits and loans from banks and non-bank financial institutions	26,839	28,446	27,659	30,003
Customer deposits	73,856	89,307	114,043	139,614
Other liabilities	1,521	2,010	4,234	4,258
Taxes payable	85	128	173	241
Deferred tax liabilities	1	1	6	7
Issued debt	994	995	1,790	4,776
Total	103,296	120,887	147,905	178,899
Shareholders' equity				
Share capital	2,021	2,021	2,021	2,021
Capital reserve	1	1	1	1
Other reserves	914	1,309	1,682	2,517
Retained earnings	2,094	3,122	4,554	4,990
Total	5,030	6,453	8,258	9,529
Total liabilities and shareholders' equity	108,326	127,340	156,163	188,428

The following table sets forth selected financial ratios for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Profitability indicators				
Return on average total assets[(1)]	1.16%	1.26%	1.36%	1.64%
Return on average equity[(2)]	24.3%	25.9%	26.2%	31.7%
Net interest spread[(3)]	2.70%	2.77%	2.66%	2.61%
Net interest margin[(4)]	2.78%	2.92%	2.85%	2.79%
Net fee and commission income to operating income	7.1%	8.1%	7.9%	12.4%
Cost-to-income ratio[(5)]	34.0%	34.3%	34.1%	27.4%

(1) Represents the net profit for the period as a percentage of the average balance of total assets at the beginning and the end of the period.

(2) Represents the net profit for the period as a percentage of the average balance of total equity at the beginning and at the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by daily average balance of total interest-earning assets.

(5) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Capital adequacy indicators				
Calculated based on Capital Adequacy Measures				
Core capital adequacy ratio(1)	9.17%	9.26%	9.39%	9.81%
Capital adequacy ratio(2)	12.41%	11.96%	12.63%	12.78%
Calculated based on Capital Administrative Measures				
Core Tier 1 capital adequacy ratio(3)	N/A	N/A	N/A	8.54%
Tier 1 capital adequacy ratio(4)	N/A	N/A	N/A	8.54%
Capital adequacy ratio(5)	N/A	N/A	N/A	11.12%
Total equity to total assets	4.6%	5.1%	5.3%	5.1%
Asset quality indicators				
Non-performing loan ratio(6)	0.36%	0.35%	0.33%	0.38%
Allowance to non-performing loans(7)	534.0%	526.7%	537.7%	458.3%
Allowance to total loans(8)	1.9%	1.9%	1.8%	1.7%
Other indicators				
Loan-to-deposit ratio	71.7%	71.7%	67.2%	60.8%

(1) Core capital adequacy ratio = (core capital - core capital deductions)/(risk-weighted assets + 12.5 x capital charge for market risk). It is calculated based on Capital Adequacy Measures issued by the CBRC in February 2004.

(2) Capital adequacy ratio = (total capital - capital deductions)/(risk-weighted assets + 12.5 x capital charge for market risk). It is calculated based on Capital Adequacy Measures.

(3) Core Tier 1 capital adequacy ratio = (core Tier 1 capital - core Tier 1 capital deductions)/risk-weighted assets . It is calculated based on Capital Administrative Measures issued by the CBRC on June 7, 2012. For the components of regulatory capital and risk-weighted assets, see "Supervision and Regulation — Regulation of Principal Banking Activities — Supervision over Capital Adequacy — Capital Administrative Measures" and "Financial Information — Financial Position — Capital Resources — Capital Adequacy" in this prospectus.

(4) Tier 1 capital adequacy ratio = (Tier 1 core capital - Tier 1 capital deductions)/risk-weighted assets. It is calculated based on Capital Administrative Measures.

(5) Capital adequacy ratio = (total capital - capital deductions)/risk-weighted assets. It is calculated based on Capital Administrative Measures.

(6) Non-performing loan ratio = total non-performing loans/total loans and advance to customers.

(7) Allowance to non-performing loans = the allowance for impairment losses /total non-performing loans.

(8) Calculated by dividing the allowance for impairment losses by total loans and advances to customers.

Our return on average total assets increased from 1.16% in 2010 to 1.26% in 2011, 1.36% in 2012 and 1.64% in the first six months of 2013, because our net profit grew at a faster rate than our average total assets during this period. Our return on average equity increased from 24.3% in 2010 to 25.9% in 2011, 26.2% in 2012 and 31.7% in the first six months of 2013, because our net profit grew at a faster rate than our average equity during this period. The growth in our net profit was largely the result of growth in our net interest income, primarily reflecting (i) an increase in the volume of loans to customers, (ii) an increase in loans extended to small and micro enterprises as a proportion of our loan portfolio, which generally have higher interest rates, and (iii) an increase in interest income arising from our investments in securities, in particular, trust beneficiary rights.

Regarding the changes in our net interest spread and net interest margin, see "— Result of Operations — Six Months ended June 30, 2012 and June 30, 2013 — Net Interest Income — Net Interest Spread and Net Interest Margin" and " — Result of Operations — Comparison of 2010, 2011 and 2012 — Net Interest Income — Net Interest Spread and Net Interest Margin."

RESULT OF OPERATIONS

Six Months ended June 30, 2012 and June 30, 2013

Net Interest Income

Net interest income constitutes the largest component of our operating income, accounting for 88.4% and 83.9% of our operating income in the six months ended June 30, 2012 and 2013, respectively. The following table sets forth our interest income, interest expense and net interest income for the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Interest income	4,084	4,930
Interest expense	(2,033)	(2,456)
Net interest income	2,051	2,474

Our net interest income increased by 20.6% from RMB2,051 million in the six months ended June 30, 2012 to RMB2,474 million in the same period in 2013, primarily reflecting (i) an increase in interest income arising from our investments in securities, and in particular, investments in trust beneficiary rights, (ii) an increase in the volume of loans to customers and (iii) an increase in loans extended to small and micro enterprises as a proportion of our loan portfolio, which generally have higher interest rates. Regarding our investments in trust beneficiary rights, see "Business — Our Principal Business Activities — Treasury Operations — Securities Investment."

Net interest income represents interest income less interest expense. Our net interest income is mainly affected by the difference between the average yield on our interest-earning assets and the average cost of our interest-bearing liabilities, as well as the average balances of our interest-earning assets and interest-bearing liabilities. As substantially all of our interest-earning assets and interest-bearing liabilities are derived from our operations in the PRC, the average yield on our interest-earning assets and the average cost of our interest-bearing liabilities are affected by the PBOC benchmark interest rates and the PBOC's policies and regulations on interest rates.

The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on interest-earning assets or average cost of interest-bearing liabilities for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities in the six months ended June 30, 2012 and 2013 are the averages of the balances derived from our management accounts and have not been audited.

	Six months ended June 30,					
	2012 (unaudited)			2013		
	Average balance	Interest income/ expense	Average yield/ cost[(8)]	Average balance	Interest income/ expense	Average yield/ cost[(8)]
	(in millions of RMB, except percentages)					
Interest-earning assets						
Loans to customers	67,223	2,518	7.49%	82,293	2,879	7.00%
Investments in securities and financial assets designated at fair value through profit or loss[(1)]	22,086	536	4.85%	41,629	1,218	5.85%
Deposits with central banks[(2)]	19,775	150	1.52%	26,204	198	1.51%
Deposits with banks and non-bank financial institutions[(3)]	28,688	880	6.13%	27,336	635	4.65%
Total interest-earning assets	137,772	4,084	5.92%	177,462	4,930	5.55%
Non-interest-earning assets[(4)]	2,531			3,119		
Total assets	140,303			180,581		
Interest-bearing liabilities						
Customer deposits	94,848	(1,044)	2.20%	129,576	(1,524)	2.35%
Deposits and placements from banks and non-bank financial institutions[(5)]	33,081	(949)	5.74%	34,529	(851)	4.93%
Issued bonds	1,396	(40)	5.73%	2,813	(81)	5.76%
Total interest-bearing liabilities	129,325	(2,033)	3.14%	166,918	(2,456)	2.94%
Non-interest-bearing liabilities[(6)]	3,509			3,789		
Total liabilities	132,834			170,707		
Net interest income		2,051			2,474	
Net interest spread[(7)]			2.78%			2.61%
Net interest margin[(8)]			2.98%			2.79%

(1) Include financial assets designated at fair value through profit or loss, available-for-sale securities, held-to-maturity securities and securities classified as loans and receivables.

(2) Mainly include statutory deposit reserves and surplus deposit reserves.

(3) Mainly include deposits with other banks and non-bank financial institutions, placements with other banks and non-bank financial institutions and financial assets held under resale agreements.

(4) Mainly include cash, interest receivable, investments in associates, fixed assets, intangible assets, deferred tax assets and other assets.

(5) Mainly include deposits from other banks and non-bank financial institutions, placements from other banks and non-bank financial institutions, and financial assets sold under repurchase agreements.

(6) Mainly include accrued staff costs, taxes payable, interest payable and other liabilities.

(7) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(8) Calculated on an annual basis.

The following table sets forth the allocation of changes in our interest income and interest expense due to changes in volume and rates for the periods indicated. Volume and rate variances have been calculated based on movements in average balances over these periods and changes in interest rates on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and rate have been allocated to rate.

	Six months ended June 30,		
	2013 vs. 2012		
	Increase/(decrease) due to		Net increase/ (decrease)[3]
	Volume[1]	Rate[2]	
	(in millions of RMB)		
Assets			
Loans to customers	564	(203)	361
Investments in securities and financial assets designated at fair value through profit or loss	474	208	682
Deposits with central banks	49	(1)	48
Deposits with banks and non-bank financial institutions	(41)	(204)	(245)
Changes in interest income	1,046	(200)	846
Liabilities			
Customer deposits	(382)	(98)	(480)
Deposits and placements from banks and non-bank financial institutions	(42)	140	98
Issued bonds	(41)	(1)	(42)
Changes in interest expense	(464)	41	(424)
Changes in net interest income	582	(159)	422

(1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period and divided by two.

(2) Represents the average yield or cost for the period minus the average yield or cost for the previous period, multiplied by the average balance for the period and divided by two.

(3) Represents interest income or expense for the period minus interest income or expense for the previous period.

Interest Income

The following table sets forth the principal components of our interest income for the periods indicated:

	Six months ended June 30,			
	2012 (unaudited)		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Interest income				
Loans to customers				
Corporate loans (including discounted bills)	2,152	52.7%	2,394	48.6%
Personal loans	366	9.0	485	9.8
Subtotal	2,518	61.7	2,879	58.4
Investments in securities and financial assets designated at fair value through profit or loss	536	13.1	1,218	24.7
Deposits with central banks	150	3.7	198	4.0
Deposits with banks and non-bank financial institutions	880	21.5	635	12.9
Total	4,084	100.0%	4,930	100.0%

Our interest income increased by 20.7% from RMB4,084 million in the six months ended June 30, 2012 to RMB4,930 million in the same period in 2013, primarily due to (i) an increase in the interest income from our investments in securities, (ii) an increase in the volume of loans to customers and (iii) an increase in loans extended to small and micro enterprises, which generally have higher interest rates, as a proportion of our loan portfolio.

Interest Income from Loans to Customers

Interest income from loans to customers is the largest component of our interest income, accounting for 61.7% and 58.4% of our interest income in the six months ended June 30, 2012 and 2013, respectively. Interest income from loans to customers consists of interest income from corporate loans and personal loans.

The largest component of our interest income from loans to customers is interest income from corporate loans, which accounted for 85.5% and 83.2% of our total interest income from loans to customers in the six months ended June 30, 2012 and 2013, respectively.

Interest income from loans to customers increased by 14.3% from RMB2,518 million in the six months ended June 30, 2012 to RMB2,879 million in the same period in 2013, mainly due to (i) an increase in the volume of loans to customers and (ii) an increase in loans extended to small and micro enterprises, which generally have higher interest rates, as a proportion of our loan portfolio.

Interest income from corporate loans (including discounted bills) increased by 11.2% from RMB2,152 million in the six months ended June 30, 2012 to RMB2,394 million in the same period in 2013, mainly due to (i) an increase in the volume of corporate loans and (ii) an increase in loans extended to small and micro enterprises, which generally have higher interest rates, as a proportion of our loan portfolio.

Interest income from personal loans increased by 32.5% from RMB366 million in the six months ended June 30, 2012 to RMB485 million in the same period in 2013, principally as a result of (i) an increase in the volume of personal loans and (ii) an increase in the percentage of personal residential mortgage loans with interest rates equal to or greater than the PBOC benchmark rate.

Interest Income from Investments in Securities and Financial Assets Designated at Fair Value through Profit or Loss

In the six months ended June 30, 2012 and 2013, interest income from investments in securities and financial assets designated at fair value through profit or loss accounted for 13.1% and 24.7%, respectively, of our interest income.

Interest income from investments in securities and financial assets designated at fair value through profit or loss increased by 127% from RMB536 million in the six months ended June 30, 2012 to RMB1,218 million in the same period in 2013, primarily due to (i) an increase in our investments in trust beneficiary rights and (ii) the rising average yield of our investments in securities, which was principally driven by higher average yield of new investments in trust beneficiary rights.

Interest Income from Deposits with Central Banks

Our interest-earning balances with central banks primarily consist of statutory deposit reserves and surplus deposit reserves with the PBOC. Statutory deposit reserves represent the minimum level of cash deposits, calculated as a percentage of the balance of our customer deposits, that we are required to maintain at the PBOC. Surplus deposit reserves are deposits with the PBOC in excess of statutory deposit reserves which we maintain for settlement purposes. In the six months ended June 30, 2012 and 2013, interest income from deposits with central banks accounted for 3.7% and 4.0%, respectively, of our interest income.

Interest income from deposits with central banks increased by 32.0% from RMB150 million in the six months ended June 30, 2012 to RMB198 million in the same period in 2013, largely due to the continued growth in our deposits, which in turn resulted in an increase in the amount of our statutory deposit reserves and surplus deposit reserves with central banks.

Interest Income from Deposits with Banks and Non-Bank Financial Institutions

Interest income from deposits with banks and non-bank financial institutions primarily consists of interest income from deposits with banks and non-bank financial institutions, interest income from placements with banks and non-bank financial institutions and interest income from financial assets held under resale agreements. In the six months ended June 30, 2012 and 2013, interest income from deposits and placements with banks and non-bank financial institutions accounted for 21.5% and 12.9%, respectively, of our interest income.

Interest income from deposit and placements with banks and non-bank financial institutions decreased by 27.8% from RMB880 million in the six months ended June 30, 2012 to RMB635 million in the same period in 2013, primarily due to (i) an increase in the volume of our medium- and short-term deposits as a proportion to our deposits with banks and non-bank financial institutions, which resulted in a decrease in average yield, and (ii) downward movements in interbank interest rates.

Interest Expense

The following table sets forth the principal components of our interest expense for the periods indicated:

	Six months ended June 30,			
	2012 (unaudited)		2013	
	Amount	% of total	Amount	% of total
Interest expense				
Customer deposits	(1,044)	51.3%	(1,524)	62.1%
Deposits and placements from banks and non-bank financial institutions	(949)	46.7	(851)	34.6
Interest expense on issued bonds	(40)	2.0	(81)	3.3
Total	(2,033)	100.0%	(2,456)	100.0%

Interest expense increased by 20.8% from RMB2,033 million in the six months ended June 30, 2012 to RMB2,456 million in the same period in 2013, mainly because (i) customer deposits increased substantially and (ii) the interest rates on deposits have risen since June 2012 as a result of the PBOC allowing PRC commercial banks to raise interest rates on RMB-denominated deposits to 110% of the relevant benchmark interest rate from 100% of the benchmark interest rate.

Interest Expense on Deposits

Interest expense on deposits is the largest component of our interest expense, accounting for 51.3% and 62.1% of our interest expense in the six months ended June 30, 2012 and 2013, respectively. The following table sets forth the average balance, interest expense and average cost for our corporate deposits and personal deposits by product type for the periods indicated:

	Six months ended June 30,					
	2012 (unaudited)			2013		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)					
Corporate deposits[1]						
Time	33,424	591	3.54%	49,613	871	3.51%
Demand	36,632	168	0.92%	43,136	209	0.97%
Subtotal	70,056	759	2.17%	92,749	1,080	2.33%
Personal deposits						
Time	8,473	140	3.28%	11,898	192	3.23%
Demand	6,367	15	0.47%	8,102	16	0.39%
Subtotal	14,840	155	2.08%	20,000	208	2.08%
Other deposits[2]	9,952	130	2.61%	16,827	236	2.81%
Total	94,848	1,044	2.20%	129,576	1,524	2.35%

(1) Consists of deposits from corporate customers, government authorities and other institutions.

(2) Primarily consists of pledged deposits held as collateral.

Interest expense on customer deposits increased by 46.0% from RMB1,044 million in the six months ended June 30, 2012 to RMB1,524 million in the same period in 2013, mainly because (i) customer deposits increased substantially and (ii) the interest rates on deposits have risen since June 2012 as a result of the PBOC allowing PRC commercial banks to raise interest rates on RMB-denominated deposits to 110% of the relevant benchmark interest rate from 100% of the benchmark interest rate.

Interest Expense on Deposits and Placements from Banks and Non-bank Financial Institutions

Interest expense on deposits and placements from banks and non-bank financial institutions primarily consists of interest expense from deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions and financial assets sold under repurchase agreements. In the six months ended June 30, 2012 and 2013, our interest expense on deposit from banks and non-bank financial institutions accounted for 46.7% and 34.6%, respectively, of our total interest expense.

Interest expense on deposits and placements from banks and non-bank financial institutions decreased by 10.3% from RMB949 million in the six months ended June 30, 2012 to RMB851 million in the same period in 2013, primarily due to a decrease in expenses on notes sold under repurchase agreements resulting from decreases in the volume and interest rate of notes sold under repurchase agreements.

Interest Expense on Issued Bonds

We issued 10-year subordinated bonds in April 2009 and March 2012, with aggregate principal amounts of RMB1 billion and RMB800 million, respectively, all of which were outstanding as of June 30, 2013. In addition, we issued financial bonds in April 2013 for small and micro enterprise loans in the aggregate principal amount of RMB3.0 billion, all of which were outstanding as of June 30, 2013. See "— Financial Position — Capital Resources — Debts Issued" for details. In the six months ended June 30, 2012 and 2013, our interest expense on issued bonds was RMB40 million and RMB81 million, respectively, accounting for 2.0% and 3.3%, respectively, of our total interest expense.

Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on the average balance of our total interest-earning assets and the average cost of the average balance of our total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets.

Our annualized net interest spread decreased from 2.78% in the six months ended June 30, 2012 to 2.61% in the same period in 2013, primarily because we adjusted the term structure of our assets and liabilities due to our liquidity management needs by reducing long-term assets and increasing mid- to long-term liabilities.

Our annualized net interest margin decreased from 2.98% in the six months ended June 30, 2012 to 2.79% in the same period in 2013, primarily because we adjusted the term structure of our assets and liabilities due to our liquidity management needs by reducing long-term assets and increasing mid- to long-term liabilities.

Net Fee and Commission Income

Net fee and commission income represented 4.3% and 12.4% of our total operating income in the six months ended June 30, 2012 and 2013, respectively. The following table sets forth the principal components of our net fee and commission income in the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Fee and commission income		
Financial advisory and consulting services	30	142
Wealth management agency services	36	117
Bank cards	12	48
Payment settlement and agency services	17	18
Trust services	6	46
Guarantee and commitment services	13	19
Subtotal	114	390
Fee and commission expenses		
Payment settlement and agency services	(7)	(15)
Bank cards	(5)	(7)
Others	(1)	(1)
Subtotal	(13)	(23)
Net fee and commission income	101	367

Our net fee and commission income increased by 263.4% from RMB101 million in the six months ended June 30, 2012 to RMB367 million in the same period in 2013, reflecting the increase in fee and commission income generated from wealth management agency services, bank card services, and financial advisory and consulting services.

Fee and Commission Income

The principal sources of our fee and commission income are (i) financial advisory and consulting services, (ii) wealth management agency services and (iii) bank cards. Our fee and commission income increased by 242.1% from RMB114 million in the six months ended June 30, 2012 to RMB390 million in the same period in 2013, primarily due to the increase in fee and commission income generated from wealth management agency services, bank card services, and financial advisory and consulting services.

Financial advisory and consulting fees primarily consist of fees earned from providing financial information, analysis and advice to clients, and designing specific financial services solutions for clients. Our financial advisory and consulting fees increased by 373.3% from RMB30 million in the six months ended June 30, 2012 to RMB142 million in the same period in 2013, principally as a result of an increase in our transaction volume.

Wealth management agency fees primarily consist of commissions and fees earned from providing wealth management products and services to individual and corporate clients. Our wealth management agency fees increased from RMB36 million in the six months ended June 30, 2012 to RMB117 million in the same period in 2013, primarily due to the rapid increase in the volume of wealth management products issued by us as well as an increase in the interest margins on such wealth management products. The funds we raised through the issuance of wealth management products in the six months ended June 30, 2012 and 2013 were RMB10.8 billion and RMB14.6 billion, respectively.

Bank card fees primarily consist of credit card fees, which include transaction commissions from merchants on the use of credit cards, installment payment service charge, late payment fees, overdraft charges, annual fees and other service charges on credit cards. We also generate a small portion of bank card fees from annual fees on our debit cards and transaction fees from merchants on the use of debit cards. Bank card fees increased from RMB12 million in the six months ended June 30, 2012 to RMB48 million in the same period in 2013, largely due to the increase in interests and service fees that we charge for repayment of credit card debt in installments.

Fee and Commission Expenses

Fee and commission expenses primarily consist of fees paid to third parties in connection with our fee- and commission-based services that could be directly allocated to the provision of such services. Our fee and commission expenses increased by 76.9% from RMB13 million in the six months ended June 30, 2012 to RMB23 million in the same period in 2013. This increase was mainly due to an increase in payment settlement and agency expenses resulting from the expansion of our payment settlement and agency services business, which primarily consists of the service fee charged to us by other banks after our personal customers make deposits, withdrawals or fund transfers through the operation outlets or ATMs of other banks.

Payment settlement and agency expenses are the largest component of our fee and commission expenses, accounting for 53.8% and 65.2% of our fee and commission expenses in the six months ended June 30, 2012 and 2013, respectively.

Net Trading Income, Net Gain on Investment Securities and Other Operating Income

The following table sets forth our net trading income, net gain on investment securities and other operating income for the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Net trading income	96	13
Net gain on investment securities	62	51
Other operating income	11	45
Total	169	109

Net trading gain primarily consists of foreign exchange gains and losses and net gain on interest rate products. Net gain on investment securities primarily consists of net gain on held-for-trading financial assets and available-for-sale financial assets. Other operating income primarily consists of the sale of foreclosed assets, the sale of land use rights and buildings, government grants and dividend income.

Net Trading Income

We recorded a net trading gain of RMB13 million in the six months ended June 30, 2013 compared to a net gain of RMB96 million in the same period in 2012, primarily due to the lower level of increase in the fair value of the held-for-trading financial assets in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Net Gain on Investment Securities

The following table sets forth the principal components of our net gain on investment securities for the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Net gain/(loss) on held-for-trading financial assets	69	51
Net gain/(loss) on available-for-sale financial assets	(7)	0
Total	62	51

Our net gain on investment securities decreased from RMB62 million in the six months ended June 30, 2012 to RMB51 million in the same period in 2013, primarily due to the decrease in trading spread resulting from the lower trading prices of the held-for-trading financial assets that we traded in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Other Operating Income

Our other operating income increased from RMB11 million in the six months ended June 30, 2012 to RMB45 million in the same period in 2013, mainly due to the increased sale of foreclosed assets.

Operating Expenses

The following table sets forth the principal components of our operating expenses for the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Staff costs (including director and supervisor compensation)	387	457
General and administrative expenses	187	254
Business taxes and surcharges	146	185
Depreciation of fixed assets	28	38
Amortization of intangible assets	3	5
Amortization of land use rights	2	2
Depreciation of investment property	0	0
Amortization of long-term deferred expenses	7	9
Rent for operating leases	23	30
Others	8	14
Total	791	994

Our operating expenses increased by 25.7% from RMB791 million in the six months ended June 30, 2012 to RMB994 million in the same period in 2013, principally as a result of the increase in staff costs, general and administrative expenses and business tax and surcharges. In the six months ended June 30, 2012 and 2013, the cost-to-income ratio was 27.8% and 27.4%, respectively. Cost-to-income ratio, defined as total operating expenses (excluding business tax and surcharges) divided by the sum of (i) net interest income, (ii) net fees and commission income and (iii) other operating income, decreased in the six months ended June 30, 2013 compared to the same period in 2012 primarily because the percentage increase in operating income in that period was greater than that in operating expenses over the same period.

Staff Costs

The following table sets forth the principal components of our staff costs for the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Salaries and bonuses	270	316
Pension costs	41	47
Housing benefits and subsidies	21	23
Union and employee education fees	8	8
Other social security and welfare expenses	47	63
Total	387	457

Staff costs increased by 18.1% from RMB387 million in the six months ended June 30, 2012 to RMB457 million in the same period in 2013. The increase in staff costs during this period was primarily due to an increase in the number of staff as well as in salary levels.

Business Taxes and Surcharges

Business tax is levied at 5.0% of our operating income. We are also subject to certain surcharges levied by local governments which in the aggregate accounted for between 0.600% and 0.605% of the amount of business tax paid, depending on locality. The change in business taxes and surcharges during the six months ended June 30, 2012 and 2013 was primarily due to higher taxable amounts resulting from the increase in operating income.

Allowances for Loan Impairment

The following table sets forth the principal components of our allowances for loan impairment for the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Collectively assessed allowances for loan impairment	78	82
Individually assessed allowances for loan impairment	20	20
Total	98	102

In the six months ended June 30, 2012 and 2013, our allowances for loan impairment were RMB98 million and RMB102 million, respectively, primarily reflecting an increase in the amount of loans resulting in an increase in corresponding allowances for impairment.

Income Tax

The following table sets forth the reconciliation between the income tax expenses calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax expenses for the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Profit before tax	1,433	1,855
Expected income tax expense at statutory income tax rate of 25.0%	358	464
Effect of non-taxable income[(1)]	(48)	(23)
Effect of non-deductible expenses[(2)]	2	4
Differences from settlements for prior years	10	—
Income tax expense	322	445

(1) Primarily consists of interest income from PRC government bonds.

(2) Primarily consist of the portion of expenses in excess of the statutory deductible limit under PRC tax law.

In the six months ended June 30, 2012 and 2013, our income tax expense was RMB322 million and RMB445 million, respectively, representing an effective income tax rate, defined as income tax expense divided by profit before tax, of 22.5% and 24.0%, respectively. The increase in tax expense in the six months ended June 30, 2012 and 2013 was largely attributable to an increase in taxable amount as a result of the increase in our profit before tax during this period.

The following table sets forth the components of our income tax expenses for the periods indicated:

	Six months ended June 30,	
	2012 (unaudited)	2013
	(in millions of RMB)	
Income tax for the year	285	441
Deferred tax	37	4
Income tax expense	322	445

Net Profit

As a result of the foregoing, our net profit increased by 26.9% from RMB1,111 million in the six months ended June 30, 2012 to RMB1,410 million in the same period in 2013.

Comparison of 2010, 2011 and 2012

Net Interest Income

Net interest income constitutes a substantial majority of our operating income, accounting for 91.7%, 93.0%, and 89.1% of our operating income in 2010, 2011 and 2012, respectively. The following table sets forth our interest income, interest expense and net interest income for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Interest income	3,953	6,107	8,309
Interest expense	(1,408)	(2,786)	(4,159)
Net interest income	2,545	3,321	4,150

Our net interest income increased by 30.5% from RMB2,545 million in 2010 to RMB3,321 million in 2011, and further increased by 25.0% to RMB4,150 million in 2012, primarily due to (i) an increase in the volume of loans to customers, (ii) an increase in loans extended to small and micro enterprises as a proportion of our loan portfolio, which generally have higher interest rates, and (iii) an increase in interest income arising from our investments in securities, in particular, trust beneficiary rights.

The following table sets forth the average balance of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on interest-earning assets or average cost of interest-bearing liabilities for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities are the average of the balances derived from our management accounts and have not been audited.

	Year ended December 31,								
	2010			2011			2012		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
	(in millions of RMB, except percentages)								
Interest-earning assets									
Loans to customers	47,799	2,699	5.65%	58,504	3,942	6.74%	70,798	5,101	7.21%
Investments in securities and financial asset designated at fair value through profit or loss(1)	17,959	647	3.60%	18,522	717	3.87%	27,310	1,439	5.27%
Deposits with central banks(2)	10,943	163	1.49%	16,540	248	1.50%	21,253	322	1.52%
Deposits with banks and non-bank financial institutions(3)	14,829	444	2.99%	20,066	1,200	5.98%	26,408	1,447	5.48%
Total interest-earning assets	91,530	3,953	4.32%	113,632	6,107	5.37%	145,769	8,309	5.70%
Non-interest-earning assets(4)	2,256			2,208			2,617		
Total assets	93,786			115,840			148,386		
Interest-bearing liabilities									
Customer deposits	68,346	(825)	1.21%	82,018	(1,442)	1.76%	102,738	(2,303)	2.24%
Deposits and placements from banks and non-bank financial institutions(5)	17,413	(529)	3.04%	24.024	(1,290)	5.37%	32,299	(1,760)	5.45%
Issued bonds	994	(54)	5.43%	994	(54)	5.43%	1,594	(96)	6.02%
Total interest-bearing liabilities	86,753	(1,408)	1.62%	107,036	(2,786)	2.60%	136,631	(4,159)	3.04%
Non-interest-bearing liabilities(6)	1,881			2,837			3,675		
Total liabilities	88,634			109,873			140,306		
Net interest income		2,545			3,321			4,150	
Net interest spread(7)			2.70%			2.77%			2.66%
Net interest margin			2.78%			2.92%			2.85%

(1) Include financial assets designated at fair value through profit or loss, available-for-sale securities, held-to-maturity securities and securities classified as loans and receivables.

(2) Mainly include statutory deposit reserves and surplus deposit reserves.

(3) Mainly include deposits with other banks and non-bank financial institutions, placements with other banks and non-bank financial institutions and financial assets held under resale agreements.

(4) Mainly include cash, interest receivable, investments in associates, fixed assets, intangible assets, deferred tax assets and other assets.

(5) Mainly include deposits from other banks and non-bank financial institutions, placements from other banks and non-bank financial institutions, and financial assets sold under repurchase agreements.

(6) Mainly include accrued staff costs, taxes payable, interest payable and other liabilities.

(7) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

The following table sets forth the allocation of changes in our interest income and interest expense due to changes in volume and rates for the periods indicated. Volume and rate variances have been calculated based on movements in average balances over these periods and changes in interest rates on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and rate have been allocated to rate.

	Year ended December 31,					
	2011 vs. 2010			2012 vs. 2011		
	Increase/(decrease) due to		Net increase/	Increase/(decrease) due to		Net increase/
	Volume[(1)]	Rate[(2)]	(decrease)[(3)]	Volume[(1)]	Rate[(2)]	(decrease)[(3)]
	(in millions of RMB)					
Assets						
Loans to customers	605	638	1,243	829	330	1,159
Investments in securities and financial asset designated at fair value through profit or loss	20	50	70	340	382	722
Deposits with central banks	83	2	85	71	3	74
Deposits with banks and non-bank financial institutions	157	599	756	379	(132)	247
Changes in interest income	865	1,289	2,154	1,619	583	2,202
Liabilities						
Customer deposits	(165)	(452)	(617)	(365)	(496)	(861)
Deposits and placements from banks and non-bank financial institutions	(201)	(560)	(761)	(444)	(26)	(470)
Issued bonds	—	—	—	(33)	(9)	(42)
Changes in interest expense	(366)	(1,012)	(1,378)	(842)	(531)	(1,373)
Changes in net interest income	499	277	776	777	(52)	829

(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield or cost for the previous year.

(2) Represents the average yield or cost for the year minus the average yield or cost for the previous year, multiplied by the average balance for the year.

(3) Represents interest income or expense for the year minus interest income or expense for the previous year.

Interest Income

The following table sets forth the principal components of our interest income for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Interest income						
Loans to customers						
Corporate loans (including discounted bills)	2,437	61.6%	3,426	56.2%	4,281	51.5%
Personal loans	262	6.7	516	8.4	820	9.9
Subtotal	2,699	68.3	3,942	64.6	5,101	61.4
Investments in securities	647	16.4	717	11.7	1,439	17.3
Deposits with central banks	163	4.1	248	4.1	322	3.9
Deposits with banks and non-bank financial institutions	444	11.2	1,200	19.6	1,447	17.4
Total	3,953	100.0%	6,107	100.0%	8,309	100.0%

Our interest income increased by 54.5% from RMB3,953 million in 2010 to RMB6,107 million in 2011 and by 36.1% from RMB6,107 million in 2011 to RMB8,309 million in 2012, principally due to an increase in the volume of loans and of deposits with banks and non-bank financial institutions and upward movements in market interest rates over the same period.

Interest Income from Loans to Customers

Interest income from loans to customers is the largest component of our interest income, accounting for 68.3%, 64.5% and 61.4% of our interest income in 2010, 2011 and 2012, respectively.

The largest component of our interest income from loans to customers is interest income from corporate loans, which accounted for 90.3%, 86.9%, and 83.9% of our total interest income from loans to customers in 2010, 2011 and 2012, respectively.

2012 Compared to 2011. Interest income from loans to customers increased by 21.0% from RMB3,942 million in 2011 to RMB5,101 million in 2012, primarily due to an increase in the average balance of our loans resulting from the continued growth of our loans business and an increase in the average yield of our loans resulting from changes in our loan portfolio.

Interest income from corporate loans increased by 25.0% from RMB3,426 million in 2011 to RMB4,281 million in 2012, mainly due to (i) an increase in the volume of corporate loans, and (ii) an increase in loans extended to small and micro enterprises as a proportion of our loan portfolio, which generally have higher interest rates.

Interest income from personal loans increased by 58.9% from RMB516 million in 2011 to RMB820 million in 2012, principally as a result of (i) an increase in the volume of personal loans and (ii) an increase in the percentage of personal residential mortgage loans with interest rates equal to or greater than the PBOC benchmark rate.

2011 Compared to 2010. Interest income from loans to customers increased by 46.1% from RMB2,699 million in 2010 to RMB3,942 million in 2011, primarily due to an increase in the average balance of our loans resulting from the growth of our loans business and an increase in the average yield of our loans resulting from the PBOC raising the benchmark rate for Renminbi-denominated loans three times in 2011.

Interest income from corporate loans increased by 40.6% from RMB2,437 million in 2010 to RMB3,426 million in 2011, mainly due to (i) an increase in the volume of corporate loans, (ii) an increase in loans extended to small and micro enterprises as a proportion of our loan portfolio, which generally have higher interest rates, and (iii) the increase in interest rates after the PBOC increased the benchmark interest rates for RMB-denominated loans three times in 2011.

Interest income from personal loans increased from RMB262 million in 2010 to RMB516 million in 2011, principally as a result of (i) an increase in the volume of personal loans, and (ii) the increase in interest rates after the PBOC increased the benchmark interest rates for RMB-denominated loans three times in 2011.

Interest Income from Investments in Securities and Financial Assets Designated at Fair Value through Profit or Loss

In 2010, 2011 and 2012, interest income from investments in securities and financial assets designated at fair value through profit or loss accounted for 16.4%, 11.7%, and 17.3%, respectively, of our interest income.

2012 Compared to 2011. Interest income from investments in securities and financial assets designated at fair value through profit or loss increased by 100.7% from RMB717 million in 2011 to RMB1,439 million in 2012, primarily due to (i) an increase in investments in trust beneficiary rights, and (ii) the higher average yield of our investments in securities, which was principally driven by rising average yields in investments in trust beneficiary rights in 2012.

2011 Compared to 2010. Interest income from investments in securities and financial assets designated at fair value through profit or loss increased by 10.8% from RMB647 million in 2010 to RMB717 million in 2011, mainly due to the higher average yield of our investments in securities, which was principally driven by rising average yields in the PRC bond market in 2011.

Interest Income from Deposits with Central Banks

In 2010, 2011 and 2012, interest income from deposits with central banks accounted for 4.1%, 4.1% and 3.9%, respectively, of our interest income.

2012 Compared to 2011. Interest income from deposits with central banks increased by 29.8% from RMB248 million in 2011 to RMB322 million in 2012, primarily due to the continued growth in our customer deposits, which in turn resulted in an increase in the balance of our statutory deposit reserves and surplus deposit reserves with central banks.

2011 Compared to 2010. Interest income from deposits with central banks increased by 52.1% from RMB163 million in 2010 to RMB248 million in 2011, mainly due to the growth in our customer deposits, which in turn resulted in an increase in the balance of our statutory deposit reserves and surplus deposit reserves with central banks.

Interest Income from Deposits with Banks and Non-Bank Financial Institutions

In 2010, 2011 and 2012, interest income from deposits and placements with banks and non-bank financial institutions accounted for 11.2%, 19.6% and 17.4%, respectively, of our interest income.

2012 Compared to 2011. Interest income from deposit and placements with banks and non-bank financial institutions increased by 20.6% from RMB1,200 million in 2011 to RMB1,447 million in 2012, primarily due to an increase in deposits with banks and non-bank financial institutions, which was partially offset by downward movements in interbank interest rates over the same period and an increase in the volume of our short- and medium-term deposits as a proportion to our deposits with banks.

2011 Compared to 2010. Interest income from deposits and placements with banks and non-bank financial institutions increased from RMB444 million in 2010 to RMB1,200 million in 2011, primarily due to an increase in deposits with banks and non-bank financial institutions as well as higher interbank interest rates on these deposits.

Interest Expense

The following table sets forth the principal components of our interest expense for the periods indicated:

	Year ended December 31,					
	2010		2011		2012	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Interest expense						
Customer deposits	825	58.6%	1,442	51.8%	2,303	55.4%
Deposits and placements from banks and non-bank financial institutions	529	37.6	1,290	46.3	1,760	42.3
Interest expense on issued bonds	54	3.8	54	1.9	96	2.3
Total	1,408	100.0%	2,786	100.0%	4,159	100.0%

Interest expense increased by 97.9% from RMB1,408 million in 2010 to RMB2,786 million in 2011 and by 49.3% from RMB2,786 million in 2011 to RMB4,159 million in 2012, principally as a result of an increase in the average balance of customer deposits and deposits and placements from banks and non-bank financial institutions, and an increase in interest rates.

Interest Expense on Deposits

Interest expense on deposits is the largest component of our interest expense, accounting for 58.6%, 51.8%, and 55.4% of our interest expense in 2010, 2011 and 2012, respectively. The following table sets forth the average balance, interest expense and average cost for our corporate deposits and personal deposits by product type for the periods indicated:

	Year ended December 31,								
	2010			2011			2012		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(in millions of RMB, except percentages)								
Corporate deposits[1]									
Time	14,695	315	2.14%	23,557	710	3.01%	37,119	1,299	3.50%
Demand	37,959	279	0.74%	39,730	381	0.96%	38,344	361	0.94%
Subtotal	52,654	594	1.13%	63,287	1,091	1.72%	75,463	1,660	2.20%
Personal deposits									
Time	5,702	119	2.09%	7,108	191	2.69%	9,144	301	3.29%
Demand	5,055	18	0.36%	5,598	27	0.48%	6,667	29	0.43%
Subtotal	10,757	137	1.27%	12,706	218	1.72%	15,811	330	2.08%
Other deposits[2]	4,936	94	1.90%	6,025	133	2.21%	11,464	313	2.73%
Total	68,347	825	1.21%	82,018	1,442	1.76%	102,738	2,303	2.24%

(1) Consists of deposits from corporate customers, government authorities and other institutions.

(2) Primarily consists of pledged deposits held as collateral.

2012 Compared to 2011. Interest expense on customer deposits increased by 59.7% from RMB1,442 million in 2011 to RMB2,303 million in 2012, primarily due to (i) the continued increase in the average balance of customer deposits, (ii) an increase in the proportion of deposits that are time deposits, resulting in an increase in the average cost of customer deposits, and (iii) the interest rates on deposits have risen since June 2012 as a result of the PBOC allowing PRC commercial banks to raise interest rate ceiling on RMB-denominated deposits to 110% of the relevant benchmark interest rate from 100% of the PBOC benchmark interest rate.

2011 Compared to 2010. Interest expense on customer deposits increased by 74.8% from RMB825 million in 2010 to RMB1,442 million in 2011, mainly due to (i) an increase in the average balance of customer deposits, (ii) an increase in the proportion of deposits that are time deposits resulting in an increase in the average cost of customer deposits, and (iii) an increase in interest rates on deposits after the PBOC increased the benchmark interest rates three times in 2011.

Interest Expenses on Deposits and Placements from Banks and Non-bank Financial Institutions

In 2010, 2011 and 2012, our interest expense on deposits and placements from banks and non-bank financial institutions accounted for 37.6%, 46.3% and 42.3%, respectively, of our total interest expense.

2012 Compared to 2011. Interest expense on deposits and placements from banks and non-bank financial institutions increased by 36.4% from RMB1,290 million in 2011 to RMB1,760 million in 2012, primarily due to an increase in average balance due to the increase in the volume of deposits and placements from banks, which was partially offset by downward movements in interbank interest rates over the same period.

2011 Compared to 2010. Interest expense on deposits and placements from banks and non-bank financial institutions increased by 143.9% from RMB529 million in 2010 to RMB1,290 million in 2011, mainly due to rising interbank market interest rates resulting in an increase in average yield as well as an increase in the average balance of interest-bearing liabilities such as financial assets sold under repurchase agreements.

Interest Expense on Issued Bonds

In 2010, 2011 and 2012, our interest expense on issued bonds was RMB54 million, RMB54 million and RMB96 million, respectively, accounting for 3.8%, 1.9% and 2.3%, respectively, of our total interest expense.

2012 Compared to 2011. Interest expense on issued bonds increased by 77.8% from RMB54 million in 2011 to RMB96 million in 2012. This increase was primarily because we issued subordinated bonds with an aggregate principal amount of RMB800 million in March 2012.

2011 Compared to 2010. Interest expense on issued bonds was RMB54 million in each of 2010 and 2011.

Net Interest Spread and Net Interest Margin

2012 Compared to 2011. Our net interest spread decreased from 2.77% in 2011 to 2.66% in 2012, largely due to an increase in the average cost of our interest-bearing liabilities, which was greater than the increase in the average yield of our interest-earning assets over the same period. Our net interest margin decreased from 2.92% in 2011 to 2.85% in 2012, primarily because we adjusted the term structure of our assets and liabilities due to our liquidity management needs by reducing long-term assets and increasing mid- to long-term liabilities.

2011 Compared to 2010. Our net interest spread increased from 2.70% in 2010 to 2.77% in 2011, primarily due to an increase in the average yield of our interest-earning assets, which was greater than the increase in the average cost of our interest-bearing liabilities over the same period. Our net interest margin increased from 2.78% in 2010 to 2.92% in 2011, mainly attributable to the percentage increase in net interest income being higher than the percentage increase in the average total balance of our interest-earning assets.

Net Fee and Commission Income

Net fee and commission income represented 7.1%, 8.1% and 7.9% of our total operating income in 2010, 2011 and 2012, respectively. The following table sets forth the principal components of our net fee and commission income in the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Fee and commission income			
Financial advisory and consulting services	135	191	154
Wealth management agency services	35	54	107
Bank cards	10	13	46
Payment settlement and agency services	38	55	43
Trust services	—	—	29
Guarantee and commitment services	9	15	27
Subtotal	227	328	406
Fee and commission expenses			
Payment settlement and agency services	(23)	(28)	(24)
Bank cards	(1)	(7)	(11)
Others	(5)	(3)	(3)
Subtotal	(29)	(38)	(38)
Net fee and commission income	198	290	368

Our net fee and commission income increased by 26.9% from RMB290 million in 2011 to RMB368 million in 2012, primarily due to increases in fee and commission income from wealth management agency services and bank card services. Our net fee and commission income increased by 46.5% from RMB198 million in 2010 to RMB290 million in 2011, mainly due to an increase in fee and commission income from financial advisory and consulting services.

Fee and Commission Income

Our fee and commission income increased by 44.5% from RMB227 million in 2010 to RMB328 million in 2011 and by 23.8% from RMB328 million 2011 to RMB406 million in 2012, primarily due to an increase in fee and commission income from wealth management service fees and bank card fees.

Our financial advisory and consulting fees increased by 41.5% from RMB135 million in 2010 to RMB191 million in 2011, and decreased by 19.4% from RMB191 million in 2011 to RMB154 million in 2012. The changes in our financial advisory and consulting fees in 2010, 2011 and 2012 were mainly due to the relatively volatile nature of gains on such business, which is principally affected by factors such as the growth rate of the economy of China and changes in regulatory policy.

Wealth management service fees increased from RMB35 million in 2010 to RMB54 million in 2011 and from RMB54 million in 2011 to RMB107 million in 2012, primarily due to the rapid increase in the volume of wealth management products issued by us. In 2010, 2011 and 2012, we issued 29, 64 and 24 tranches of wealth management products and raised RMB120 million, RMB2.5 billion and RMB19.6 billion, respectively.

Bank card fees increased from RMB10 million in 2010 to RMB13 million in 2011 and from RMB13 million in 2011 to RMB46 million in 2012, mainly due to (i) an increase in the number of bank cards issued by us and the increase in the usage of our bank cards and (ii) the increase in interest and service fees that we charge for repayment of credit card debt in installments since we launched this service in the second half of 2011.

Fee and Commission Expenses

Our fee and commission expenses increased by 31.91% from RMB29.21 million in 2010 to RMB38.53 million in 2011, and decreased by 1.48% from RMB38.53 million in 2011 to RMB37.96 million in 2012. The increase in fee and commission expenses from 2010 to 2011 was mainly due to an increase in fee and commission expenses in bank card services and payment settlement and agency services. The decrease in fee and commission expenses from 2011 to 2012 was mainly due to a decrease in fee and commission expenses in payment settlement and agency services, which was partially offset by an increase in fee and commission expenses in bank card services.

Payment settlement and agency expenses accounted for 78.9%, 73.0% and 62.7% of our fee and commission expenses in 2010, 2011 and 2012, respectively.

Net Trading (Loss)/Gain, Net Gain/(Loss) on Investment Securities and Other Operating Income

The following table sets forth our net trading (loss)/gain, net gain/(loss) on investment securities and other operating income for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Net trading (loss)/gain	(8)	(14)	25
Net gain/(loss) on investment securities	13	(49)	88
Other operating income	27	23	26
Total	32	(40)	139

Net Trading (Loss)/Gain

2012 Compared to 2011. We recorded a net trading gain of RMB25 million in 2012 compared to a net trading loss of RMB14 million in 2011, primarily due to the increase in fair value of our investments in securities held for trading resulting from the downward movements in market interest rates following the two decreases in the PBOC benchmark interest rate in 2012.

2011 Compared to 2010. We recorded a net trading loss of RMB14 million in 2011 compared to a net trading loss of RMB8 million in 2010, primarily due to the decrease in fair value of our investments in securities held for trading resulting from the upward movements in market interest rates following the three increases in the PBOC benchmark interest rate in 2011.

Net Gain/(Loss) on Investment Securities

The following table sets forth the principal components of our net gain on investment securities for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Net gain/(loss) on held-for-trading financial assets net gain/(loss)	(2)	(20)	96
Net gain/(loss) on available-for-sale financial assets net gain/(loss)	15	(29)	(8)
Total	13	(49)	88

2012 Compared to 2011. Our net loss on investment securities was RMB49 million in 2011 while our gain on investment securities was RMB88 million in 2012, primarily due to the increase in the value of our held-for-trading financial assets and available-for-sale financial assets resulting from the downward movements in market interest rates in 2012.

2011 Compared to 2010. Our net gain on investment securities was RMB13 million in 2010 while our loss on investment securities was RMB49 million in 2011, primarily due to the decrease in the value of our held-for-trading financial assets and available-for-sale financial assets resulting from the upward movements in market interest rates in 2011.

Other Operating Income

2012 Compared to 2011. Our other operating income increased by 13.0% from RMB23 million in the 2011 to RMB26 million in 2012, primarily due to an increase in governmental subsidies.

2011 Compared to 2010. Our other operating income decreased by 14.8% from RMB27 million in 2010 to RMB23 million in 2011, primarily due to a decrease in the number of dispositions of foreclosed assets and in governmental subsidies.

Operating Expenses

The following table sets forth the principal components of our operating expenses for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Staff costs (including director and supervisor compensation)	496	725	865
General and administrative expenses	331	369	564
Business taxes and surcharges	165	227	313
Depreciation of fixed assets	46	53	58
Amortization of intangible assets	7	8	7
Amortization of land use rights	5	5	5
Depreciation of investment property	0	0	0
Amortization of long-term deferred expenses	11	16	15
Rent for operating leases	24	31	51
Others	23	17	23
Total	1,108	1,451	1,901

Our operating expenses increased by 31.0% from RMB1,108 million in 2010 to RMB1,451 million in 2011, and by 31.0% from RMB1,451 million in 2011 to RMB1,901 million in 2012, principally as a result of increases in staff costs, general and administrative expenses and business taxes and surcharges. In 2010, 2011 and 2012, the cost-to-income ratio (excluding business taxes and surcharges) was 34.0%, 34.3% and 34.1%, respectively.

Staff Costs

The following table sets forth the principal components of our staff costs for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Salaries and bonuses	383	488	593
Pension costs	40	74	89
Housing benefits and subsidies	13	34	43
Union and employee education fees	25	26	24
Other social security and welfare expenses	35	103	116
Total	496	725	865

Staff costs increased by 46.2% from RMB496 million in 2010 to RMB725 million in 2011, and by 19.3% from RMB725 million in 2011 to RMB865 million in 2012. The increase in staff costs in these periods was primarily due to an increase in the number of staff resulting from the opening of new operating outlets and an increase in the average salaries and bonuses of staff.

Business Taxes and Surcharges

The changes in business taxes and surcharges in 2010, 2011 and 2012 primarily reflected the increase in taxable amount as a result of the increase in operating income.

Allowances for Loan Impairment

The following table sets forth the principal components of our allowances for loan impairment for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Collectively assessed allowances for loan impairment	257	179	208
Individually assessed allowances for loan impairment	(4)	5	32
Total	253	184	240

In 2010, 2011 and 2012, our allowances for loan impairment were RMB253 million, RMB184 million, and RMB240 million, respectively. Our collectively assessed allowances for loan impairment in 2010 included our impairment allowances on loans extended to local governmental financing vehicles and the real estate industry. Our individually assessed allowances for loan impairment in 2012 included our impairment allowances on a newly assessed non-performing loan in 2012.

Income Tax

The following table sets forth the reconciliation between the income tax expenses calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax expenses for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Profit before tax	1,414	1,937	2,517
Expected income tax expense at statutory income tax rate of 25.0%	354	484	629
Effect of non-taxable income[1]	(37)	(53)	(52)
Effect of non-deductible expenses[2]	2	6	5
Differences from settlements for prior years	(7)	11	10
Income tax expense	312	448	592

(1) Primarily consists of interest income from PRC government bonds.

(2) Primarily consist of the portion of expenses in excess of the statutory deductible limit under PRC tax law.

In 2010, 2011 and 2012, our income tax expense was RMB312 million, RMB448 million and RMB592 million, respectively, representing an effective income tax rate of 22.1%, 23.1% and 23.5%, respectively. The increase in tax expense in 2010, 2011 and 2012 was largely attributable to an increase in profits before tax.

The following table sets forth the components of our income tax expenses for the periods indicated:

	Year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Income tax for the year	343	468	591
Deferred tax	(31)	(20)	1
Income tax expense	312	448	592

Net Profit

As a result of the foregoing, our net profit increased by 35.1% from RMB1,102 million in 2010 to RMB1,488 million in 2011, and increased by 29.3% from RMB1,488 million in 2011 to RMB1,925 million in 2012.

FINANCIAL POSITION

Liquidity

Liquidity risk refers to the risk of being unable to finance funds or liquidate a position at a reasonable cost and in a timely manner to fulfill our payment obligations. The assets and liabilities management department of our head office carries out the policies and strategies related to our day-to-day liquidity risk under the supervision of our assets and liabilities management committee. See "Risk Management — Liquidity Risk Management."

We are exposed to daily demands on our available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs and guarantees and from margin and other calls on cash settled derivatives. We do not, nor are we required to, maintain cash resources to meet all these needs, and based on our experience a portion of the maturing deposits will be rolled-over and continue to remain with us. We set limits on the minimum proportion of maturing funds available to meet such demands and the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. Liquidity required to support demands made under guarantees and standby letters of credit are considerably less than the amounts required under other credit commitments because we do not generally expect the potential recipient to draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table sets forth the remaining maturities of assets and liabilities as of the date indicated:

	As of June 30, 2013								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years	Indefinite	Overdue	Total
	(in millions of RMB)								
Assets									
Cash and deposits with central banks	513	6,357	—	—	—	—	24,366	—	31,236
Deposits with banks and non-bank financial institutions	2,089	10,754	8,070	4,051	—	—	—	—	24,964
Financial assets designated at fair value through profit or loss	—	2,316	—	—	—	—	—	—	2,316
Loans to customers	—	5,464	8,531	38,547	13,999	16,724	—	204	83,469
Investments									
Loans and receivables	—	—	1,090	11,477	20,721	—	—	—	33,288
Available-for-sale securities	—	—	—	—	1,983	1,083	188	—	3,254
Held-to-maturity	—	130	220	1,081	2,045	3,269	—	—	6,745
Investments in associates	—	—	—	—	—	—	24	—	24
Other assets including deferred income tax	—	334	15	112	372	37	2,262	—	3,132
Total assets	2,602	25,355	17,926	55,268	39,120	21,113	26,840	204	188,428
Liabilities									
Deposits and placements by banks and non-bank financial institutions	660	11,929	4,574	8,666	4,022	152	—	—	30,003
Customer deposits	54,810	10,864	11,938	38,483	23,513	6	—	—	139,614
Issued debt	—	—	—	996	3,780	—	—	—	4,776
Other liabilities including deferred income tax	—	1,442	319	1,823	564	24	334	—	4,506
Total liabilities	55,470	24,235	16,831	49,968	31,879	182	334	—	178,899
Net liquidity gap	(52,868)	1,120	1,095	5,300	7,241	20,931	26,506	204	9,529

Cash Flows

The following table sets forth our cash flow for the periods indicated. See "Appendix I — Accountant's Report — A. Financial Information — Statements of Cash Flows."

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012 (unaudited)	2013
	(in millions of RMB)				
Net cash generated from operating activities	6,240	790	14,356	10,258	11,697
Net cash (used in)/generated from investing activities	(6,150)	2,445	(16,262)	(10,506)	(11,423)
Net cash (used in)/generated from financing activities	(161)	(159)	642	653	2,757
Effect of exchange rate changes on cash and cash equivalents	(14)	(50)	(3)	3	(15)
Net (decrease)/increase in cash and cash equivalents	(85)	3,026	(1,267)	408	3,016

Cash Flows from Operating Activities

Cash inflow from operating activities primarily consists of net increases in customer deposits, net increases in placements from banks and non-bank financial institutions, net decreases in placements with banks and non-bank financial institutions as well as interest income.

Cash outflow from operating activities consists mainly of net increase in loans to customers, net increases in deposits with central banks, banks and non-bank financial institutions, net increases in placements with banks and non-bank financial institutions, net decreases in placements from banks and non-bank financial institutions, as well as interest expenses.

Net cash inflow from operating activities increased from RMB10,258 million in the six months ended June 30, 2012 to RMB11,697 million in the same period in 2013, primarily due to (i) higher net increase of customer deposits and (ii) higher net increase of deposits and placements from other financial institutions.

Net cash inflow from operating activities increased from RMB790 million in 2011 to RMB14,356 million in 2012, mainly due to (i) higher net increase of customer deposits and (ii) a net decrease of RMB4,564 million in 2012 in deposits and placements with other financial institutions compared to a net increase of RMB3,441 million in 2011.

Net cash inflow from operating activities decreased from RMB6,240 million in 2010 to RMB790 million in 2011, primarily due to a net decrease in 2011 of RMB903 million in deposits and placements from other financial institutions compared to a net increase of RMB5,813 million in 2010.

Cash Flows from Investing Activities

Cash inflow from our investing activities is primarily attributable to proceeds from the disposal or maturity of investment securities.

Cash outflow from our investing activities is primarily attributable to payments for purchases of investment securities and payments for purchases of fixed assets, intangible assets and other long-term assets.

Net cash outflow from investing activities increased from RMB10,506 million in the six months ended June 30, 2012 to RMB11,423 million in the same period in 2013, primarily due to decreases in proceeds from the disposal or maturity of investment securities.

Net cash inflow from investing activities was RMB2,445 million in 2011, whereas net cash outflow from investing activities was RMB16,262 million in 2012, primarily due to decreases in proceeds from the disposal or maturity of investment securities.

Net cash outflow from investing activities was RMB6,150 million in 2010, whereas net cash inflow from investing activities was RMB2,445 million in 2011, primarily due to increases in proceeds from the disposal or maturity of investment securities.

Cash Flows from Financing Activities

Cash inflow from our financing activities is primarily attributable to proceeds from our issuance of bonds.

Cash outflow from our financing activities is primarily attributable to interest paid on bonds.

Net cash inflow from financing activities increased from RMB653 million in the six months ended June 30, 2012 to RMB2,757 million in the same period in 2013, primarily due to an increase in proceeds from debt issuance.

Net cash outflow from financing activities was RMB159 million in 2011, whereas net cash inflow from financing activities was RMB642 million in 2012, primarily due to the issuance of subordinated bonds in 2012.

Net cash outflow from financing activities decreased from RMB161 million in 2010 to RMB159 million in 2011, primarily due to a decrease in dividend payments.

Capital Resources

Shareholders' Equity

The following table sets forth the principal components of our shareholders' equity as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Shareholders' equity				
Share capital	2,021	2,021	2,021	2,021
Capital reserve	1	1	1	1
Other reserves	914	1,309	1,682	2,517
Retained earnings	2,094	3,122	4,554	4,990
Total	5,030	6,453	8,258	9,529

June 30, 2013 Compared to December 31, 2012

Share capital. Our share capital was RMB2,021 million as of both December 31, 2012 and June 30, 2013.

Capital reserve. Our capital reserve was RMB0.8 million as of both December 31, 2012 and June 30, 2013.

Other reserves. We had other reserves of RMB1,682 million and RMB2,517 million as of December 31, 2012 and June 30, 2013, respectively. The increase in our other reserves was because we increased our provisions for general risk reserves in accordance with MOF requirements.

Retained earnings. We had retained earnings of RMB4,554 million and RMB4,990 million as of December 31, 2012 and June 30, 2013, respectively. The increase in our retained earnings as of June 30, 2013 was due to an increase in our profits and our implementation of a low dividend distribution policy.

December 31, 2012 Compared to December 31, 2011

Share capital. Our share capital was RMB2,021 million as of both December 31, 2011 and 2012.

Capital reserve. Our capital reserve was RMB0.8 million as of both December 31, 2011 and 2012.

Other reserves. We had other reserves of RMB1,309 million and RMB1,682 million as of December 31, 2011 and 2012, respectively. The increase in our other reserves was because we increased our provisions for general risk reserves in accordance with MOF requirements.

Retained earnings. We had retained earnings of RMB3,122 million and RMB4,554 million as of December 31, 2011 and 2012, respectively. The increase in our retained earnings as of December 31, 2012 was due to an increase in our profits and our implementation of a low dividend distribution policy.

December 31, 2011 Compared to December 31, 2010

Share capital. Our share capital was RMB2,021 million as of both December 31, 2010 and 2011.

Capital reserve. Our capital reserve was RMB0.8 million as of both December 31, 2010 and 2011.

Other reserves. We had other reserves of RMB914 million and RMB1,309 million as of December 31, 2010 and 2011, respectively. The increase in our other reserves was because we increased our provisions for general risk reserves in accordance with MOF requirements.

Retained earnings. We had retained earnings of RMB2,094 million and RMB3,122 million as of December 31, 2010 and 2011, respectively. The increase in our retained earnings as of December 31, 2011 was due to an increase in our profits and our implementation of a low dividend distribution policy.

Debts Issued

We issued 10-year subordinated bonds in each of 2009 and 2012, consisting of: (i) subordinated bonds in an aggregate principal amount of RMB1 billion due April 3, 2019, the interest rate on which is 5.31% per annum for the first five years and, if not redeemed at the end of five years, increases by 3.00% per annum in the following five years; and (ii) fixed-rate subordinated bonds in an aggregate principal amount of RMB800 million due March 21, 2022, the interest rate on which is 6.80% per annum.

In April 2013, we issued financial bonds for small and micro enterprise loans in the aggregate principal amount of RMB3.0 billion with a term of five years at an interest rate of 4.78% per annum, payable on an annual basis. The net proceeds from the issuance of bonds are designated to be used towards extending loans to small and micro enterprises (including individual business) in an amount of less than RMB5.00 million per account.

Capital Adequacy

On June 7, 2012, the CBRC promulgated the Capital Administrative Measures, which became effective on January 1, 2013. The Capital Administrative Measures set forth the capital adequacy requirements for different tiers of bank capital, and provides for a transition period between 2013 and 2018, during which the minimum required capital adequacy ratios are raised each year. See "Supervision and Regulation — Regulation of Principal Banking Activities — Supervision over Capital Adequacy — Capital Administrative Measures —Transition Period."

According to the transitional requirements applicable to commercial banks other than systemically important banks, as of December 31, 2013, the core Tier 1 capital adequacy ratio shall not be lower than 5.5%; the Tier 1 capital adequacy ratio shall not be lower than 6.5%; and the capital adequacy ratio shall not be lower than 8.5%. The Capital Administrative Measures replaced the Capital Adequacy Measures, which required commercial banks in the PRC to maintain a minimum core capital adequacy ratio of 4.0% and a capital adequacy ratio of 8.0%. See "Supervision and Regulation — Regulation of Principal Banking Activities — Supervision Over Capital Adequacy — Capital Administrative Measures."

The following table sets forth, as of the dates indicated, certain information relating to our capital adequacy calculated under the Capital Adequacy Measures. The basis of calculation of the information is identical to the basis of calculation of the ratios that we submitted to the CBRC Chongqing Bureau:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB, except percentages)			
Core capital:				
Share capital	2,021	2,021	2,021	2,021
Counted part of capital surplus	(34)	(0)	(28)	(19)
Surplus reserves and general risk reserves	836	1,155	1,501	2,526
Counted part of retained earnings	2,168	3,213	4,635	4,987
	4,991	6,389	8,129	9,515
Secondary capital:				
General reserves for loan loss	530	641	767	849
Long-term subordinated debts	1,000	1,000	1,800	1,800
Other secondary capital	328	328	345	339
Subtotal	1,858	1,969	2,912	2,988
Counted secondary capital	1,858	1,969	2,912	2,988
Total capital base before deductions	6,849	8,358	11,041	12,503
Deduction:				
Equity investments in financial institutions	(188)	(210)	(210)	(210)
Equity investments in industrial and commercial enterprises	(4)	(4)	(4)	(1)
Equity investments in real property	(13)	(9)	(9)	(9)
Other deductions	(30)	(30)	(30)	(30)
Subtotal	(235)	(253)	(253)	(250)
Net capital after deduction	6,614	8,105	10,788	12,253
Risk-weighted assets:				
On-balance sheet risk-weighted assets	50,660	60,977	74,595	82,181
Off-balance sheet risk-weighted assets	2,636	5,978	9,518	12,345
Total risk-weighted assets	53,296	66,955	84,113	94,526
Market risk capital	—	67	104	110
Capital adequacy ratio	12.41%	11.96%	12.63%	12.78%
Core capital adequacy ratio	9.17%	9.26%	9.39%	9.81%

As of December 31, 2012 and June 30, 2013, our capital adequacy ratio calculated under the Capital Adequacy Measures was 12.63% and 12.78%, respectively, and our core capital adequacy ratio calculated under the Capital Adequacy Measures was 9.39% and 9.81%, respectively. The ratios as of December 31, 2012 were in compliance with the CBRC requirements, and the ratios as of June 30, 2013 are included here for illustrative purposes.

The following table sets forth certain information relating to our capital adequacy as of June 30, 2013 calculated under the Capital Administrative Measures effective as of January 1, 2013:

	As of June 30, 2013
	(in millions of RMB, except percentages)
Core capital:	
Share capital	2,021
Counted part of capital surplus	(19)
Surplus reserves and general risk reserves	2,526
Counted part of retained earnings	4,998
Core Tier 1 capital deductibles items:	
Fully deductible items	(63)
Threshold deductible items	—
Total core Tier 1 Capital, net	9,463
Other Tier 1 capital, net	—
Tier 2 capital, net	2,862
Net capital	12,325
On-balance sheet risk-weighted assets	89,353
Off-balance sheet risk-weighted assets	12,267
Risk-weighted assets for exposure to counterparty credit risk	—
Total credit risk-weighted assets	101,620
Total market risk-weighted assets	2,415
Total operational risk-weighted assets	6,787
Total risk-weighted assets before applying capital base	110,822
Total risk-weighted assets after applying capital base	110,822
Core Tier 1 capital adequacy ratio	8.54%
Tier 1 capital adequacy ratio	8.54%
Capital adequacy ratio	11.12%

As of June 30, 2013, both our core Tier 1 capital adequacy ratio and our Tier 1 capital adequacy ratio calculated under the Capital Administrative Measures were 8.54% and our capital adequacy ratio calculated under the Capital Administrative Measures was 11.12%, which were in compliance with the CBRC requirements pursuant to the transitional requirements applicable to December 31, 2013.

We plan to comply with the Capital Administrative Measures through the following measures: (1) conduct an initial public offering to raise funds; (2) continued development of our small and micro enterprises business and retail business, which have relatively low risk weightings and low consumption of capital; (3) development of our intermediary business in order to reduce our reliance on the interest spread between deposits and loans; (4) emphasis on strengthening cost control and improving profitability, so that we may use our net profits to supplement our capital; and (5) exploring supplementing our capital through the issuance of capital instruments, such as subordinated bonds.

Credit Commitments and Other Off-Balance Sheet Items

Our credit commitments and other off-balance sheet items primarily consist of bank acceptances, unused credit card overdraft limits, issued letters of guarantee, issued letters of credit, operating lease commitments and capital expenditure commitments. Bank acceptances are undertakings by us to pay bills of exchange issued by our customers. We issue letters of guarantees and letters of credit to guarantee the performance of our customers to third parties. The following table sets forth the contractual amounts of our credit commitments and other off-balance sheet items as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Guarantees	255	235	151	148
Letters of credit	160	85	72	102
Acceptances	8,571	15,152	26,461	36,007
Subtotal	8,986	15,472	26,684	36,257
Unused credit card overdraft limit	268	538	651	630
Operating lease commitments	55	122	172	129
Capital expenditure commitments	144	165	516	402
Total	9,453	16,297	28,023	37,418

Our credit commitments and other off-balance sheet items increased from RMB9,453 million as of December 31, 2010 by 72.4% to RMB16,297 million as of December 31, 2011, by 72.4% to RMB28,023 million as of December 31, 2012, and by 33.5% to RMB37,418 million as of June 30, 2013, primarily due to an increase in the usage of our bank acceptance bills in supply chain finance and the wider acceptance of bank acceptance bills issued by us in the market.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the face value of our known contractual obligations by remaining contract maturity classified into the categories specified below as of the date indicated:

	Six months ended June 30, 2013			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	(in millions of RMB)			
On-balance sheet				
Debts issued	996	3,780	—	4,776
Off-balance sheet				
Operating lease commitments	43	83	3	129
Capital commitments authorized or contracted for	305	98	—	403
Total	1,344	3,961	3	5,308

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk is the risk of financial loss arising from changes in the value of a financial instrument as a result of changes in interest rates, foreign exchange rates, equity prices and commodity prices and other market changes that affect market risk-sensitive instruments. We are exposed to market risk primarily through the assets and liabilities on our balance sheet, as well as our off-balance sheet commitments and guarantees. The market risks to which we are primarily exposed are interest rate risk and exchange rate risk. We have imposed a set of exposure limits for our investment and trading activities in an effort to manage potential market losses within acceptable limits.

Interest Rate Risk

The primary source of our interest rate risk arises from interest rate policy fluctuations and the mismatch of interest-bearing assets and liabilities. We primarily use sensitivity analysis to assess our exposure to interest rate risk. We manage our interest rate risk exposure principally by adjusting the maturity profile of our assets and liabilities based on our assessment of potential changes in the interest rate environment.

Sensitivity Analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on our net profit and equity. The following table sets forth our interest rate sensitivity analysis based on our assets and liabilities at the same date as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Projected change in net profit/(loss)				
+ 100 basis points	(87)	62	4	(152)
- 100 basis points	87	(62)	(4)	152
Projected change in other comprehensive income/(expense)				
+ 100 basis points	(157)	(24)	(82)	(72)
- 100 basis points	167	26	86	75

Based on our assets and liabilities as of June 30, 2013, if interest rates increase (or decrease) by 100 basis points, our net profit for the year following June 30, 2013 would decrease (or increase) by RMB152 million. If interest rates increase (or decrease) by 100 basis points, our other comprehensive income for the year following June 30, 2013 would decrease by RMB72 million (or increase by RMB75 million).

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The relevant analysis measures only the impact of changes in the interest rates within a year, as reflected by the repricing of our assets and liabilities within a year, on our annualized interest income. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or are due within three months are treated as repricing or becoming due in 1.5 months and all assets and liabilities that reprice or are due in more than three months but within one year are treated as repricing or becoming due in 7.5 months, being the middle of the respective periods as shown in the table under "— Sensitivity Analysis"; (ii) there is a parallel shift in the yield curve and in interest rates; and (iii) there are no other changes to the assets and liabilities. Actual changes in our net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Repricing Gap Analysis

The following table sets forth the results of our gap analysis based on the earlier of (i) the next expected re-pricing dates and (ii) the final maturity dates for our financial assets and liabilities as of the date indicated:

	As of June 30, 2013						
	Up to 1 month	1 month up to 3 months	3 months up to 1 year	1 year up to 5 years	Over 5 years	Non-interest-bearing	Total
	(in millions of RMB)						
Assets							
Cash and balances with central banks	30,723	—	—	—	—	513	31,236
Deposits with banks and non-bank financial institutions	13,611	8,065	3,287	—	—	—	24,963
Investment securities designated at fair value through profit or loss	—	30	17	1,611	658	—	2,316
Loans to customers	38,660	7,479	35,008	1,908	414	—	83,469
Investment securities							
Investment securities classified as loans and receivables	—	1,090	11,477	20,721	—	—	33,288
Available for sale	—	29	—	1,983	1,054	188	3,254
Held to maturity	130	220	1,201	1,925	3,269	—	6,745
Investments in associates	—	—	—	—	—	24	24
Other financial assets	—	—	—	—	—	774	774
Total assets	83,124	16,913	50,990	28,148	5,395	1,499	186,069
Liabilities							
Deposits and placements from banks and non-bank financial institutions	26,245	3,417	189	—	152	—	30,003
Customer deposits	78,501	11,967	38,428	10,713	5	—	139,614
Issued debt	—	—	996	3,780	—	—	4,776
Other liabilities	—	—	—	—	—	3,819	3,819
Total liabilities	104,746	15,384	39,613	14,493	157	3,819	178,212
Re-pricing gap	(21,622)	1,529	11,377	13,655	5,238	(2,320)	7,857

Foreign Exchange Risk

The primary source of our foreign exchange risk arises from foreign currency transactions on behalf of the customers as well as proprietary short-term foreign exchange transactions.

The following table sets forth our financial assets and liabilities by currency as of the date indicated:

	As of June 30, 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
	(in millions of RMB)				
Assets					
Cash and balances with central banks	31,215	21	—	—	31,236
Deposits with banks and non-bank financial institutions	24,325	458	5	176	24,964
Investment securities designated at fair value through profit or loss	2,316	—	—	—	2,316
Loans to customers	83,074	395	—	—	83,469
Investment securities					
Investment securities classified as loans and receivables	33,288	—	—	—	33,288
Available for sale	3,254	—	—	—	3,254
Held to maturity	6,745	—	—	—	6,745
Investments in associates	24	—	—	—	24
Other financial assets	771	—	—	3	774
Total	185,012	874	5	179	186,070
Liabilities					
Deposits and placements from banks and non-bank financial institutions	29,695	156	—	152	30,003
Customer deposits	139,053	537	1	23	139,614
Issued debt	4,776	—	—	—	4,776
Other financial liabilities	3,816	1	—	3	3,820
Total	177,340	694	1	178	178,213
Net position of assets/(liabilities)	7,672	180	4	1	7,857

The following table sets forth, as of the dates indicated, the results of our exchange rate sensitivity analysis based on our assets and liabilities as of the same dates:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Change in foreign currency exchange rate				
Rise in exchange rate of foreign currency to RMB by 1%	(0.0)	(0.5)	0.8	0.5
Decline in exchange rate of foreign currency to RMB by 1%	0.0	0.5	(0.8)	(0.5)

Certain Information of Financial Assets Designated at Fair Value

The following tables set forth certain information of our financial assets accounted for at fair value:

From January 1, 2013 to June 30, 2013

	Opening amount	Profit or loss on changes in fair value of the period	Accumulation of changes in fair value including in equity	Impairment counted and drew in the period	Ending amount
	(in millions of RMB)				
Financial assets					
Financial assets at fair value through profit and loss	2,414	14	—	—	2,316
Debt securities classified as receivables	21,232	—	—	—	33,288
Available-for-sale financial assets	3,244	—	2	—	3,254
Held-to-maturity investments	7,656	—	—	—	6,745
Total	34,546	14	2	—	45,603

From January 1, 2012 to December 31, 2012

	Opening amount	Profit or loss on changes in fair value of the period	Accumulation of changes in fair value including in equity	Impairment counted and drew in the period	Ending amount
			(in millions of RMB)		
Financial assets					
Financial assets at fair value through profit and loss	1,615	22	—	—	2,414
Debt securities classified as receivables	5,769	—	—	—	21,232
Available-for-sale financial assets	1,601	—	(19)	—	3,244
Held-to-maturity investments	9,721	—	—	—	7,656
Total	18,706	22	(19)	—	34,546

From January 1, 2011 to December 31, 2011

	Opening amount	Profit or loss on changes in fair value of the period	Accumulation of changes in fair value including in equity	Impairment counted and drew in the period	Ending amount
			(in millions of RMB)		
Financial assets					
Financial assets at fair value through profit and loss	415	(8)	—	—	1,615
Debt securities classified as receivables	6,087	—	—	—	5,769
Available-for-sale financial assets	5,081	—	35	—	1,601
Held-to-maturity investments	9,915	—	—	—	9,721
Total	21,498	(8)	35	—	18,706

CAPITAL EXPENDITURES

Our capital expenditures in 2010, 2011 and 2012 and in the six months ended June 30, 2013 were primarily incurred for the purchase of fixed assets, including electronic equipment, automobiles and real estate.

Our capital expenditures decreased from RMB410 million in 2010 to RMB369 million in 2011, and increased to RMB412 million in 2012. As of June 30, 2013, we had authorized capital commitments of RMB403 million, of which RMB27.8 million were contracted but not provided for, and RMB125 million were authorized but not contracted for. The foregoing amounts and purposes may change depending on business and other operating conditions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment Allowances on Loans and Advances

We review our loan portfolios to assess impairment on a quarterly basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, we make a judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g., payment delinquency or default), or national or local economic conditions that correlate with defaults on our assets. The impairment loss for a loan that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair Value of Financial Instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models. To the extent practical, only observable data is used in models. However, in areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Income Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. We have made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and past practice.

Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and business tax in the period during which such a determination is made.

Held-to-maturity

We classify non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, we evaluate our intention and ability to hold such investments to maturity. If we fail to hold these investments to maturity other than for specific circumstances such as selling an insignificant amount close to maturity due to a significant, deterioration in the issuer's credit, or regulatory requirement, it will be required to reclassify the entire portfolio of assets as available-for-sale. The investments would therefore be measured at fair value, not at amortized cost.

Impairment of Available-for-sale Financial Assets and Held-to-maturity Securities

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

We recognise an impairment loss for an available-for-sale debt instrument and held to maturity debt securities when there is objective evidence that the debt instrument is impaired. Objective evidence of an impairment for a debt instrument exists when one or more events have occurred after the initial recognition of the debt instrument, that reduce the estimated future cash flows to be received on the debt instrument.

INDEBTEDNESS

As of September 30, 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of this indebtedness statement, we had the following indebtedness:

- Subordinated bonds with an aggregate principal amount of RMB1 billion, due on April 3, 2019;
- Subordinated bonds with an aggregate principal amount of RMB800 million, due on March 21, 2022;
- Financial bonds for small and micro enterprise loans with an aggregate principal amount of RMB3.0 billion, due on April 25, 2018;
- deposits and money market takings from customers and other banks and balances under repurchase agreements that arose from the normal course of our banking business; and
- transaction-related contingencies, trade-related contingencies and other commitments that arose from the normal course of our banking business.

Except as disclosed above, we did not have, as of September 30, 2013, any material and outstanding mortgages, charges, debentures, or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our Directors have confirmed that, since September 30, 2013 and up to the date of this prospectus, there has not been any material change in the indebtedness or contingent liabilities of our Bank.

RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of the Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2013

The statistics set forth in the table below are based on the assumption that the Over-Allotment Option is not exercised.

Forecast profit attributable to shareholders of the Company for the year ending December 31, 2013(1)	Not less than RMB2,311 million (equivalent to HK$2,921 million)(3)
Unaudited pro forma forecast earnings per Share(2)	Not less than RMB0.86 (equivalent to HK$1.09)(3)

Notes:

(1) The forecast profit attributable to shareholders of our Bank for the year ending December 31, 2013 is extracted from the section entitled "Financial Information — Profit Forecast For The Year Ending December 31, 2013" of this prospectus. The basis on which the above profit forecast has been prepared is set out in Appendix IV to this prospectus. The Directors have prepared the forecast profit attributable to shareholders of our Bank for the year ending December 31, 2013 based on the audited results of the Company for the six months ended June 30, 2013, and a forecast of the results of the Company for the remaining six months ending December 31, 2013. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those presently adopted by the Company as set out in Note 2 of Section II of the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

(2) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2013 is calculated by dividing the forecast profit attributable to shareholders of our Bank for the year ending December 31, 2013 on the basis that 2,690,618,604 Shares were in issue during the entire period and assuming that the Global Offering had been completed on January 1, 2013. The calculation takes no account of any Shares which may be issued upon exercise of the Over-Allotment Option.

(3) For the purpose of forecast profit attributable to shareholders of the Company and unaudited pro forma forecast earnings per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.79128 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

DIVIDEND POLICY

Our shareholders decide through holding shareholders' meetings whether to pay any dividends, and in what amount, based on our results of operations, capital adequacy ratios, cash flow, financial condition, status of business operations and future prospects, our shareholders' interests, statutory and regulatory restrictions on the payment of dividends by us and other factors. Under the PRC Company Law and our articles of association, all of our shareholders have equal rights to receive dividends.

Our profit distribution plan is drawn up by our Board of Directors. The profit distribution plan should be passed by at least two thirds of our directors. Prior to the submission of the plan to the shareholders' meeting for approval, comments should be sought from the Supervisory Board. The Supervisory Board and outside supervisors should provide written comments to the profit distribution plan separately. Where the Supervisory Board is in agreement with the profit distribution plan, it should approve the plan by a one-half majority of all supervisors; where the Supervisory Board is not in agreement, it should set out clearly the factual basis and reasons for the disagreement and may suggest that the Board of Directors reformulate the profit distribution plan. When necessary, the Supervisory Board may request the convening of a shareholders' meeting for decision upon the plan.

Pursuant to the PRC Company Law and our articles of association, we may pay dividends only after we have recovered all of our accumulated losses, if any, and have made the following appropriations:

- appropriations to the statutory reserve. We make appropriations to the statutory reserve equivalent to 10% of our net profit, as determined under PRC GAAP; no further appropriations to the statutory reserve are required once this reserve reaches an amount equal to 50% of our registered capital;

- appropriations to a discretionary reserve as approved by our shareholders' meeting.

In addition, on March 30, 2012, the MOF promulgated Caijin [2012] No. 20 "Notice Regarding the Issuance of the Administrative Measures for the Provision of Reserves of Financial Enterprises" (關於印發《金融企業準備金計提管理辦法》的通知), which abolished Caijin [2005] No. 49 "Measures on General Provision for Bad and Doubtful Debts for Financial Enterprises" (《金融企業呆帳準備提取管理辦法》), adjusting the minimum ratio of the general reserve balance to the ending balance of risk assets from 1% to 1.5% for financial institutions, including us, and providing that a financial institution that has difficulty reaching the 1.5% requirement at once may allot reserves year to year until the full amount is reached, with such period not to exceed five years in principle. According to MOF requirements in relation to general reserves, as of December 31, 2012, the general reserve we should appropriate amounted to RMB1,843.08 million and the general reserve we had already appropriated amounted to RMB1,010.33 million. In addition, according to our profit distribution plan for the year 2012, approved at our 2012 annual general meeting of shareholders, we have increased the appropriations to our general reserve by RMB832.75 million to satisfy new requirements of the MOF in relation to the general reserve appropriation ratio. The amount of the annual appropriation to our general reserve for each year will be determined and approved at the annual general meeting and the appropriation will be made after the appropriations to the statutory surplus reserve have been made.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits means the sum of our net profits and undistributed profits at the beginning of the year as determined under PRC GAAP, less the statutory surplus reserve, general reserve and discretionary reserve (the appropriation of which is to be determined at the shareholders' general meeting) appropriated under PRC GAAP. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. However, we will ordinarily not pay any dividends in a year in which we do not have any distributable profits or in which the distributable profits do not meet the requirements of the MOF in respect of appropriations to the general reserve.

If our capital adequacy ratio is below the minimum regulatory requirements or has violated other PRC banking regulations, we will be prohibited by the CBRC from paying dividends and other forms of distributions. As of June 30, 2013, we had a core Tier 1 capital adequacy ratio and Tier 1 capital adequacy ratio of 8.54% and a capital adequacy ratio of 11.12% calculated in accordance with Capital Administrative Measures, which were in compliance with CBRC requirements.

According to the Shareholders' Dividends Return Plan of Bank of Chongqing Co., Ltd. (The Three Years Following Listing) (《重慶銀行股份有限公司股東分紅回報規劃(上市後未來三年)》), which was approved at our 2011 annual general meeting of shareholders, we will, after complying with the relevant requirements of banking regulatory authorities on dividend distributions by banks, make distributions in the following order for the three years after listing: if profit distributions are made after the recovery of our losses and the full appropriation of our statutory surplus reserve, general reserve and discretionary reserve, the profits to be distributed in cash should be no less than 10% of the distributable profit of the given year and the accumulated distributed profits in cash for the previous three years should be no less than 30% of average distributable profits for the previous three years.

We review the shareholder return plan at least once every three years, make appropriate and necessary adjustments to our then effective dividend distribution policy and determine the shareholder return plan for that period.

LISTING EXPENSES

We incur listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees. Listing expenses to be borne by our Bank are estimated to be approximately RMB179.3 million. Listing expenses of approximately RMB4.7 million have been incurred as of June 30, 2013. Listing expenses of approximately RMB174.6 million are expected to be incurred after June 30, 2013, of which RMB35.6 million is expected to be charged to our statement of comprehensive income and RMB139.0 million is expected to be accounted for as a deduction from equity.

The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending December 31, 2013.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma statement of adjusted net tangible assets is prepared based on our unaudited net tangible assets as of June 30, 2013, as shown in the Unaudited Pro Forma Financial Information, the text of which is set forth in Appendix III to this prospectus, adjusted as described below.

The unaudited pro forma statement of adjusted net tangible assets has been prepared to show the effect on our net tangible assets of the Company attributable to shareholders of the Company as of June 30, 2013, as if the Global Offering had occurred on June 30, 2013. The unaudited pro forma statement of adjusted net tangible assets of the Company is prepared in accordance with Rule 4.29 of the Listing Rules.

The unaudited pro forma statement of adjusted net tangible assets of our Bank has been prepared for illustrative purposes only and, as a result, may not be an accurate reflection of our financial position.

	Audited net tangible assets attributable to the shareholders of the Company at June 30, 2013(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to the shareholders of the Company	Unaudited pro forma adjusted net tangible assets per share	
	(in millions of RMB)			RMB(3)	HK$(5)
Based on the Offer Price of HK$5.60 per Offer Share......	9,488	2,803	12,291	4.57	5.78
Based on the Offer Price of HK$6.50 per Offer Share......	9,488	3,263	12,751	4.74	5.99

(1) The audited net tangible assets attributable to the shareholders of the Company as at June 30, 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited net assets of the Company attributable to the shareholders of the Company as at June 30, 2013 of RMB9,529 million with an adjustment for the intangible assets as at June 30, 2013 of RMB41 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$5.60 and HK$6.50 per Share after deduction of the underwriting fees and other related expenses (excluding approximately RMB4.7 million listing expenses which have been incurred as of June 30, 2013) and do not take into account of any Shares that maybe issued pursuant to the Over-Allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments as described in Note (2) above and on the basis that 2,690,618,604 Shares were in issue assuming that the Global Offering has been completed on June 30, 2013 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-Allotment Option.

(4) No adjustment has been made to reflect any trading result or other transactions of the Company entered into subsequent to June 30, 2013.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of RMB0.79128 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

NO MATERIAL ADVERSE CHANGE

Our directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2013.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of part A of Appendix 1A of the Listing Rules require this prospectus to include a statement by our Directors that, in their opinion, the working capital available to our Bank is sufficient for at least 12 months from the publication of this prospectus or, if not, how it is proposed to provide the additional working capital our directors consider to be necessary. We are of the view that the conventional concept of "working capital" does not apply to financial institutions such as us. We are regulated in the PRC by, among others, the PBOC and the CBRC. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in the PRC. Rule 8.21A(2) of the Listing Rules provides that such a working capital statement will not be required to be made by an issuer whose business is entirely or substantially that of the provision of financial services, provided that the Hong Kong Stock Exchange is satisfied that the inclusion of such a statement would not provide significant information for investors and the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body. In view of the above, pursuant to Rule 8.21A(2) of the Listing Rules, we are not required to include a working capital statement from the Directors in this prospectus.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the transactions we have entered into with our connected persons (as defined in the Listing Rules) after the listing of our H Shares on the Hong Kong Stock Exchange will constitute connected transactions for us. Such transactions will continue following the Listing Date, thereby constituting continuing connected transactions under the Listing Rules.

Exempt Continuing Connected Transactions

Set forth below are details of various continuing connected transactions between us and certain directors, supervisors, substantial shareholders and/or their respective associates. These transactions are entered into on normal commercial terms in the ordinary and usual course of our business and are exempt from the reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business — Deposit taking

We provide commercial banking services and products to customers in the ordinary and usual course of our business. Such services and products include the taking of deposits. Customers who place deposits with us include substantial shareholders, directors, supervisors, presidents and chief executive officers of our Bank, and former directors of our Bank who were directors within 12 months preceding the date of listing of our H Shares and their respective associates. Each of the above persons is our connected person under Chapter 14A of the Listing Rules. We expect that our connected persons will continue to place deposits with us following the listing of our H Shares, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The deposits placed by our connected persons are on normal commercial terms with reference to prevailing market rates.

The provision of commercial banking services and products by us to our connected persons in the ordinary and usual course of our business and on normal commercial terms that are comparable to, or no more favorable than, those offered to independent third parties (including other comparable employees of ours who are not connected persons) will be exempt continuing connected transactions under Rule 14A.65(4) of the Listing Rules, namely financial assistance provided by a connected person in the form of deposits placed with a listed issuer for the benefit of the listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance, and thus will be exempt from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business — Loans and credit facilities to connected persons

We extend loans and credit facilities (including the provision of long-term loans, short-term loans, consumer loans, credit card overdrafts, mortgages, guarantees, guarantees of third party loans, comfort letters and bill discounting facilities) to our customers in the ordinary and usual course of our business and on normal commercial terms with reference to prevailing market rates. Customers who utilize the above banking products and services may include substantial shareholders, directors, supervisors, presidents and chief executive officers of our Bank, and former directors of our Bank who were directors within 12 months preceding the date of listing of our H Shares and their respective associates. Each of the above persons is our connected person under Chapter 14A of the Listing Rules. We expect that we will continue to provide the above banking products and services to our connected persons following the listing of our H Shares, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The above loans and credit facilities provided by us to our connected persons are on normal commercial terms with reference to prevailing market rates.

The provision of the above loans and credit facilities by us to our connected persons in the ordinary and usual course of our business and on normal commercial terms that are comparable, or no more favorable than, those offered to independent third parties (including other comparable employees of ours who are not connected persons) will be exempt continuing connected transactions under Rule 14A.65(1) of the Listing Rules, namely financial assistance provided by a listed issuer in its ordinary and usual course of business for the benefit of a connected person on normal commercial terms, and thus will be exempt from all reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business — Other banking services and products

We provide various commercial banking services and products (including credit/debit cards and wealth management products) to our customers at normal prescription fees, service fees and charges in the ordinary and usual course of our business and on normal commercial terms and conditions. Customers who utilize the above banking products and services may include substantial shareholders, directors, supervisors, presidents and chief executive officers of our Bank, and former directors of our Bank who were directors within 12 months preceding the date of listing of our H Shares and their respective associates. Each of the above persons is our connected person under Chapter 14A of the Listing Rules. We expect that we will continue to provide the above banking products and services to our connected persons following the listing of our H Shares, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

It is expected that none of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rules) in respect of the annual aggregate service and/or product fees paid to us by any particular connected person and its associates will exceed 0.1%. As a result, these transactions will constitute exempt continuing connected transactions pursuant to Rule 14A.33(3) of the Listing Rules, and thus, will be exempt from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

DIRECTORS

Our incumbent Board has 15 Directors, comprising four executive Directors, six non-executive Directors and five independent non-executive Directors. Our Directors are appointed for a term of three years and are subject to re-election and/or re-appointment. The following table sets forth certain information regarding our Directors:

Name	Age	Time of joining our Bank	Date of appointment for current term	Position	Responsibility
Mr. GAN Weimin (甘為民)	46	December, 2006	December 29, 2010	Chairman and Executive Director	Responsible for overall operations and strategies of our Bank and chairing the Strategy Development Committee
Mr. RAN Hailing (冉海陵)	50	March, 2003	February 18, 2011	Executive Director and President	Responsible for daily operations and management of our Bank
Ms. NI Yuemin (倪月敏)	47	October, 2009	February 1, 2013	Executive Director and Vice President	Responsible for financial management of our Bank
Mr. ZHAN Wanghua (詹旺華)	47	February, 2013	February 1, 2013	Executive Director	Responsible for risk management of our Bank
Mr. WONG Hon Hing (黃漢興)	61	July, 2007	December 29, 2010	Vice Chairman and Non-executive Director	Performing his duty as a director through the voting process and chairing the Information Technology Guidance Committee
Mr. YIN Mingshan (尹明善)	75	November, 2003	December 29, 2010	Non-executive Director	Performing his duty as a director through the voting process
Mr. XIANG Li (向立)	58	August 2013	August 2, 2013	Non-executive Director	Performing his duty as a director through the voting process
Mr. QIN Wei (覃偉)	51	February, 2011	February 18, 2011	Non-executive Director	Performing his duty as a director through the voting process
Mr. DENG Yong (鄧勇)	53	February, 2013	February 1, 2013	Non-executive Director	Performing his duty as a director through the voting process
Ms. LV Wei (呂維)	41	June, 2009	December 29, 2010	Non-executive Director	Performing her duty as a director through the voting process

Name	Age	Time of joining our Bank	Date of appointment for current term	Position	Responsibility
Dr. ZHANG Weiguo (張衛國)	47	February, 2011	February 18, 2011	Independent Non-executive Director	Performing his duty as a director through the voting process and chairing the Remuneration and Nomination Committee
Dr. SUN Fangcheng (孫芳城)	50	February, 2011	February 18, 2011	Independent Non-executive Director	Performing his duty as a director through the voting process and chairing the Audit Committee
Mr. HAN Deyun (韓德雲)	50	February, 2011	February 18, 2011	Independent Non-executive Director	Performing his duty as a director through the voting process and chairing the Connected Transactions Control Committee
Mr. LI He (李和)	59	September 2013	September 4, 2013	Independent Non-executive Director	Performing his duty as a director through the voting process and chairing the Risk Management Committee
Mr. TO Koon Man Henry (杜冠文)	60	September 2013	September 4, 2013	Independent Non-executive Director	Performing his duty as a director through the voting process

Executive Directors

Mr. Gan Weimin (甘為民), aged 46, has been an executive Director of our Bank since June 26, 2007 and the Chairman of our Bank since December 28, 2012.

Mr. Gan joined our Bank in December 2006 as the president until December 28, 2012. Prior to joining our Bank, Mr. Gan worked as the president and the party secretary of the Chongqing branch of China Minsheng Banking Corp., Ltd from February 2001 to December 2006. Prior to that, he served as the general manager of the corporate business department and the president of the Jiefangbei sub-branch of the Chongqing branch of CITIC Industrial Bank Co., Ltd (中信實業銀行有限公司) (now known as China CITIC Bank Corporation Limited (中信銀行股份有限公司)) from August 1998 to February 2001, the manager of the finance department of Sichuan Jialing Co., Ltd. (四川省嘉陵公司) and Jialing Finance Co., Ltd. (嘉陵財務公司) from July 1994 to August 1998, and the secretary of the youth league branch of China Sichuan International Economy and Technology Cooperation Co., Ltd (中國四川國際經濟技術合作公司) from July 1989 to July 1994. Mr. Gan did not hold any directorship in any other listed companies in the last three years.

Mr. Gan obtained a bachelor's degree in engineering, majoring in industry management engineering, from the Management Engineering Department of Xi'an Jiaotong University in July 1989 and a master's degree in business administration from Southwestern University of Finance and Economics in June 2005. He is an economist.

Mr. Ran Hailing (冉海陵), aged 50, has been an executive Director of our Bank since February 18, 2011 and the president of our Bank since April 9, 2013.

Mr. Ran joined our Bank in March 2003 and served as a vice president since May 2003. Prior to joining our Bank, Mr. Ran worked as the assistant to the president of Southwest Securities Company Limited (西南證券有限責任公司) from December 2002 to March 2003, vice general manager and party secretary of Fuling office (涪陵辦事處), general manager of Fuling Securities Business Department (涪陵證券營業部) of Sichuan Trust and Investment Corporation (四川省信託投資公司) from March 1993 to December 2002, the deputy director and party committee member of Chongqing Fuling Canned Food Plant (重慶涪陵地區罐頭食品廠) from March 1992 to March 1993 and the secretary to the general office and section chief of Chongqing Fuling District Administrative Office (重慶涪陵地區行政公署) from February 1990 to March 1992. Mr. Ran did not hold any directorship in any other listed companies in the last three years.

Mr. Ran obtained a diploma in the special basic courses for party and government cadres from Sichuan Radio and TV University in December 1989, a completion certificate of postgraduate class for advanced studies in civil and commercial laws from Southwest University of Political Science and Law in October 2000, and an executive master of business administration degree from Chongqing University in June 2007. Mr. Ran is an economist.

Ms. Ni Yuemin (倪月敏), aged 47, has been an executive Director of our Bank since February 1, 2013. She joined our Bank in October 2009 and has been a vice president since May 7, 2010 and the chief financial officer of our Bank since December 29, 2010.

Prior to joining our Bank, Ms. Ni worked as the chief of the examination and distribution division and the chief of the property rights administration division of Chongqing State-owned Assets Supervision and Administration Commission from October 2003 to October 2009 and the deputy chief of the Enterprise Division I of Chongqing Municipal Finance Bureau from September 2000 to October 2003. Ms. Ni did not hold any directorship in any other listed companies in the last three years.

Ms. Ni obtained an executive master of business administration degree from Chongqing University in December 2011, and obtained a bachelor's degree in economics, majoring in accounting and statistics, from the Economics and Management Department of Yuzhou University (now known as Chongqing Technology and Business University) in July 1987. Ms. Ni is a non-practicing member of the Chinese Institute of Certified Public Accountants and a senior accountant.

Mr. Zhan Wanghua (詹旺華), aged 47, was nominated by Dah Sing Bank, one of our substantial shareholders, to join our Bank as an executive Director on February 1, 2013 and has been our chief risk officer since February 1, 2013. Prior to joining our Bank, Mr. Zhan worked as the director of the risk management department and the secretary of risk control committee of Dah Sing Bank (China) Co., Ltd. (大新銀行(中國)有限公司).

He previously served as the president of Huafu sub-branch of Shenzhen Branch of China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司) between January 2008 and August 2010. Between July 1995 and January 2008, Mr. Zhan served successively as the loan administration manager, loan review manager and assistant to general manager of the risk management department, and full-time member of the loan review committee of Shenzhen Branch of China Guangfa Bank Co., Ltd.. Mr. Zhan did not hold any directorship in any other listed companies in the last three years.

Mr. Zhan obtained a master's degree in economics from Xiamen University in July 1995 and obtained his doctorate graduation certificate in world economics from Xiamen University in June 2008.

Non-executive Directors

Mr. Wong Hon Hing (黃漢興), aged 61, nominated by Dah Sing Bank, one of our substantial shareholders, has been a non-executive Director and vice chairman of our Bank since July 25, 2007.

Mr. Wong joined Dah Sing Bank in 1977 and is currently the vice chairman of its board of directors. Between 1977 and 1989, Mr. Wong served as the head of various departments at Dah Sing Bank. He was appointed as an executive director in 1989, promoted to the managing director in 2000 and then appointed as the vice chairman of Dah Sing Bank in April 2011. He is currently a director of Banco Comercial De Macau, a vice chairman of the board of directors of Dah Sing Life Assurance Company Ltd., an executive director of Dah Sing Insurance Co., Ltd., an executive director of Dah Sing Insurance (1976) Co., Ltd. (大新保險(1976)有限公司), a director of Greatwall Life Insurance Co., Ltd. and the chairman of Dah Sing Bank (China) Co., Ltd. (大新銀行(中國)有限公司).

Mr. Wong is the vice chairman of the board of directors of Dah Sing Banking Group Limited (listed on the Hong Kong Stock Exchange, stock code: 2356), the holding company of Dah Sing Bank. He is also the managing director and the chief executive officer of Dah Sing Financial Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 0440).

Mr. Wong obtained a higher diploma in business studies from the Hong Kong Polytechnic College (now known as Hong Kong Polytechnic University) in October 1977. Mr. Wong is an associate of The Institute of Bankers (U.K.) and a founding member of The Hong Kong Institute of Bankers and The International Retail Banking Council of the U.K.. He has over 35 years of banking experience.

Mr. Yin Mingshan (尹明善), aged 75, nominated by Lifan, has been a non-executive Director of our Bank since November 3, 2003.

Mr. Yin founded Lifan Group Corporation, a company currently known as Lifan (listed on the Shanghai Stock Exchange, stock code: 601777) in January 1992, and is currently the chairman of its board of directors. He is a supervisor of Ancheng Property & Casualty Insurance., Ltd., vice president of All-China General Chamber of Commerce of the Private Sector (中國民間商會), the first president of the China Chamber of Commerce for Motorcycle, and had served as the chairman of the board of directors of Chongqing Lifan Automobile Co., Ltd. (重慶力帆汽車有限公司). Mr. Yin commenced his career in 1958, and served successively as an English teacher at Chongqing Synthetic Chemical Plant Open University (重慶合成化工廠電大), the leader of the teaching and research group of English Center of Chongqing Radio and TV University, an English teacher at Chongqing Architectural Design Institute, an editor of Chongqing Publishing Group, the general manager of Chongqing International Technology

Consultant Co., Ltd. (重慶國際技術諮詢公司), the chairman of the board of Chongqing Changjiang Book Company (重慶長江書刊公司), a member of the Ninth and Tenth National Committee of the Political Consultative Conference, the president of Chongqing Association of Industry & Commerce (重慶市工商聯合會), and the deputy chairman of the Second Chongqing People's Political Consultative Conference.

Mr. Xiang Li (向立), aged 58, nominated by Chongqing Water Conservancy Investment Group Co., Ltd., has been a non-executive Director of our Bank since August 2, 2013.

Mr. Xiang has served as the chairman, party committee secretary and general manager of Chongqing Water Conservancy Investment Group Co., Ltd. since November 2012. Mr. Xiang previously worked as the chairman of the board of supervisors of Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司) from August 2010 to November 2012, a director and vice president of Chongqing Water Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601158) from August 2007 to August 2010, and concurrently the chairman of the board of Chongqing Municipality Tap Water Co. Ltd. (重慶市自來水有限公司) from August 2008 to July 2011. He also served successively as the president, party committee secretary and general manager of Chongqing Three Gorges Water Co., Ltd. (重慶市三峽水務有限責任公司), the president assistant of Chongqing Water Holding (Group) Co. Ltd. (重慶市水務控股(集團)有限公司) from May 2003 to March 2007, the vice president of Chongqing Three Gorges Water Co., Ltd. from March 2007 to August 2007, and the deputy party committee secretary, the party committee secretary and the vice manager of Chongqing Municipality Tap Water Co., Ltd. from December 1998 to May 2003.

Mr. Xiang graduated from Chongqing Normal College (now known as Chongqing Normal University) majoring in Chinese language and literature in June 1986.

Mr. Qin Wei (覃偉), aged 51, nominated by Yufu, one of our substantial shareholders, has been a non-executive Director of our Bank since February 18, 2011.

Mr. Qin has been a party committee member and vice general manager of Yufu since March 2008. Mr. Qin had successively held various positions since he commenced his career in August 1983 , including a section member of the first enterprise finance section of Chongqing Municipal Finance Bureau, the deputy head of the Jiulongpo district factory settlement team and the Jiangbei district factory settlement team, a senior staff member of the general office, the deputy director of the general office, vice division chief of the industry and traffic division and the division chief of the enterprise division I and the enterprise division. Mr. Qin did not hold any directorship in any other listed companies in the last three years.

Mr. Qin obtained a bachelor's degree in economics, majoring in finance, from Sichuan Finance and Economics College (四川財經學院) in July 1983 and an executive master of business administration degree, from Chongqing University in June 2008. Mr. Qin is a senior accountant.

Mr. Deng Yong (鄧勇), aged 53, nominated by Yufu, one of our substantial shareholders, has been a non-executive Director of our Bank since February 1, 2013.

Mr. Deng has been the chief financial officer of Yufu since April 2012. Mr. Deng commenced his career in December 1982. He served successively as a director, the assistant to president and the general manager of the planning and finance department of Southwest Securities Company Limited from August 2008 to April 2012, the assistant to general manager and the manager of finance department of Yufu from March 2004 to August 2008, the deputy general manager of the Linjiang Road and Jiulongpo business office (臨江路、九龍坡營業部) of China Galaxy Securities Co., Ltd. from September 2000 to March 2004 and the deputy general manager of Chongqing Securities Division of China Cinda Trust and Investment Corporation (中國信達信託投資公司重慶證券營業部) from June 1997 to September 2000.

Mr. Deng has been a non-executive director of Chongqing Machinery & Electric Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 2722) since June 2013 and a director of Chongqing Chuanyi Automation Co., Ltd. since April 2013.

Mr. Deng obtained a graduation certificate from the Applied Mathematics Department of Yuzhou University (now known as Chongqing Technology and Business University) in July 1982 and obtained a postgraduate certificate from the Applied Mathematics Department of Chongqing University in 1988.

Ms. Lv Wei (呂維), aged 41, nominated by Chongqing Road & Bridge Co., Ltd., has been a non-executive Director of our Bank since June 3, 2009.

Ms. Lv has been a vice president of Chongqing International Trust Co., Ltd. (formerly known as Chongqing International Trust & Investment Co., Ltd) since September 2012, and the secretary to the board of directors and the head of the legal affairs department of Chongqing International Trust Co., Ltd. since March 2007. Ms. Lv successively worked as the business manager and the deputy head of the legal affairs department of Chongqing International Trust & Investment Co., Ltd. from February 2005 to March 2007. She was an assistant judge of the criminal tribunal, the research office and the third civil tribunal of the Higher People's Court of Chongqing between October 1998 and February 2005. Ms. Lv also worked as a clerk of the second economic tribunal and the trial supervision tribunal of the First Intermediate Court of Chongqing from June 1997 to October 1998 and a clerk of the second economic tribunal of the then Chongqing Intermediate People's Court of Sichuan Province from July 1995 to June 1997.

Ms. Lv has been a director of Chongqing Road and Bridge Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600106) since August 2007.

Ms. Lv obtained a bachelor's degree in law, majoring in economic laws, from Southwest University of Political Science and Law in July 1995 and a master's degree in law, majoring in civil and commercial laws, from Southwest University of Political Science and Law in 2005. Ms. Lv obtained the Legal Profession Certificate (法律職業資格證書) in February 2008 and the Practicing Corporate Counsel Certificate (企業法律顧問執業資格證書) in 2007.

Independent Non-Executive Directors

Dr. Zhang Weiguo (張衛國), aged 47, was appointed as an independent non-executive Director of our Bank on 18 February 2011.

Dr. Zhang has been the president of Southwest University since May 2011. Dr. Zhang previously worked as a vice president of Chongqing University from July 2003 to May 2011, the vice director and the director of the planning and finance division (計劃財務處) of Chongqing University from August 1997 to July 2003, and the director of the department of management of the School of Economics and Business Administration of Chongqing University from July 1993 to August 1997. Dr. Zhang did not hold any directorship in any other listed companies in the last three years.

Dr. Zhang obtained a doctorate degree in management, majoring in technology economy and management from Chongqing University in December 2003. Dr. Zhang is a professor and a doctoral supervisor.

Dr. Sun Fangcheng (孫芳城), aged 50, was appointed as an independent non-executive Director of our Bank on February 18, 2011.

Dr. Sun has been the president of Chongqing Three Gorges University since September 2009. Dr. Sun worked as a vice president of Chongqing University of Technology (formerly known as Chongqing Institute of Technology and Chongqing Institute of Industrial Management) from June 1997 to August 2009, the deputy director and the director of the department of accounting of Chongqing Institute of Industrial Management (currently known as Chongqing University of Technology) from January 1993 to June 1997, and he was teaching accounting at the Chongqing Institute of Industrial Management (currently known as Chongqing University of Technology) from January 1989 to December 1992 and was appointed as lecturer in 1990.

Dr. Sun has been an independent director and the chairman of the audit committee of Chongqing Water Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601158) since August 2007, an independent director and the chairman of the audit committee of Chongqing Jian Feng Chemical Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000950) since September 2008, as well as an independent director and a member of the audit committee of Chongqing Brewery Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600132) since April 2010.

Dr. Sun obtained a bachelor's degree in economics, majoring in mercantile financial accounting, from Anhui Institute of Finance and Trade (now known as Anhui University of Finance & Economics) in July 1984 and a doctorate degree in management, majoring in accounting from the Research Institute of Fiscal Science of the Ministry of Finance of the PRC in July 2008. Dr. Sun is a professor and a non-practicing member of the Chinese Institute of Certified Public Accountants.

Mr. Han Deyun (韓德雲), aged 50, was appointed as an independent non-executive Director of our Bank on February 18, 2011.

Mr. Han has been an attorney at law and managing partner of Solton & Partners since January 1995. From July 1982 to January 1995, Mr. Han served as a member of the youth league committee and the world bank loan office of Southwest Institute of Political Science and Law, a teaching assistant, a lecturer and an associate professor of Southwest Institute of Political Science and Law and a visiting lecturer at the faculty of law of the University of California, Los Angeles.

Mr. Han was an independent director of Loncin Motor Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 603766) from October 2010 to November 2012, an independent director of Chongqing Jiulong Electric Power Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600292) from September 2006 to May 2010. He also served as an independent director of Chengdu Commercial Bank from 2006 to 2009.

Mr. Han obtained a master's degree in law from University of California, Los Angeles in May 1989. Mr. Han obtained a grade I lawyer certificate from Chongqing Municipal Bureau of Justice in January 2007.

Mr. Li He (李和), aged 59, was appointed as an independent non-executive Director of our Bank on September 4, 2013.

Mr. Li served successively as vice president, president and supervisor of Huishang Bank from December 2005 to June 2013. Prior to that, Mr. Li worked as the party committee secretary and president of Wuhan Branch of China Minsheng Bank Corp., Ltd., and the general manager of retail banking department and enterprise planning department at head office of China Minsheng Bank Corp., Ltd. from September 1997 to December 2005, the party committee secretary and the president of Wuhan Branch of China Investment Bank from November 1995 to September 1997, and the director of the general office of Hubei Bureau of the State Administration of Foreign Exchange from December 1993 to November 1995. He also worked as a clerk and section chief of planning department of Hubei Branch of the People's Bank of China, the vice president of Shiyan Branch of the People's Bank of China and the vice director and director of planning department of Hubei Branch of the People's Bank of China from July 1982 to December 1993. Mr. Li did not hold any directorship in any other listed companies in the last three years.

Mr. Li obtained a graduation certificate from Huazhong College of Technology (now known as Huazhong University of Science and Technology) in July 1982, and a master's degree from Zhongnan University of Economics and Law in June 1996. Mr. Li is a senior economist.

Mr. To Koon Man Henry (杜冠文), aged 60, was appointed as an independent non-executive Director of our Bank on September 4, 2013.

Mr. To served as the chief financial officer of Shanghai Commercial Bank Ltd. (上海商業銀行有限公司) from 1988 to November 2012. Prior to that, Mr. To served as a senior manager in Hong Kong office of PricewaterhouseCoopers from 1980 to 1988, and a senior accountant of the auditing department in Toronto office of Deloitte & Touche from 1976 to 1980. Mr. To did not hold any directorship in any other listed companies in the last three years.

Mr. To obtained a bachelor's degree in arts from University of Toronto in 1975, and qualified as a Chartered Accountant and a Certified Management Accountant of Canada in 1979 and 1980, respectively. Mr. To is currently a Hong Kong certified public accountant, a Certificated Tax Advisor and a fellow member of Hong Kong Institute of Directors. He used to be a member of Financial Services Group Committee of the Hong Kong Institute of Certified Public Accountants (香港會計師公會金融服務利益集團委員會) and a member of the Expert Panel on Listing of the Hong Kong Institute of Certified Public Accountants (香港會計師公會上市專家評審委員會委員).

SUPERVISORS

Our Board of Supervisors has nine Supervisors, consisting of two shareholder Supervisors, four employee Supervisors and three external Supervisors. The following table sets forth certain information about our supervisors:

Name	Age	Date of Appointment for current term	Position
Ms. MA Qianzhen (馬千真)	60	November 19, 2012 (chairperson of board of supervisors: April 10, 2013)	employee Supervisor & chairperson of board of supervisors
Mr. HUANG Changsheng (黃常勝)	49	April 28, 2013	employee Supervisor
Ms. WAN Jiayu (萬嘉妤)	48	April 25, 2011	employee Supervisor
Mr. LIN Min (林敏)	43	April 28, 2013	employee Supervisor
Mr. SI Houchun (司厚春)	48	December 29, 2010	shareholder Supervisor
Mr. LIU Xingyu (劉興域)	64	December 29, 2010	shareholder Supervisor
Mr. ZHOU Yongkang (周永康)	64	December 29, 2010	external Supervisor
Ms. WEN Yuping (文玉萍)	56	March 30, 2012	external Supervisor
Mr. CHEN Zhengsheng (陳正生)	62	May 24, 2013	external Supervisor

Ms. Ma Qianzhen (馬千真), aged 60, was appointed as an employee Supervisor of our Bank on November 19, 2012 and has been the chairperson of our board of supervisors since April 10, 2013.

Ms. Ma joined our Bank in February 2008 and has been our party committee secretary since then. She served as the chairperson of our Bank since December 2008 and ceased to be the chairperson of our Bank in November 2012 due to a job relocation within our Bank.

Prior to joining our Bank, Ms. Ma worked as a staff member of the budget section, deputy director and director of the budget division, deputy director-general, director-general and party committee secretary of Chongqing Municipal Finance Bureau from March 1983 to February 2008. Ms. Ma previously worked in Chongqing Foundry Machinery Factory from April 1972 to March 1983. She previously served as a member of the board of supervisors of China Banking Association. Ms. Ma did not hold any directorship in any other listed companies in the last three years.

Ms. Ma obtained a graduation certificate in Chinese literature from Chongqing Junior Teachers' College (now known as Chongqing Normal University) in August 1976, a postgraduate certificate in accounting from the postgraduate department of the Research Institute of Fiscal Science of the Ministry of Finance of the PRC in May 1999, and an executive master of business administration degree from Chongqing University in December 2010. Ms. Ma is a senior accountant.

Mr. Huang Changsheng (黃常勝), aged 49, was appointed as our employee Supervisor on April 28, 2013. Mr. Huang joined our Bank in October 1995. Mr. Huang is currently a deputy party committee secretary, secretary of the discipline committee and chairman of the labor union of our Bank. Mr. Huang previously served as the director of the banking department, the director of the credit department and the director of the general office of the Xiaolongkan sub-branch of our Bank, the assistant to the manager of Guanyinqiao sub-branch of our Bank, assistant to the director, deputy director and director of the general office of our Bank, the board secretary of our Bank and the deputy director of the office of board (in charge), the general manager of the human resources department of our Bank, the head of the preparation group of Guiyang Branch, and the party committee secretary and the manager of Guiyang Branch of our Bank.

Prior to joining our Bank, Mr. Huang worked as the director of the credit department of Shapingba Urban Credit Cooperative in Chongqing from February 1994 to October 1995. Mr. Huang did not hold any directorship in any other listed companies in the last three years.

Mr. Huang obtained an executive master in business administration degree from Chongqing University in December 2012. Mr. Huang is an economist.

Ms. Wan Jiayu (萬嘉妤), aged 48, was appointed as our employee Supervisor in April 2011. Ms. Wan joined our Bank in May 2001. She served as the deputy manager and manager of Yangshilu sub-branch from 2001 to 2009, and the manager of Hi-tech Zone sub-branch from 2009 to 2011. Ms. Wan is currently the general manger of the banking department of our headquarters.

Prior to joining our Bank, Ms. Wan served as a deputy director of the Jiulongpo sub-branch of the Bank of China in Chongqing from 1992 to 2001. She was a teacher at the school for children of staff members of Huxi Electrical Machinery Factory in Chongqing from 1987 to 1992. Ms. Wan did not hold any directorship in any other listed companies in the last three years.

Ms. Wan obtained an executive master of business administration degree from Chongqing University in December 2012. Ms. Wan is an assistant economist.

Mr. Lin Min (林敏), aged 43, was appointed as our employee Supervisor on April 28, 2013. Mr. Lin joined our Bank in December 1999. Mr. Lin is currently the manager and party committee secretary of the Xi'an Branch of our Bank. Mr. Lin previously served as an assistant to the manager of Linjiangmen sub-branch, the deputy manager of Fuling sub-branch, the deputy general manager of the marketing department (in charge), the manager of Nanping sub-branch, the manager of Banan sub-branch, and a member of the preparation group of the Xi'an Branch of Chongqing Bank.

Prior to joining our Bank, Mr. Lin served successively as a clerk, the deputy director and director of the general office, and the assistant to manager of Chongqing International Trust & Investment Co., Ltd. from January 1993 to December 1999, and worked at Chongqing Municipality Tap Water Co. Ltd. from December 1991 to December 1992. Mr. Lin did not hold any directorship in any other listed companies in the last three years.

Mr. Lin obtained an executive master of business administration degree from Chongqing University in December 2009. Mr. Lin is an accountant.

Mr. Si Houchun (司厚春), aged 48, was appointed as our shareholder Supervisor in December 2010.

Mr. Si is currently a director and the chief financial officer of Chongqing Tourism Investment Group Co., Ltd. Mr. Si previously served as the chief accountant of Chongqing Transport and Travel Investment Group Limited from July 2005 to August 2010, and the head of finance department of Chongqing High-grade Highway Construction and Investment Co., Ltd. (重慶高等級公路建設投資有限公司) from December 2002 to July 2005. During the period from June 1985 to November 2002, Mr. Si worked in the Chongqing branch of Industrial and Commercial Bank of China for 17 years, where he served as director, section chief, assistant to president, vice president of Fengjie County sub-branch and vice president of Bishan County sub-branch. Mr. Si did not hold any directorship in any other listed companies in the last three years.

Mr. Si obtained a master of business administration graduation certificate from Chongqing College of Master of Business Administration (重慶工商管理碩士學院) in March 2004. Mr. Si is a senior accountant.

Mr. Liu Xingyu (劉興域), aged 64, was appointed as our shareholder Supervisor in December 2010.

Mr. Liu is currently the office manager and manager of administrative department of Chongqing South Group Limited. Mr. Liu previously served as an employee, statistician, deputy section chief and section chief of production planning section of Chongqing Third Plastics Plant, a state-owned enterprise, from November 1972 to April 1993, and served as the director of the general office and deputy general manager of Chongqing Xinma Tape Plant (重慶新馬粘膠帶廠) from April 1993 to November 1997. Mr. Liu did not hold any directorship in any other listed companies in the last three years.

Mr. Liu obtained a college diploma in economics and management from Beijing Economic Correspondence University (北京經濟函授大學) in January 1989. Mr. Liu is an economist and an assistant statistician.

Mr. Zhou Yongkang (周永康), aged 64, was appointed as our Supervisor in December 2010. Mr. Zhou is an external Supervisor.

Mr. Zhou has over 42 years of experience in the banking industry. He held various positions, including vice director, at People's Bank of China Chongqing Lianglukou local branch (中國人民銀行重慶市兩路口分理處) from 1971 to 1983, and served successively as the deputy director and director of the Central Division Agency of Industrial and Commercial Bank of China Chongqing branch from 1983 to 1988 and director of the accounting department, vice president and counsel of Industrial and Commercial Bank of China Chongqing branch from 1988 to 2008. Mr. Zhou retired in 2008. Mr. Zhou did not hold any directorship in any other listed companies in the last three years.

Mr. Zhou graduated from the undergraduate course in the Correspondence School of Chongqing Party School of the Chinese Communist Party, majoring in finance, in December 1997. Mr. Zhou is a senior economist.

Ms. Wen Yuping (文玉萍), aged 56, was appointed as our Supervisor on March 30, 2012. Ms. Wen is an external Supervisor.

During the period from October 2000 to December 2011, Ms. Wen served successively as full-time supervisor (probation period) at the State-owned Enterprises Supervisors' Work Office of Chongqing Municipal People's Government (重慶市人民政府國有企業監事會工作辦公室) and as an assistant consultant (full-time supervisor) at the State-owned Enterprises Supervisors' Management Office of Chongqing Municipal People's Government (重慶市人民政府國有企業監事會管理辦公室), an assistant consultant (full-time supervisor) at the State-owned Enterprises Supervisors' Work Office of Chongqing State-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會國有企業監事會工作辦公室), and a consultant at the second supervision division of the Supervision Work Office (Audit Office) (監事工作辦公室(審計工作辦公室)監事二處) of Chongqing State-owned Assets Supervision and Administration Commission. She previously worked as an accountant and chief of finance section of Chongqing Xinhua Chemical Plant (重慶新華化工廠) from November 1977 to October 2000. Ms. Wen did not hold any directorship in any other listed companies in the last three years.

Ms. Wen obtained a college diploma in accounting from Southwestern University of Finance and Economics in December 1988. Ms. Wen is a senior accountant.

Mr. Chen Zhengsheng (陳正生), aged 62, was appointed as our Supervisor on May 24, 2013. Mr. Chen is an external Supervisor.

Mr. Chen has over 39 years of experience in banking industry. Mr. Chen held a number of positions in Chongqing Branch of ICBC between May 1984 and April 2011, including director of Jiefangbei Local Branch (解放碑分理處主任), deputy director of the office of Central City District (currently Yuzhong District), director of fund planning office (資金計劃處處長), and vice president and counsel of Chongqing Branch. He was the vice head of the credit group and deputy director of the former Chongqing Qixinggang Local Branch of the People's Bank of China between April 1972 and May 1984. Mr. Chen retired in April 2011. Mr. Chen has been an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 3618) from December 2011, an independent director of Chongqing Yukaifa Company Limited (重慶渝開發股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000514) from August 2012, and an independent director of Loncin Motor Company Limited (隆鑫通用動力股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 603766) from November 2012.

Mr. Chen obtained a postgraduate certificate in political economics (including regional economics) from Chongqing Party School of the Chinese Communist Party in June 1998. Mr. Chen is a senior economist.

SENIOR MANAGEMENT

The following table sets out certain information regarding our senior management:

Name	Age	Position
Mr. RAN Hailing (冉海陵)	50	President
Mr. WANG Min (王敏)	50	Vice President
Ms. NI Yuemin (倪月敏)	47	Vice President and Chief Financial Officer
Mr. NIU Yueqiang (牛躍強)	48	Vice President
Mr. LIU Jianhua (劉建華)	47	Executive Head of Retail Banking
Ms. YANG Shiyin (楊世銀)	48	Executive Head of Corporate Banking
Mr. ZHOU Guohua (周國華)	47	Chief Operations Officer
Mr. ZUO Xiaobo (左小波)	48	Chief Information Officer
Mr. ZHAN Wanghua (詹旺華)	47	Chief Risk Officer
Mr. LI Zaining (李在寧)	58	Secretary to the Board

For the biography of **Mr. Ran Hailing (冉海陵)**, please refer to "Directors" in this section.

Mr. Wang Min (王敏), aged 50, joined our Bank as vice president in September 2006. He is responsible for the management of the risk assessment department, the loan supervision department and the security department.

Prior to joining our Bank, Mr. Wang served as an internal auditor (section-level) of the general office of the internal audit office and a vice director of the internal audit division II of the credit department of China Development Bank, and director of audit & supervision division and director of customer division II of Chongqing Branch of China Development Bank from December 1994 to July 2006. Mr. Wang did not hold any directorship in any other listed companies in the last three years.

Mr. Wang obtained a bachelor's degree in history, majoring in archival science, from Renmin University of China in July 1986. Mr. Wang is an archivist (館員).

For the biography of **Ms. Ni Yuemin (倪月敏)**, please refer to "Directors" in this section.

Mr. Niu Yueqiang (牛躍強), aged 48, was appointed as our vice president in January 2010. Mr. Niu joined our Bank in September 1996. He had served as deputy manager of Caiyuanba sub-branch, deputy manager and manager of Chaotianmen sub-branch, deputy director and director of treasury department at the Headquarters, director of the bills center and assistant to president of our Bank. Mr. Niu is currently responsible for the management of asset and liability management department, treasury department and bills department and also assists in the management of human resources department.

Prior to joining our Bank, Mr. Niu served as a cadre of financial administration division of Chongqing Branch of the People's Bank of China and manager of the securities department of Chongqing Investment Fund Management Company (重慶投資基金管理公司) from 1988 to 1996. Mr. Niu did not hold any directorship in any other listed companies in the last three years.

Mr. Niu obtained an executive master of business administration degree from Chongqing University in December 2012, and obtained a bachelor's degree in economics, majored in industrial economics, from Southwestern University of Finance and Economics in July 1988. Mr. Niu is an economist.

Mr. Liu Jianhua (劉建華), aged 47, was appointed as our executive head of retail banking in September 2011. Mr. Liu joined our Bank in December 1996. He had served as deputy manager and manager of Shangqingsi sub-branch, manager of Renhe Street sub-branch, employee Supervisor of the second, third and fourth Board of Supervisors and general manager of the corporate banking department of our Bank. He is currently responsible for management and development of retail business of our Bank.

Prior to joining our Bank, Mr. Liu served as vice director of Chongqing Chujin Urban Credit Cooperative (重慶儲金城市信用社) from June 1993 to December 1996, and served as a clerk at the Transmission Department of Chongqing Post Office (重慶市郵政局轉運處) from December 1984 to June 1993. Mr. Liu did not hold any directorship in any other listed companies in the last three years.

Mr. Liu obtained an executive master of business administration degree from Chongqing University in December 2011, and obtained a graduation certificate from the postgraduate course in law of Chongqing Party School of the Chinese Communist Party in June 2001. Mr. Liu is a senior economist.

Ms. Yang Shiyin (楊世銀), aged 48, was appointed as our executive head of corporate banking in September 2011. Ms. Yang joined our Bank in September 2001. She had served as chief and manager of Yangjiaping sub-branch, and chief and manager of Jiefangbei sub-branch of our Bank. She is currently responsible for management and development of corporate business of our Bank.

Prior to joining our Bank, Ms. Yang served as deputy section chief of currency exchange section, chief cashier and director of banking department of Jiulongpo sub-branch of Bank of China in Chongqing from May 1989 to August 2001, and accountant of Chongqing Jiulongpo Department Store and Wholesale Company (重慶市九龍坡地區百貨批發公司) from August 1987 to May 1989. Ms. Yang did not hold any directorship in any other listed companies in the last three years.

Ms. Yang obtained a bachelor's degree in economics from Anhui College of Finance and Economics (now known as Anhui University of Finance & Economics) in July 1987. Ms. Yang is a senior economist.

Mr. Zhou Guohua (周國華), aged 47, was appointed as our chief operations officer in September 2011. Mr. Zhou joined our Bank in September 2003. He had served as chief and assistant to the director of the office of the Board of Supervisors, deputy manager of Yubei sub-branch (in charge), and manager of Chongqing Hi-tech Industrial Development Zone branch and chief and manager of Great Hall sub-branch of our Bank. He is currently responsible for management of operations of our Bank.

Prior to joining our Bank, Mr. Zhou served as section member and deputy section chief of finance management section (金管科) of Changshou sub-branch of the People's Bank of China from January 1998 to September 2003, and director of banking department of Changshou sub-branch of Agricultural Bank of China from December 1996 to December 1997. Mr. Zhou did not hold any directorship in any other listed companies in the last three years.

Mr. Zhou obtained an undergraduate diploma majoring in agriculture and animal husbandry economic management from Sichuan Agricultural University in July 1991. Mr. Zhou is an assistant economist.

Mr. Zuo Xiaobo (左小波), aged 48, was appointed as our chief information officer in September 2011. He is currently responsible for information technology development and information risk control.

Prior to joining our Bank, Mr. Zuo served as head of the Science and Technology Department of Industrial and Commercial Bank of China (Asia) Limited in Hong Kong from April 2008 to April 2011, and successively worked as project manager, deputy manager of the Development Department, chief engineer assistant, general manager of Development Department I and general manager of the R&D Management Department of Software R&D Center of Industrial and Commercial Bank of China from July 1996 to April 2008, software programmer and vice section chief of the Science & Technology Section of Changsha Branch of Industrial and Commercial Bank of China from July 1992 to July 1996, and teacher of Xiangtan Mining Institute (now known as Hunan University of Science and Technology) from July 1985 to October 1989. Mr. Zuo did not hold any directorship in any other listed companies in the last three years.

Mr. Zuo obtained a master's degree in Science, majoring in computational mathematics from the Department of Mathematics of Xiangtan University in July 1992. Mr. Zuo is a senior engineer.

For the biography of **Mr. Zhan Wanghua (詹旺華)**, please refer to "Directors" in this section.

Mr. Li Zaining (李在寧), aged 58, was appointed as secretary to the Board of Directors in September 2007. Mr. Li joined our Bank in January 2001. He had served as chief and deputy manager of the Market Development Department, chief and general manager of the Individual Banking Department and director of the Capital Raising & Listing Office of our Bank. Mr. Li is currently responsible for preparation of shareholders' meetings and board meetings of our Bank, files management and information disclosure.

Prior to joining our Bank, Mr. Li worked successively as a teacher at the Chongqing School of Finance and Trade and served as head of the Teaching and Research Office, vice dean of the President's Office and dean of the Finance & Investment Department in Chongqing Institute of Commerce from December 1983 to January 2001. He was a teaching assistant in Kunming Normal Training College from January 1982 to December 1983. Mr. Li served as a director at Chongqing Department Store Co., Ltd (重慶百貨大樓股份有限公司) (listed on Shanghai Stock Exchange, stock code: 600729) from March 2007 to August 2007. Mr. Li did not hold any directorship in any other listed companies in the last three years.

Mr. Li obtained a bachelor's degree in law from the Political Science Department of Southwest Normal College (now known as Southwest Normal University) in January 1982. Mr. Li was awarded the title of lecturer and associate professor in 1987 and 1994 respectively.

JOINT COMPANY SECRETARIES

Mr. Zhou Wenfeng (周文鋒), aged 45, was appointed as a joint company secretary of our Bank on July 16, 2013.

Mr. Zhou joined our Bank in November 2003. Mr. Zhou has been the head of the Listing Office since April 2007. Mr. Zhou previously served successively as deputy director of the Capital Raising & Listing Office of our Bank from February 2007 to April 2007, deputy director of the Office of Board of our Bank from December 2004 to February 2007, deputy general manager of the Market Development Department of our Bank from March 2004 to December 2004 and assistant to the manager of the Fuling sub-branch of our Bank from November 2003 to March 2004.

Prior to joining our Bank, Mr. Zhou had served successively as the third secretary and section chief of the Party Commission Office of Fuling, chief section officer of the fiscal department of Fuling, deputy general manager of Tongji Industry Company Limited (通濟實業有限公司) and general manager of Yinke Economic and Technology Credit Guarantee Company Limited (銀科經濟技術信用擔保有限公司) from March 1992 to November 2003.

Mr. Zhou obtained a Bachelor's degree in Philosophy from Xiamen University in July 1989.

Ms. Ho Wing Tsz Wendy (何詠紫), aged 43, was appointed as a joint company secretary on October 8, 2013.

Ms. Ho is a Senior Manager of Corporate Services at Tricor Services Limited ("**Tricor**"). Prior to joining Tricor, Ms. Ho served as manager of Tengis Limited, the company secretarial department of Ernst & Young in Hong Kong. Ms. Ho has extensive experience in a diversified range of corporate services and has been providing professional services for over 18 years. She has been providing corporate secretarial services to listed companies. Ms. Ho is a Chartered Secretary as well as a Fellow member of both The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries ("**HKICS**"). She is also holder of a Practitioner's Endorsement Certificate issued by HKICS.

COMMITTEES UNDER THE BOARD OF DIRECTORS

Our Bank currently has the following committees under the Board: an audit committee, a remuneration and nomination committee, a strategic committee, an information technology guidance committee, a connected transactions control committee and a risk management committee. Our Bank will form a remuneration and appraisal committee and a nomination committee to replace the current remuneration and nomination committee on the Listing Date. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

Our Bank has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The audit committee consists of two non-executive Directors, being Mr. Deng Yong and Ms. Lv Wei, and three independent non-executive Directors, being Dr. Sun Fangcheng, Mr. Li He and Mr. To Koon Man Henry, which is in compliance with Rules 3.10(2) and 3.21 of the Listing Rules in respect of requirements on the appropriate accounting and related financial management expertise. The chairman of the committee is Dr. Sun Fangcheng. The primary duties of the committee include the following:

- reviewing qualifications of the external auditors and their expenses as well as the audit opinions to be provided to the Board;
- inspecting the accounting policies, financial condition and financial reporting procedures of our Bank;
- taking charge of the annual audit work of our Bank;
- ensuring appropriate remedies are taken by the management in a timely manner to solve the problems identified in the audit report;
- evaluating the work procedures and results of internal audit department; and
- assessing the independence and objectivity of external auditors.

Remuneration and Nomination Committee

Our Bank has established a remuneration and nomination committee with written terms of reference in compliance with paragraphs B1 and A5 of the Code of Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The remuneration and nomination committee consists of two non-executive Directors, being Mr. Yin Mingshan and Ms. Lv Wei, and three independent non-executive Directors, being Dr. Zhang Weiguo, Dr. Sun Fangcheng and Mr. Han Deyun. The chairman of the committee is Dr. Zhang Weiguo. The primary duties of the committee include the following:

Duties in respect of remuneration and appraisal

- formulating and proposing to the Board of Directors proposals in connection with the remuneration policies for Directors, Supervisors, senior management members and other personnel at key posts, and supervising the implementation of such proposals;
- studying and formulating the appraisal criteria for Directors, Supervisors, senior management members and other personnel at key posts and proceeding with implementation;
- considering the annual remuneration for Directors, Supervisors, senior management members and other personnel at key posts and proposing to the Board of Directors for approval; and

- any other matters in association with the remuneration and appraisal management as authorized by the Board of Directors.

Duties in respect of nomination

- formulating the procedures and criteria for selecting and appointing Directors and senior management members;

- searching for and conducting preliminary reviews on the qualifications and requirements for candidates of Directors and senior management members, and putting forward proposals to the Board of Directors;

- assessing the independence of independent non-executive Directors; and

- any other matters in association with nomination as authorized by the Board of Directors.

On the Listing Date, our Bank will establish a remuneration and appraisal committee and a nomination committee with written terms of reference effective as of the Listing Date to replace the current remuneration and nomination committee. Each of the remuneration and appraisal committee and the nomination committee will consist of two non-executive Directors, being Mr. Yin Mingshan and Ms. Lv Wei, and three independent non-executive Directors, being Dr. Zhang Weiguo, Dr. Sun Fangcheng and Mr. Han Deyun. The chairman of the two committees is Dr. Zhang Weiguo. The primary duties of the remuneration and appraisal committee include those as mentioned above in respect of the remuneration and appraisal functions of the current remuneration and nomination committee, and the primary duties of the nomination committee include those as mentioned above in respect of the nomination functions of the current remuneration and nomination committee.

Strategic Committee

Our Bank has established a strategic committee with written terms of reference. The strategic committee consists of four non-executive Directors, being Mr. Yin Mingshan, Mr. Qin Wei, Mr. Xiang Li and Mr. Wong Hon Hing and three executive Directors, being Mr. Gan Weimin, Mr. Ran Hailing and Ms. Ni Yuemin. The chairman of the committee is Mr. Gan Weimin. The primary duties of the committee include the following:

- formulating the operation goals and long-term development strategies of our Bank;

- supervising and inspecting the implementation of annual operating plans and investment proposals;

- fine-tuning the long-term development strategies based on the actual conditions of our Bank; and

- evaluating the feasibility of our Bank to conduct significant external investment and expansion.

Information Technology Guidance Committee

Our Bank has established an information technology guidance committee with written terms of reference. The information technology guidance committee consists of two non-executive Directors, being Mr. Wong Hon Hing and Dr. Zhang Weiguo, and three executive Directors, being Mr. Ran Hailing, Ms. Ni Yuemin and Mr. Zhan Wanghua. The chairman of the committee is Mr. Wong Hon Hing. The primary duties of the committee include the following:

- reviewing and approving the information technology strategy, organizational structure of information technology governance, significant information technology construction projects and budget of our Bank, so as to ensure their alignment with the overall business strategy and major strategies;

- assessing the overall efficiency of information technology work, the information technology strategy planning and the implementation progress of its significant projects annually;

- instructing and supervising the senior management and its relevant management departments to conduct identification, measurement, monitoring and control of information technology risk; and

- steering the work of the information technology management commission and conducting preliminary reviews on the annual report submitted by it to the Board of Directors on information technology risk.

Connected Transactions Control Committee

Our Bank has established a connected transactions control committee with written terms of reference. The connected transactions control committee consists of five independent non-executive Directors, being Dr. Sun Fangcheng, Mr. Li He, Dr. Zhang Weiguo, Mr. To Koon Man Henry and Mr. Han Deyun. The chairman of the committee is Mr. Han Deyun. The primary duties of the committee include the following:

- identifying our Bank's connected parties according to the relevant laws, rules and regulations;

- inspecting, supervising and reviewing significant related party transactions; and

- ensuring our Bank's connected transactions are conducted to the extent permitted by law and taking necessary measures to control or mitigate risks involving connected transactions.

Risk Management Committee

Our Bank has established a risk management committee with written terms of reference. The risk management committee consists of three executive Directors, being Mr. Gan Weimin, Mr. Ran Hailing and Mr. Zhan Wanghua, and two independent non-executive Directors, being Mr. Li He and Mr. To Koon Man Henry. The chairman of the committee is Mr. Li He. The primary duties of the committee include the following:

- formulating risk management strategies and risk quota management policies and implementing the above strategies and policies upon the Board's approval;
- supervising the control of credit risk, market risk, liquidity risk, operation risk, compliance risk, reputation risk and other risks by senior management;
- conducting regular assessment based on the report of the senior management by identifying, monitoring and controlling our Bank's risks and their management status and its tolerance to risks and proposing corresponding risk countermeasures; and
- evaluating the work procedures and efficiency of the risk control department of our Bank and making proposals on improvement in risk control and internal control of our Bank.

COMMITTEE UNDER THE BOARD OF SUPERVISORS

In addition to the above committees under the Board, our Bank has also established a supervision and nomination committee under our Board of Supervisors with written terms of reference. The supervision and nomination committee consists of five Supervisors, being Mr. Zhou Yongkang, Mr. Huang Changsheng, Mr. Chen Zhengsheng, Ms. Wen Yuping and Ms. Wan Jiayu. The chairman of the supervision and nomination committee is Mr. Zhou Yongkang. The primary duties of the supervision and nomination committee include the following:

- taking charge of the formulation of specific proposal for the Board of Supervisors to exercise its supervisory functions and powers;
- executing its function of supervising audit with the authorization of the Board of Supervisors and to be responsible for formulating audit proposal for supervising the due diligence of Directors, Chairman and senior management members; formulating proposal for supervising and auditing our Bank's treasury activities, operation decisions, risk management and internal control with the authorization of the Board of Supervisors, and organizing the implementation of such audit activities, as well as taking charge of the audit on the resignation and retirement of Directors and senior management members;
- taking charge of conducting investigation on specific matters of our Bank with the authorization of the Board of Supervisors and reporting the results to the Board of Supervisors and the Board of Directors simultaneously; and
- formulating the procedures and criteria for selecting and appointing Supervisors according to relevant laws, rules and regulations and conducting preliminary review on the qualifications and conditions for candidates of Supervisors and proposing to the Board of Supervisors.

COMPENSATION OF DIRECTORS, SUPERVISORS AND MANAGEMENT

Our Bank offers our executive Directors, Supervisors and senior management members, who are also employees of our Bank, various compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our non-executive Directors (including independent non-executive Directors) receive compensation based on their responsibilities.

The aggregate amount of remuneration paid by us to our Directors and Supervisors in 2010, 2011 and 2012 and the six months ended June 30, 2013 was approximately RMB8.9 million, RMB11.35 million, RMB10.89 million and RMB6.01 million, respectively.

The aggregate amount of remuneration paid by us to our five highest paid individuals in 2010, 2011 and 2012 and the six months ended June 30, 2013 was approximately RMB6.33 million, RMB8.82 million, RMB11.48 million and RMB9.34 million, respectively.

It is estimated that remuneration equivalent to approximately RMB12.40 million in aggregate will be paid and granted to the Directors and Supervisors by our Bank in 2013 under arrangements in force as of the date of this prospectus.

No remuneration was paid to the Directors, Supervisors or the five highest paid individuals of our Bank as an inducement to join, or upon joining, our Bank. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of our Bank or of any other offices in connection with the management of the affairs of our Bank. None of the Directors of our Bank waived any emoluments during the same period.

Except as disclosed above, no other payments have been paid or are payable, in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, by us to the Directors.

DIRECTORS' AND SUPERVISORS' INTEREST

Except as disclosed in this prospectus, each of the Directors and Supervisors (i) did not hold other positions in our Bank as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial shareholder or controlling shareholder of our Bank as of the Latest Practicable Date; and (iii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. See "Appendix VIII — Statutory and General Information" for our Directors' and Supervisors' interests in the Domestic Shares within the meaning of Part XV of the SFO.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there was no additional matter with respect to the appointment of our Directors or Supervisors that needs to be brought to the attention of the Shareholders and there was no additional information relating to our Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

Our Bank has appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Bank in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Bank proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of our Bank regarding unusual movements in the price or trading volume of the H Shares of our Bank, the possible development of a false market in our H Shares or any other matters.

The terms of the appointment of the compliance advisor will commence on the Listing Date and end on the date when we distribute the annual report of the financial results of our Bank for the first full financial year commencing after the Listing Date.

As at the Latest Practicable Date, our share capital was RMB2,020,618,604 comprising 2,020,618,604 Shares. The following persons directly or indirectly control, or are entitled to exercise, or control the exercise of, 5% or more of our share capital:

Name of Shareholder	No. of Shares directly or indirectly held	Approximate percentage of share capital (%)
Yufu	407,010,187	20.14%
Dah Sing Bank	404,123,721	20.00%
Chongqing Road & Bridge Co., Ltd. (重慶路橋股份有限公司)	171,339,698	8.48%
Chongqing Land Group (重慶市地產集團)	160,162,897	7.93%
Chongqing Water Conservancy Investment Group Co., Ltd (重慶市水利投資(集團)有限公司)	160,162,897	7.93%
Lifan	129,564,932	6.41%

Immediately following the completion of the Global Offering:

- assuming the Over-Allotment Option is not exercised, our share capital will comprise 1,549,494,883 Domestic Shares and 1,141,123,721 H Shares, representing 57.59% and 42.41% of the total share capital of our Bank, respectively; and

- assuming the Over-Allotment Option is fully exercised, our share capital will comprise 1,539,444,883 Domestic Shares and 1,251,673,721 H Shares, representing 55.16% and 44.84% of the total share capital of our Bank, respectively.

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons will have an interest or a short position in our Shares or underlying shares of our Bank which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Bank:

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-Allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-Allotment Option)		
Name of Shareholder	**Nature of interest**	**Class**	**Number of Shares directly or indirectly held**	**Approximate % of interest in our Bank**	**Approximate % of the relevant class of Shares of our Bank**	**Number of Shares directly or indirectly held**	**Approximate % of interest in our Bank**	**Approximate % of the relevant class of Shares of our Bank**
Yufu	Beneficial owner	Domestic Shares	407,010,187	15.13	26.27	407,010,187	14.58	26.44
	Interest of a controlled corporation	H Share [(1)]	54,545,454	2.03	4.78	54,545,454	1.95	4.36
Dah Sing Bank	Beneficial owner	H Shares[(1)(2)]	458,669,175	17.05	40.19	458,669,175	16.43	36.64
Dah Sing Banking Group Limited	Interest of a controlled corporation	H Shares [(3)]	458,669,175	17.05	40.19	458,669,175	16.43	36.64
Dah Sing Financial Holdings Limited	Interest of a controlled corporation	H Shares [(3)]	458,669,175	17.05	40.19	458,669,175	16.43	36.64
Mr. David Shou-Yeh Wong	Interest of a controlled corporation	H Shares [(4)]	458,669,175	17.05	40.19	458,669,175	16.43	36.64
Chongqing Road & Bridge Co., Ltd. (重慶路橋股份有限公司)	Beneficial owner	Domestic Shares	171,339,698	6.37	11.06	171,339,698	6.14	11.13
Chongqing Land Group (重慶市地產集團)	Beneficial owner	Domestic Shares	140,272,374	5.21	9.05	137,288,796	4.92	8.92

Name of Shareholder	Nature of interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-Allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-Allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司)	Beneficial owner	Domestic Shares	140,272,374	5.21	9.05	137,288,796	4.92	8.92
Lifan	Beneficial owner	Domestic Shares	129,564,932	4.82	8.36	129,564,932	4.64	8.42
Chongqing Lifan Holdings Co., Ltd. (重慶力帆控股有限公司)	Interest of a controlled corporation	Domestic Shares(5)	129,564,932	4.82	8.36	129,564,932	4.64	8.42
Chongqing Huiyang Holdings Co., Ltd. (重慶匯洋控股有限公司)	Interest of a controlled corporation	Domestic Shares(5)	129,564,932	4.82	8.36	129,564,932	4.64	8.42
Yin Mingshan (尹明善)	Interest of a controlled corporation	Domestic Shares(6)	129,564,932	4.82	8.36	129,564,932	4.64	8.42

(1) Assuming subscription of additional H Shares through its wholly-owned subsidiary with an aggregate subscription price of HK$330 million at an Offer Price of HK$6.05 per H Share, the mid-point of the estimated Offer Price range.

(2) Including 54,545,454 Offer Shares to be subscribed by Dah Sing Bank in the Global Offering.

(3) Dah Sing Bank is wholly owned by Dah Sing Banking Group Limited, which is held as to approximately 74.59% by Dah Sing Financial Holdings Limited. By virtue of the SFO, each of Dah Sing Banking Group Limited and Dah Sing Financial Holdings Limited is deemed to be interested in the Shares held by Dah Sing Bank.

(4) Mr. David Shou-Yeh Wong beneficially owns approximately 40.75% of the issued share capital of Dah Sing Financial Holdings Limited. By virtue of the SFO, Mr. Wong is deemed to be interested in the Shares held by Dah Sing Bank.

(5) Lifan is owned as to approximately 65.00% by Chongqing Lifan Holdings Co., Ltd. (重慶力帆控股有限公司), which is owned as to approximately 75% by Chongqing Huiyang Holdings Co., Ltd. (重慶匯洋控股有限公司). By virtue of the SFO, each of Chongqing Lifan Holdings Co., Ltd. and Chongqing Huiyang Holdings Co., Ltd. is deemed to be interested in the Shares held by Lifan.

(6) Lifan is controlled by Mr. Yin Mingshan. By virtue of the SFO, Mr. Yin is deemed to be interested in the Shares held by Lifan.

As of the Latest Practicable Date, our share capital, which comprised 2,020,618,604 Shares, is categorized as follows:

Class	Number of shares	Approximate percentage of share capital
Domestic Shares	1,616,494,883	80.00%
Unlisted Foreign Shares held by Dah Sing Bank	404,123,721	20.00%
Total Share Capital	2,020,618,604	100.00%

Immediately after completion of the Global Offering, but without taking into account the exercise of the Over-Allotment Option, our total share capital would be as follows:

Class	Number of shares	Approximate percentage of share capital
Domestic Shares	1,549,494,883	57.59%
H Shares to be converted from Unlisted Foreign Shares held by Dah Sing Bank	404,123,721	15.02%
H Shares to be converted from Domestic Shares and transferred to the NSSF	29,480,000	1.10%
H Shares to be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	37,520,000	1.39%
H Shares issued pursuant to the Global Offering(1)	670,000,000	24.90%
Total Share Capital	2,690,618,604	100.00%

If the Over-Allotment Option is exercised in full, our total share capital would be as follows:

Class	Number of shares	Approximate percentage of share capital
Domestic Shares	1,539,444,883	55.16%
H Shares to be converted from Unlisted Foreign Shares held by Dah Sing Bank	404,123,721	14.48%
H Shares to be converted from Domestic Shares and transferred to the NSSF	33,902,000	1.21%
H Shares to be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	43,148,000	1.54%
H Shares issued pursuant to the Global Offering	770,500,000	27.61%
Total Share Capital	2,791,118,604	100.00%

(1) Dah Sing Bank and Yufu have been granted a waiver from the Hong Kong Stock Exchange to subscribe for additional H Shares at the Other Price in the Global Offering. Please see "Waivers from Strict Compliance with the Listing Rules — Waiver in Relation to Subscription for H Shares by Existing Shareholders" and "Our History, Restructuring and Operational Reform — Strategic Investment by Dah Sing Bank" for more details.

OUR SHARES

H Shares to be issued following the completion of the Global Offering and Domestic Shares are all ordinary Shares in the share capital of our Bank. However, apart from certain qualified domestic institutional investors in the PRC, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC. On the other hand, Domestic Shares may only be subscribed for by, and traded between, legal or natural persons of the PRC and must be subscribed for and traded in Renminbi.

Under our Articles of Association, the rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by affected Shareholders at a separate meeting. The circumstances deemed to be a variation or abrogation of the rights of a class are listed in "Appendix VI — Summary of the Articles of Association". However, the procedures for approval by separate classes of Shareholders do not apply (i) where we issue, upon approval by a special resolution of the Shareholders in a general meeting, either separately or concurrently once every 12 months, shares representing no more than 20% of each of the existing issued Domestic Shares and H Shares; (ii) where our plan to issue Domestic Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval of the securities regulatory authorities of the State Council; or (iii) where the transfer of Domestic Shares for listing and trading on the Hong Kong Stock Exchange as H Shares has been approved by securities regulatory authorities and banking regulatory authorities of the State Council. Domestic Shares and H Shares are regarded as different classes of shares under our Articles of Association.

RANKING

The differences between Domestic Shares and H Shares, and the provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of Share transfer and appointment of dividend receiving agents are set forth in our Articles of Association and summarized in "Appendix VI — Summary of Articles of Association".

Except for the differences above, Domestic Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be calculated in Renminbi and paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of Domestic Shares, dividends in the form of Shares will be distributed in the form of additional Domestic Shares.

TRANSFER AND SALE OF STATE-OWNED SHARES

In accordance with relevant PRC rules regarding the transfer of state-owned Shares in overseas capital markets, our 72 state-owned Shareholders are required to transfer to the NSSF such number of Shares in aggregate equivalent to 10% of the number of the Offer Shares to be issued by the Bank (being 670,000,000 H Shares before the exercise of the Over-Allotment Option or 770,500,000 H Shares after the exercise in full of the Over-Allotment Option). Pursuant to the State-owned Share Transfer Approval, such number of Shares in aggregate equivalent to 10% of the number of the Offer Shares to be issued by the Bank (being 670,000,000 H Shares before the exercise of the Over-Allotment Option or 770,500,000 H Shares after the exercise in full of the Over-Allotment Option) held by our 71 state-owned Shareholders (excluding Yufu) will be transferred to the NSSF, among which the number of Shares that should have been transferred by Yufu will be transferred by Chongqing Land Group, Chongqing Water Conservancy Investment Group Co., Ltd., Chongqing Express Co., Ltd., and Chongqing Transport & Tourism Investment Group Co., Ltd., respectively, on Yufu's behalf on a pro rata basis with respect to their aggregate holdings of our Shares. At the time of the listing of our H Shares on the Hong Kong Stock Exchange, such Shares will be converted into H Shares on a one-for-one basis. Our Bank will not receive any proceeds from the transfer of H Shares by the state-owned Shareholders to the NSSF, the sale of Sale Shares, or any subsequent disposal of such H Shares by the NSSF.

The transfer of state-owned Shares by our Bank's state-owned Shareholders to the NSSF was approved by the SASAC on June 15, 2013. The conversion of those Shares into H Shares was approved by the CSRC on September 29, 2013. Pursuant to a letter issued by the NSSF (Shebaojijinfa [2013] No. 128) on September 11, 2013, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, which shall equal to 56% of all of the Shares that our state-owned Shareholders shall relinquish for the benefit of the NSSF in connection with the Global Offering pursuant to relevant PRC rules, (ii) remit the proceeds from the sale of the Sale Shares to an account designated by the NSSF, and (iii) arrange for the transfer to the NSSF of the remaining 44% of the total number of the Shares that our state-owned Shareholders shall relinquish in connection with the Global Offering. Please see "Structure of the Global Offering — The Selling Shareholders." We have been advised by C&T Partners, our PRC legal advisor, that the transfer and the conversion, and the holding of H Shares by the NSSF following such transfer, conversion and sale, have been approved by the relevant PRC authorities and are legal and valid under PRC law.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

According to the regulations by the State Council securities regulatory authority and our Articles of Association, the holders of Domestic Shares may convert and transfer the Domestic Shares to overseas investors, and such converted shares may be listed or traded on an overseas stock exchange provided that the transfer and trading of such converted shares have been approved by the securities regulatory authorities of the State Council. In addition, such conversion and transfer will have completed any requisite internal approval process and complied with the regulations prescribed by the State Council securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant stock exchange.

If any of the Domestic Shares is to be converted and transferred to overseas investors and to be listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion and transfer will need the approval of the relevant PRC regulatory authorities, including the CSRC. The listing and trading of such converted shares on the Hong Kong Stock Exchange will also need the approval of the Hong Kong Stock Exchange.

Based on the procedures for the conversion and transfer of the Domestic Shares into H Shares as disclosed below, we may apply for the listing of all or any portion of the Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and transfer to ensure that the conversion and transfer process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No approval by separate class meeting is required for the listing and trading of such converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion and transfer. The relevant procedural requirements for the conversion and transfer of the Domestic Shares to H Shares are as follows:

- The holder of Domestic Shares obtains the requisite approval of the CSRC or the authorized securities approval authorities of the State Council for the conversion and transfer of all or part of its Domestic Shares into H Shares.

- The holder of Domestic Shares issues to us a removal request in respect of a specified number of Shares attaching the relevant documents of title.

- Subject to obtaining the approval of our Board, we would issue a notice to our H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holders with H Share certificates for such specified number of Shares.

- Such specified number of Domestic Shares to be converted and transferred to H Shares are re-registered on our H Share register maintained in Hong Kong on the condition that:

  — our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant shares on the H Share register and the due issuance of share certificate; and

  — the admission of the H Shares (converted from the Domestic Shares) to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time.

- Upon completion of the conversion and transfer, the shareholding of the relevant holder of Domestic Shares in our domestic share register will be reduced by such number of Domestic Shares transferred and the number of H Shares in the H Share register will correspondingly increase by the same number of Shares.

- We will comply with the Listing Rules to inform Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

LOCK-UP PERIODS

Pursuant to the PRC Company Law, the Shares issued prior to any public offering of our Shares should not be transferred within a period of one year from the date on which our Shares are publicly offered and listed on the relevant stock exchange. However, the Shares to be transferred by the state-owned Shareholders to the NSSF in accordance with relevant PRC regulations regarding the transfer of state-owned shares (see "Transfer of State-Owned Shares" above) are not subject to such statutory restrictions.

In addition, on May 27, 2013, Dah Sing Bank, our existing foreign Shareholder, undertook that it would not transfer any interest in the Shares held by it (including the additional H Shares subscribed by it under the Global Offering) for a period of three years commencing on the Listing Date. The Shares held by Dah Sing Bank prior to the Listing Date will be converted into H Shares upon the listing of the shares on the Hong Kong Stock Exchange.

On October 16, 2013, Yufu undertook that it would not and would procure its wholly-owned subsidiary that subscribed the H Shares in the Global Offering not to, directly or indirectly, at any time during the period of three years following the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the H Shares beneficially owned by it or its wholly-owned subsidiary except that Yufu or its wholly-owned subsidiary may pledge or charge any H Shares beneficially owned by it in favor of a financial institution for a commercial loan.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with certain investors (the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to subscribe, either directly or as the ultimate beneficial investor, for such number of Shares that may be purchased for the Hong Kong dollar equivalent of the aggregate amount of RMB400 million and US$30 million (calculated at the exchange rates published by Reuters after the close of business as at the Price Determination Date) (the "**Cornerstone Placing**"). Assuming an Offer Price of HK$5.60, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would be 131,809,000, representing approximately (i) 4.90% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 4.72% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised. Assuming an Offer Price of HK$6.05, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would be 122,004,500, representing approximately (i) 4.53% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 4.37% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised. Assuming an Offer Price of HK$6.50, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that the Cornerstone Investors would subscribe for would be 113,557,500, representing approximately (i) 4.22% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 4.07% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised.

The Cornerstone Investors are independent third parties, not our connected persons, and not existing shareholders of our Bank. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Bank on or around November 5, 2013.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Bank. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than as pursuant to the respective cornerstone investment agreements). Upon the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Bank, nor will any of the Cornerstone Investors become our substantial shareholder. The Cornerstone Investors do not have any preferential rights compared with other public Shareholders pursuant to the respective investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering — The Hong Kong Public Offering."

Our Cornerstone Investors

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Chongqing Beiheng Investment & Development Limited

Chongqing Beiheng Investment & Development Limited ("**Chongqing Beiheng**") is the beneficiary of a proposed asset management arrangement to be entered into with Agricultural Bank of China Limited or another qualified domestic institutional investor (the "**QDII Manager**") in the capacity of a qualified domestic institutional investor ("**QDII**") as asset manager and nominee of Chongqing Beiheng. Chongqing Beiheng has agreed to cause the QDII Manager to subscribe for such number of Shares (rounded down to the nearest whole board lot of 500) that may be purchased for the Hong Kong dollar equivalent of RMB400 million (calculated at the exchange rate published by Reuters after the close of business as at the Price Determination Date). Assuming an Offer Price of HK$5.60, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that the QDII Manager would subscribe for would be 90,269,500, representing approximately (i) 3.35% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 3.23% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised. Assuming an Offer Price of HK$6.05, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that the QDII Manager would subscribe for would be 83,555,000, representing approximately (i) 3.11% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 2.99% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised. Assuming an Offer Price of HK$6.50, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that the QDII Manager would subscribe for would be 77,770,500, representing approximately (i) 2.89% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 2.79% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised.

Chongqing Beiheng is a state-owned enterprise incorporated in the PRC on November 19, 2012. As at the Latest Practicable Date, Chongqing Beiheng has a registered capital of RMB1.1 billion. Chongqing Beiheng engages in the businesses of real estate development, principal investment, financial advisory, investment advisory, asset management, landscape designing and construction related businesses.

China Fortune Finance Holdings Limited

China Fortune Finance Holdings Limited ("**China Fortune**") has agreed to subscribe for such number of Shares (rounded down to the nearest 1,000 H Shares) that may be purchased for the Hong Kong dollar equivalent of US$20 million (calculated at the exchange rate published by Reuters after the close of business as at the Price Determination Date). Assuming an Offer Price of HK$5.60, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Fortune would subscribe for would be 27,693,000, representing approximately (i) 1.03% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 0.99% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised. Assuming an Offer Price of HK$6.05, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that China Fortune would subscribe for would be 25,633,000, representing approximately (i) 0.95% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 0.92% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised. Assuming an Offer Price of HK$6.50, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Fortune would subscribe for would be 23,858,000, representing approximately (i) 0.89% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 0.85% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised.

China Fortune is a company incorporated in 2011 under the laws of the Cayman Islands and is principally engaged in international trade (cable and metal materials), research and development of new energy materials and commercialization of the research findings, and investment operations relating to micro finance. It is wholly and beneficially owned by Ms. Junyi Zhao, a PRC citizen and an independent third party.

National Bank of Canada

National Bank of Canada has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 500) that may be purchased for the Hong Kong dollar equivalent of US$10 million (calculated at the exchange rate published by Reuters after the close of business as at the Price Determination Date). Assuming an Offer Price of HK$5.60, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that National Bank of Canada would subscribe for would be 13,846,500, representing approximately (i) 0.51% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 0.50% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised. Assuming an Offer Price of HK$6.05, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that National Bank of Canada would subscribe for would be 12,816,500, representing approximately (i) 0.48% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 0.46% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised. Assuming an Offer Price of HK$6.50, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that National Bank of Canada would subscribe for would be 11,929,000, representing approximately (i) 0.44% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, or (ii) 0.43% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is fully exercised.

National Bank of Canada is the sixth largest bank in Canada. With over 187 billion Canadian dollars in assets as at July 31, 2013, National Bank of Canada, together with its subsidiaries, forms one of Canada's leading integrated financial groups. Its securities are listed on the Toronto Stock Exchange (stock code: TSX: NA) and its principal activities are related to the banking business, which includes the development, issuance, and servicing of savings, credit and investment solutions for both its retail and commercial customers.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement or International Underwriting Agreement;

(2) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated; and

(3) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and such approval or permission having not been revoked.

Restrictions on disposal of H Shares by the Cornerstone Investors

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the Joint Bookrunners, it shall not, and (in the case of Chongqing Beiheng) it shall procure the QDII Manager not to, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any Shares purchased by it (or, in the case of Chongqing Beiheng, by the QDII Manager in the capacity of QDII and as nominee of Chongqing Beiheng pursuant to the cornerstone investment agreement and the QDII asset management agreement), and any shares or other securities of the Bank which are derived from such Shares pursuant to any rights issue, capitalization issue or other form of capital reorganization (whether such transactions are to be settled in cash or otherwise) and any interest from such Shares or securities, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary gives a written undertaking agreeing to, and such Cornerstone Investor gives a written underwriting agreeing to procure that such wholly-owned subsidiary shall, be bound by the Cornerstone Investor's obligations under the relevant cornerstone investment agreement.

FUTURE PLANS

See the section entitled "Business — Our Strategies" of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection to the Global Offering, assuming an Offer Price of HK$6.05, being the mid-point of the proposed Offer Price range of HK$5.60 to HK$6.50) to be of approximately HK$3,832.8 million, if the Over-Allotment Option is not exercised, or approximately HK$4,412.5 million, if the Over-Allotment Option for the Global Offering is exercised in full. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering.

We estimate that the net proceeds from the sale of H Shares by the Selling Shareholders in the Global Offering (after deducting estimated expenses payable by the Selling Shareholders in connection to the Global Offering, assuming an Offer Price of HK$6.05, being the mid-point of the proposed Offer Price range of HK$5.60 to HK$6.50) to be approximately HK$227.0 million, if the Over-Allotment Option is not exercised, or approximately HK$261.0 million, if the Over-Allotment Option for the Global Offering is exercised in full.

We intend to use the net proceeds from the Global Offering (after deducting fees and expenses in relation to the Global Offering) to strengthen our capital base to support the ongoing growth of our business.

HONG KONG UNDERWRITERS

Joint Lead Managers

Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited
BOCOM International Securities Limited
China International Capital Corporation Hong Kong Securities Limited
ABCI Securities Company Limited
CCB International Capital Limited

THE HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 70,752,000 Hong Kong Offer Shares at the Offer Price for subscription by the public in Hong Kong on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on, and subject to, the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may jointly give notice in writing to our Bank on or prior to 8:00 a.m. on the Listing Date to terminate the Hong Kong Underwriting Agreement if:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union, Japan or Singapore (each a "**Relevant Jurisdiction**");

(ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction;

(iii) any event or series of events in the nature of force majeure (such as acts of government, strikes, lock-outs, riots, public disorder, economic sanction, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, large scale outbreak of diseases or epidemics, including, but not limited to, Severe Acute Respiratory Syndrome ("**SARS**") and H1N1 or such related/mutated forms of accident or interruption or delay in transportation) in or affecting any Relevant Jurisdiction;

(iv) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction;

(v) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the H Shares;

(vi) any change or prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

(vii) a petition is presented for the winding-up or liquidation of the Bank or the Bank makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Bank or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Bank or anything analogous thereto occurs in respect of the Bank;

(viii) any litigation or claim being threatened or instigated against the Bank,

and which, in any such case and in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

(A) is or will be or is reasonably expected to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Bank;

(B) has or will have or is reasonably expected to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged;

(C) makes or will make or is reasonably expected to make it impracticable, inexpedient or inadvisable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus;

(b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by the Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, has or is likely to become untrue, inaccurate, incorrect or misleading in any material respect;

(ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom;

(iii) any of the representations, warranties and undertakings given by the Bank in the Hong Kong Underwriting Agreement is (or might when repeated be) untrue, inaccurate, incorrect or misleading in any respect;

(iv) any event, act or omission which gives or may give rise to any liability of the Bank or any other indemnifying party pursuant to the indemnities given by the Bank or them under the Hong Kong Underwriting Agreement;

(v) any material breach of any of the obligations of the Bank or any other indemnifying party under the Hong Kong Underwriting Agreement; or

(vi) any material adverse change or prospective material adverse change in the business, properties, results of operations, in the financial or trading position, conditions or prospects of the Bank,

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole discretion and upon giving written notice to the Bank, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings by Our Bank

Undertaking to the Hong Kong Stock Exchange

Pursuant to Rule 10.08 of the Listing Rules, no further shares or other securities convertible into equity securities of our Bank may be issued by us or form the subject of any agreement to an issue by us within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except:

(a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or

(b) pursuant to the Global Offering.

Undertaking to the Hong Kong Underwriters

Except pursuant to the Global Offering (including pursuant to the Over-Allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange, our Bank will not without the Joint Global Coordinators' prior written consent (subject to the exceptions set out in the Listing Rules):

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend, mortgage, assign or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally or repurchase, any of its share capital or any securities or any interest therein (including but not limited to any interest convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or securities or any interest therein);

(ii) enter into any swap, derivative, lending, repurchase and mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities;

(iii) enter into any transaction with the same economic effect as any transaction specified above; or

(iv) agree or contract to, or publicly announce any intention to enter into, any transaction specified above,

whether any of the foregoing transactions specified above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Bank will or may enter into any transaction described above, provided that the foregoing restrictions shall not apply to the issue of H Shares by our Bank pursuant to the Global Offering (including pursuant to the Over-Allotment Option) or the issue of warrants of the Bank by the Sole Sponsor or the Joint Global Coordinators.

Indemnity

We have agreed to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.3% (including an incentive fee at our sole discretion) on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Bank will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

Assuming an Offer Price of HK$6.05 per H Share (being the mid-point of the indicative Offer Price range), the aggregate commission and fees, together with the Hong Kong Stock Exchange listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by us relating to the Global Offering are estimated to be approximately RMB179.3 million (assuming the Over-Allotment Option is not exercised) in total. The Selling Shareholders will pay the SFC transaction levy and the Hong Kong Stock Exchange trading fees in respect of the Sale Shares.

Hong Kong Underwriters' Interests in Our Bank

Except as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Bank or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Bank.

THE INTERNATIONAL OFFERING

In connection with the International Offering, it is expected that our Bank and the Selling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set forth therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., as stabilizing manager, and/or its affiliates or any person acting for it (the "**Stabilizing Manager**"), on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-Allotment Option.

The Stabilizing Manager may close out any covered short position by either exercising the Over-Allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-Allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares. Any market purchases of our H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager and/or its affiliates or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. The number of our H Shares that may be over-allocated will not exceed the number of our H Shares that may be sold under the Over-Allotment Option, namely, 106,128,000 H Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-Allotment Option is exercised. In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing action permitted pursuant to the Securities and Futures (Price Stabilizing) Rules includes:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

(b) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price;

(c) subscribing, or agreeing to subscribe, for our H Shares pursuant to the Over-Allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, our H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling our H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, and/or its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of our H Shares, the Stabilizing Manager, and/or its affiliates or any person acting for it, may maintain a long position in our H Shares. The size of the long position, and the period for which the Stabilizing Manager, and/or its affiliates or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our H Shares.

Stabilizing action by the Stabilizing Manager, and/or its affiliates or any person acting for it, is not permitted to support the price of our H Shares for longer than the stabilizing period, which begins on the day on which trading of our H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on November 29, 2013. As a result, demand for our H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise might exist in the open market. Any stabilizing action taken by the Stabilizing Manager, and/or its affiliates or any person acting for it, may not necessarily result in the market price of our H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of our H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Offer Price Range

The Offer Price will be not more than HK$6.50 per Offer Share and is expected to be not less than HK$5.60 per Offer Share. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range.**

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$6.50 for each Hong Kong Offer Share in addition to 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined, is less than the maximum price of HK$6.50 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section entitled "How to Apply for Hong Kong Offer Shares."

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our H Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of H Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around October 31, 2013. **If, for any reason, we (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before November 4, 2013, the Global Offering will not proceed and will lapse.**

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, and with the prior written consent of our Bank, reduce the indicative Offer Price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Bank (www.cqcbank.com) notices of the reduction. Upon issue of such a notice, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Bank (on behalf of ourselves and the Selling Shareholders), will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the use of proceeds of the Global Offering, and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should consider the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Bank (on behalf of ourselves and the Selling Shareholders), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on November 5, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and our Bank (www.cqcbank.com) (the contents of the website do not form a part of this prospectus).

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 70,752,000 Offer Shares (subject to adjustment) in Hong Kong as described below in the subsection entitled "The Hong Kong Public Offering"; and

(ii) the International Offering of 636,768,000 Offer Shares by us and the Selling Shareholders (subject to adjustment and the Over-Allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States solely to Qualified Institutional Buyers, or QIBs, as defined in Rule 144A pursuant to an exemption from the registration requirements of the US Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 26.29% of the enlarged registered share capital of our Bank immediately after completion of the Global Offering without taking into account the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the Offer Shares will represent approximately 29.16% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-Allotment Option as set forth in the paragraph entitled "The International Offering — Over-Allotment Option" below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon, among other things, the International Underwriting Agreement being signed and becoming unconditional. Our Bank (on behalf of ourselves and the Selling Shareholders) expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section entitled "Underwriting".

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the subsection entitled "The Hong Kong Public Offering — Reallocation" below.

Conditions of the Global Offering

Acceptance of all applications for Offer Shares will be conditional on:

- the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares being offered pursuant to the Global Offering (including the Sale Shares and the additional H Shares which may be issued pursuant to the exercise of the Over-Allotment Option), the H Shares to be transferred and converted from our state-owned shareholders to NSSF and the H Shares to be converted from the Unlisted Foreign Shares held by Dah Sing Bank, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

- the Offer Price having been fixed on or around the Price Determination Date;

- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms and conditions of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Bank in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for Hong Kong Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on November 5, 2013 but will only become valid certificates of title at 8:00 a.m. on November 6, 2013 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section entitled "Underwriting — The Hong Kong Public Offering — Grounds for Termination" of this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Bank is initially offering 70,752,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be equally divided into two pools for allocation purposes: 35,376,000 Offer Shares for pool A and 35,376,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 35,376,000 Offer Shares will be rejected. Applicants are required to give an undertaking and confirmation in the Application Form submitted by them that applicants and any person(s) for whose benefit applicants are making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and the application will be rejected if such undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong

Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

Allocation of H Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. In the event of over-applications, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of H Shares initially available under the Hong Kong Public Offering, then H Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 212,256,000 H Shares, representing approximately 30% of the H Shares initially available under the Global Offering.

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the H Shares initially available under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 283,008,000 H Shares, representing approximately 40% of the H Shares initially available under the Global Offering.

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 353,760,000 H Shares, representing 50% of the H Shares initially available under the Global Offering. In each such case, the number of the H Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above and the Over-Allotment Option, the International Offering will consist of an aggregate of 636,768,000 Offer Shares to be offered by us and to be sold by the Selling Shareholders.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of our H Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell H Shares after the listing of our H Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Bank and our shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-Allotment Option

In connection with the Global Offering, we and the Selling Shareholders are expected to grant the Over-Allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-Allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Bank to issue and allot and the Selling Shareholders to sell an aggregate of up to 106,128,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the Offer Price under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.80% of our Bank's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-Allotment Option. An announcement will be made in respect of the exercise of the Over-Allotment Option.

THE SELLING SHAREHOLDERS

The Selling Shareholders are initially offering a total of 37,520,000 Sale Shares as part of the Global Offering. The Selling Shareholders may sell up to an aggregate of additional 5,628,000 Sale Shares if the Over-Allotment Option is exercised in full.

Pursuant to a letter issued by the NSSF (Shebaojijinfa [2013] No. 128) on September 11, 2013, the NSSF instructed us, among other things, to remit the proceeds (after deducting the SFC transaction levy and Hong Kong Stock Exchange trading fee) from the sale of the Sale Shares currently registered under the names of the Selling Shareholders in the Global Offering to an account designated by the NSSF in accordance with the relevant PRC laws, rules and regulations.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Bank complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on November 6, 2013, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on November 6, 2013. Our H Shares will be traded in board lots of 500 H Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Bank, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Bank and/or any its subsidiaries;
- a Director or chief executive officer of our Bank and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Bank or will become a connected person of our Bank immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on October 25, 2013 until 12:00 noon on October 30, 2013 from:

(i) any of the following offices of the Hong Kong Underwriters:

Goldman Sachs (Asia) L.L.C.	68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Morgan Stanley Asia Limited	Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong

China International Capital Corporation Hong Kong Securities Limited	29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
ABCI Securities Company Limited	Room 701, 7/F, One Pacific Place 88 Queensway Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central Hong Kong

(ii) any of the following branches of the receiving banks:

(i) **Industrial and Commercial Bank of China (Asia) Limited**

	Branch Name	**Address**
Hong Kong Island:	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Central Branch	1/F, 9 Queen's Road Central
Kowloon:	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
New Territories:	Tuen Mun Branch	217 A-F Central Services Building, Nan Fung Industrial City, 18 Tin Hau Road, Tuen Mun

(ii) **Dah Sing Bank, Limited**

	Branch Name	**Address**
Hong Kong Island:	Gloucester Road Branch	G/F, Dah Sing Financial Centre 108 Gloucester Road
Kowloon:	Telford Garden Branch	Units F5A-F6A, Level 2, Telford Plaza I, Kowloon Bay
	Tsimshatsui Branch	Golden Crown Court 66-70 Nathan Road, Tsimshatsui
New Territories:	Shatin Branch	Shop 9, G/F, Lucky Plaza Shatin

(iii) **Bank of Communications Co., Ltd. Hong Kong Branch**

	Branch Name	**Address**
Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central
	Chaiwan Sub-Branch	G/F, 121-121A Wan Tsui Road Chaiwan
	Quarry Bay Sub-Branch	G/F, 981C, King's Road Quarry Bay
Kowloon:	Tsim Sha Tsui Sub-Branch	Shop 1-3, G/F, 22-28 Mody Road Tsimshatsui
	Kowloon Sub-Branch	G/F, 563 Nathan Road
New Territories:	Market Street Sub-Branch	G/F, 53 Market Street Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on October 25, 2013 until 12:00 noon on October 30, 2013 from the Depository Counter of HKSCC at 2/F Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — Bank of Chongqing Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, October 25, 2013 — 9:00 a.m. to 4:30 p.m.
Saturday, October 26, 2013 — 9:00 a.m. to 1:00 p.m.
Monday, October 28, 2013 — 9:00 a.m. to 4:30 p.m.
Tuesday, October 29, 2013 — 9:00 a.m. to 4:30 p.m.
Wednesday, October 30, 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on October 30, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Bank and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Bank, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Hong Kong Companies Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Bank, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Bank, our H Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Bank, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Bank to place your name(s) or the name of the HKSCC Nominees, on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Bank and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Bank and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Bank. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on October 25, 2013 until 11:30 a.m. on October 30, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on October 30, 2013 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "BANK OF CHONGQING CO., LTD." **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979-7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Bank, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Bank, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Bank to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Bank, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Bank, our H Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Bank agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Bank, for itself and for the benefit of each Shareholder (and so that our Bank will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the PRC Company Law, the Special Regulations, the Hong Kong Companies Ordinance and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

- agree with the Bank, for itself and for the benefit of each Shareholder of the Bank and each Director, Supervisor, manager and other senior officer of the Bank (and so that the Bank will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of the Bank and each Director, Supervisor, manager and other senior officer of the Bank, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Bank or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Bank to arbitration in accordance with the Articles of Association of the Bank;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Bank (for the Bank itself and for the benefit of each Shareholder of the Bank) that H Shares in the Bank are freely transferable by their holders; and

- authorise the Bank to enter into a contract on its behalf with each Director and officer of the Bank whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of the Bank.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Bank or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, October 25, 2013 — 9:00 a.m. to 8:30 p.m.(1)
Saturday, October 26, 2013 — 8:00 a.m. to 1:00 p.m.(1)
Monday, October 28, 2013 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, October 29, 2013 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, October 30, 2013 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on October 25, 2013 until 12:00 noon on October 30, 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on October 30, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Bank, the H Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Bank, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on October 30, 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to participants of the Hong Kong Stock Exchange, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section entitled "Structure of the Global Offering — Pricing and Allocation" of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on October 30, 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on October 30, 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section entitled "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Bank expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on November 5, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Bank's website at www.cqcbank.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our Bank's website at www.cqcbank.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than November 5, 2013;

- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on November 5, 2013 to 12:00 midnight on November 11, 2013;

- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from November 5, 2013 to November 8, 2013; and

- in the special allocation results booklets which will be available for inspection during opening hours from November 5, 2013 to November 7, 2013 at all the receiving bank branches and sub-branches.

If our Bank accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section entitled "Structure of the Global Offering" of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Bank.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

Our Bank, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Bank of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Bank or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$6.50 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — The Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on November 5, 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first- named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around November 5, 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on November 6, 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) **If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on November 5, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on November 5, 2013, by ordinary post and at your own risk.

(ii) **If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on November 5, 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on November 5, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer shares allotted to you with that CCASS participant.

- **If you apply as a CCASS investor participant**

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Bank and report any discrepancies to HKSCC before 5:00 p.m. on November 5, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply through the White Form eIPO Service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on November 5, 2013, or such other date as notified by our Bank in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on November 5, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on November 5, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Bank expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on November 5, 2013. You should check the announcement published by our Bank and report any discrepancies to HKSCC before 5:00 p.m. on November 5, 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on November 5, 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on November 5, 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc

羅兵咸永道

25 October 2013

The Directors
Bank of Chongqing Co., Ltd.

Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We report on the financial information of Bank of Chongqing Co., Ltd. (the "Bank"), which comprises the statements of financial position of the Bank as at 31 December 2010, 2011 and 2012 and 30 June 2013, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Bank and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Bank dated 25 October 2013 (the "Prospectus") in connection with the initial listing of shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited.

The Bank was formerly known as Chongqing Urban Cooperative Bank (重慶城市合作銀行), which was established on 27 September 1996 by consolidating 37 urban credit cooperatives and one urban credit union in Chongqing with the approval of Yinfu [1996] No.140 by the People's Bank of China ("PBOC"). On 31 March 1998, the Bank was renamed as "Commercial Bank of Chongqing Co., Ltd" (重慶市商業銀行股份有限公司) with the approval of Yuyinfu [1998] No.48 by the PBOC Chongqing Branch. On 1 August 2007, the Bank was further renamed as "Bank of Chongqing Co., Ltd." (重慶銀行股份有限公司) with the approval of Yinjianfu [2007] No.325 by the China Banking Regulatory Commission ("CBRC").

As at the date of this report, the Bank has direct interests in an associate as set out in Note 20 of Section II below. This company is a private company.

The Bank has adopted 31 December as its financial year end date. Each financial statements of the Bank as of and for each of the year ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013 were audited by Pan China CPA Ltd. (天健會計師事務所有限公司), respectively.

The directors of the Bank are responsible for the preparation of the Bank's financial statements that gives a true and fair view in accordance with the Accounting Standards for Business Enterprises of the People's Republic of China ("CAS") issued by the China Ministry of Finance.

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The financial information has been prepared based on the previously issued audited financial statements, after making such adjustments as are appropriate.

Directors' Responsibility for the Financial Information

The directors of the Bank are responsible for the preparation of the financial information that gives a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Bank as at 31 December 2010, 2011 and 2012 and 30 June 2013 and of the Bank's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2012 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Bank are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE BANK

The following is the financial information of the Bank prepared by the directors of the Bank as at 31 December 2010, 2011 and 2012 and 30 June 2013, and for each of the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2012 and 2013 (the "Financial Information").

STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
					(unaudited)	
Interest income		3,953,377	6,107,357	8,308,816	4,083,665	4,929,693
Interest expense		(1,407,921)	(2,785,858)	(4,159,185)	(2,033,103)	(2,455,539)
Net interest income	5	2,545,456	3,321,499	4,149,631	2,050,562	2,474,154
Fee and commission income		227,633	328,339	406,006	114,416	389,838
Fee and commission expense		(29,205)	(38,527)	(37,960)	(13,206)	(23,017)
Net fee and commission income	6	198,428	289,812	368,046	101,210	366,821
Net trading (losses)/income	7	(7,542)	(13,605)	25,789	95,885	13,127
Net gains/(losses) on investment securities	19	13,420	(48,847)	87,999	61,533	50,953
Other operating income	8	26,082	22,199	25,831	11,543	45,436
Operating income		2,775,844	3,571,058	4,657,296	2,320,733	2,950,491
Operating expenses	9	(1,108,461)	(1,450,786)	(1,901,448)	(790,368)	(993,939)
Impairment losses on loans and advances to customers	11	(253,416)	(183,532)	(239,627)	(98,193)	(102,118)
Operating profit		1,413,967	1,936,740	2,516,221	1,432,172	1,854,434
Share of (losses)/profits of an associate	20	—	(227)	1,162	821	791
Profit before income tax		1,413,967	1,936,513	2,517,383	1,432,993	1,855,225
Income tax expense	13	(312,318)	(448,358)	(592,578)	(321,995)	(444,593)
Net profit		1,101,649	1,488,155	1,924,805	1,110,998	1,410,632
Net profit for the year/period attributable to shareholders of the Bank		1,101,649	1,488,155	1,924,805	1,110,998	1,410,632
Earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)						
— basic and diluted	14	0.55	0.74	0.95	0.55	0.70

	Note	Year ended 31 December 2010	2011	2012	Six months ended 30 June 2012	2013
					(unaudited)	
Net profit for the year/period attributable to shareholders of the Bank		1,101,649	1,488,155	1,924,805	1,110,998	1,410,632
Other comprehensive income						
Available-for-sale ('AFS') securities						
Changes in fair value recorded in equity		(20,480)	47,036	(25,848)	38,458	2,360
Less: Related income tax impact		5,141	(11,760)	6,462	(9,614)	(590)
Subtotal		(15,339)	35,276	(19,386)	28,844	1,770
Surplus on remeasurement of retirement benefits		2,680	1,124	1,064	363	(29)
Less: Related income tax impact		(670)	(281)	(266)	(92)	7
Subtotal		2,010	843	798	271	(22)
Total other comprehensive income, net of tax	35	(13,329)	36,119	(18,588)	29,115	1,748
Total comprehensive income for the year/period attributable to shareholders of the Bank		1,088,320	1,524,274	1,906,217	1,140,113	1,412,380
Dividends						
Dividend declared during the year/period	31	111,134	101,031	101,031	101,031	141,443

STATEMENTS OF FINANCIAL POSITION

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

		31 December			30 June
	Note	2010	2011	2012	2013
ASSETS					
Cash and balances with central banks	15	15,065,419	19,339,860	25,243,334	31,235,651
Due from other banks and financial institutions	16	18,035,048	24,339,736	18,532,058	24,963,572
Financial assets at fair value through profit or loss	17	414,707	1,615,203	2,413,849	2,315,924
Loans and advances to customers	18	51,954,951	62,824,926	75,256,873	83,468,787
Investment securities	19				
— Loans and receivables		6,087,074	5,768,802	21,232,136	33,287,864
— Available-for-sale ('AFS')		5,081,491	1,601,472	3,244,101	3,254,284
— Held-to-maturity ('HTM')		9,915,010	9,720,839	7,656,075	6,745,290
Investment in an associate	20	—	21,773	22,935	23,726
Property, plant and equipment	21	878,810	1,154,023	1,470,527	1,838,171
Deferred income tax assets	26	158,650	166,533	176,701	173,334
Other assets	22	734,359	786,748	914,889	1,121,711
Total assets		108,325,519	127,339,915	156,163,478	188,428,314
LIABILITIES					
Due to other banks and financial institutions	23	26,838,600	28,445,571	27,659,141	30,003,142
Customer deposits	24	73,856,470	89,306,554	114,043,185	139,613,979
Other liabilities	25	1,520,479	2,011,183	4,234,301	4,258,238
Current tax liabilities		84,980	128,052	172,826	241,118
Deferred income tax liabilities	26	1,103	829	5,789	6,673
Debt issued	28	993,966	994,562	1,789,886	4,775,877
Total liabilities		103,295,598	120,886,751	147,905,128	178,899,027
EQUITY					
Capital and reserves attributable to the Bank's shareholders					
Share capital	29	2,020,619	2,020,619	2,020,619	2,020,619
Capital surplus	29	800	800	800	800
Other reserves	30	914,256	1,309,841	1,683,263	2,517,761
Retained earnings		2,094,246	3,121,904	4,553,668	4,990,107
Total equity		5,029,921	6,453,164	8,258,350	9,529,287
Total liabilities and equity		108,325,519	127,339,915	156,163,478	188,428,314

STATEMENTS OF CHANGES IN EQUITY

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

			Other reserves					
	Share capital	Capital surplus	Surplus reserve	General reserve	Revaluation reserve for AFS securities	Surplus on remeasurement of retirement benefits	Retained earnings	Total
	(Note 29)	(Note 29)	(Note 30)	(Note 30)	(Note 30)	(Note 30)		
Balance at 1 January 2010	2,020,619	800	238,106	421,590	(18,532)	(2,304)	1,392,456	4,052,735
Net profit for the year	—	—	—	—	—	—	1,101,649	1,101,649
Changes taken to other comprehensive income	—	—	—	—	(15,339)	2,010	—	(13,329)
Total comprehensive income	—	—	—	—	(15,339)	2,010	1,101,649	1,088,320
Dividends (Note 31)	—	—	—	—	—	—	(111,134)	(111,134)
Transfer to other reserves	—	—	110,165	178,560	—	—	(288,725)	—
Balance at 31 December 2010	2,020,619	800	348,271	600,150	(33,871)	(294)	2,094,246	5,029,921
Balance at 1 January 2011	2,020,619	800	348,271	600,150	(33,871)	(294)	2,094,246	5,029,921
Net profit for the year	—	—	—	—	—	—	1,488,155	1,488,155
Changes taken to other comprehensive income	—	—	—	—	35,276	843	—	36,119
Total comprehensive income	—	—	—	—	35,276	843	1,488,155	1,524,274
Dividends (Note 31)	—	—	—	—	—	—	(101,031)	(101,031)
Transfer to other reserves	—	—	148,816	210,650	—	—	(359,466)	—
Balance at 31 December 2011	2,020,619	800	497,087	810,800	1,405	549	3,121,904	6,453,164
Balance at 1 January 2012	2,020,619	800	497,087	810,800	1,405	549	3,121,904	6,453,164
Net profit for the year	—	—	—	—	—	—	1,924,805	1,924,805
Changes taken to other comprehensive income	—	—	—	—	(19,386)	798	—	(18,588)
Total comprehensive income	—	—	—	—	(19,386)	798	1,924,805	1,906,217
Dividends (Note 31)	—	—	—	—	—	—	(101,031)	(101,031)
Transfer to other reserves	—	—	192,480	199,530	—	—	(392,010)	—
Balance at 31 December 2012	2,020,619	800	689,567	1,010,330	(17,981)	1,347	4,553,668	8,258,350
Balance at 1 January 2012	2,020,619	800	497,087	810,800	1,405	549	3,121,904	6,453,164
Net profit for the period	—	—	—	—	—	—	1,110,998	1,110,998
Changes taken to other comprehensive income	—	—	—	—	28,844	271	—	29,115
Total comprehensive income	—	—	—	—	28,844	271	1,110,998	1,140,113
Dividends (Note 31)	—	—	—	—	—	—	(101,031)	(101,031)
Transfer to other reserves	—	—	—	199,530	—	—	(199,530)	—
Balance at 30 June 2012 (unaudited)	2,020,619	800	497,087	1,010,330	30,249	820	3,932,341	7,492,246
Balance at 1 January 2013	2,020,619	800	689,567	1,010,330	(17,981)	1,347	4,553,668	8,258,350
Net profit for the period	—	—	—	—	—	—	1,410,632	1,410,632
Changes taken to other comprehensive income	—	—	—	—	1,770	(22)	—	1,748
Total comprehensive income	—	—	—	—	1,770	(22)	1,410,632	1,412,380
Dividends (Note 31)	—	—	—	—	—	—	(141,443)	(141,443)
Transfer to other reserves	—	—	—	832,750	—	—	(832,750)	—
Balance at 30 June 2013	2,020,619	800	689,567	1,843,080	(16,211)	1,325	4,990,107	9,529,287

STATEMENTS OF CASH FLOWS

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

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Cash flows from operating activities					
Profit before income tax	1,413,967	1,936,513	2,517,383	1,432,993	1,855,225
Adjustments:					
Depreciation and amortisation	68,814	81,909	85,417	40,593	55,776
Impairment losses on loans	253,416	183,532	239,627	98,193	102,118
Impairment losses/(reversal) on other assets	6,139	1,337	1,427	72	(199)
Net gains on disposal of property, plant and equipment	(7,669)	(7,279)	(4,881)	(69)	(26,565)
Net (gains)/losses on de-recognition of investment securities	(13,420)	48,847	(87,999)	(61,533)	(50,953)
Share of results of an associate	—	227	(1,162)	(821)	(791)
Interest income arising from investment securities	(647,009)	(717,556)	(1,438,691)	(536,272)	(1,217,633)
Interest expense arising from bonds issued	53,665	53,696	96,481	40,481	80,452
Net increase in operating assets:					
Net increase in restricted deposit balances with central banks	(3,964,464)	(5,039,215)	(4,283,892)	(2,345,960)	(3,675,529)
Net (increase)/decrease in due from and placements with and loans to banks and other financial institutions	(1,116,662)	(3,441,181)	4,564,197	3,332,656	(378,598)
Net (increase)/decrease in financial assets held under resale agreements	(5,766,082)	915,081	(1,630,567)	(5,099,388)	(5,353,775)
Net increase in loans and advances to customers	(10,713,900)	(11,057,375)	(12,669,408)	(8,139,688)	(8,308,820)
Net (increase)/decrease in other operating assets	(15,191)	60,022	(44,976)	(868,086)	304,477
Net increase in operating liabilities:					
Net increase/(decrease) in borrowings from central banks	487,100	204,585	805,170	(534)	847,466
Net increase/(decrease) in due to and placements from banks and other financial institutions	5,813,326	(903,413)	791,110	747,373	2,278,391
Net increase/(decrease) in financial assets sold under repurchase agreements	5,658,653	2,305,799	(2,382,710)	2,014,313	(781,857)
Net increase in customer deposits	14,608,255	15,450,084	24,736,631	17,189,840	25,570,794
Net increase in other operating liabilities	477,236	1,205,786	3,700,299	2,694,580	773,494
Income tax paid	(355,773)	(491,430)	(637,352)	(280,647)	(376,301)
Net cash inflows from operating activities	6,240,401	789,969	14,356,104	10,258,096	11,697,172

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Cash flows from investing activities:					
Dividends received	4,216	5,224	5,947	1,049	7,791
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	7,838	4,209	205	220	38,973
Purchase of property and equipment, intangible assets and other long-term assets	(410,218)	(368,566)	(412,490)	(135,713)	(425,973)
Investment in an associate	—	(22,000)	—	—	—
Net (decrease)/increase in financial assets at fair valuen through profit or loss	(244,118)	(1,200,496)	(798,646)	(957,050)	97,925
Purchase of investment securities	(43,262,315)	(60,200,120)	(28,459,890)	(19,135,890)	(14,527,970)
Proceeds from disposal/maturity of investment securities	37,754,824	64,226,664	13,402,561	9,720,931	3,385,993
Net cash (outflows)/inflows from investing activities	(6,149,773)	2,444,915	(16,262,313)	(10,506,453)	(11,423,261)
Cash flows from financing activities:					
Proceeds from issuance of a bond	—	—	794,400	794,400	2,985,000
Interest paid in relation to issued bonds	(53,665)	(53,696)	(54,024)	(53,503)	(108,490)
Dividend paid to shareholders of the Bank	(107,254)	(104,916)	(98,659)	(87,782)	(119,314)
Net cash (outflows)/inflows from financing activities	(160,919)	(158,612)	641,717	653,115	2,757,196
Effect of exchange rate changes on cash and cash equivalents	(14,058)	(49,855)	(2,576)	3,039	(15,179)
Net (decrease)/increase in cash and cash equivalents	(84,349)	3,026,417	(1,267,068)	407,797	3,015,928
Cash and cash equivalents at beginning of the year/period	4,650,046	4,565,697	7,592,114	7,592,114	6,325,046
Cash and cash equivalents at end of the year/period (Note 36)	4,565,697	7,592,114	6,325,046	7,999,911	9,340,974

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL

The Bank was formerly known as Chongqing Urban Cooperative Bank (重慶城市合作銀行), which was established on 27 September 1996 by consolidating 37 urban credit cooperatives and one urban credit union in Chongqing with the approval of Yinfu [1996] No.140 by the People's Bank of China ("PBOC"). On 30 March 1998, the Bank was renamed as "Commercial Bank of Chongqing Co., Ltd" (重慶市商業銀行股份有限公司) with the approval of Yuyinfu [1998] No.48 by the PBOC Chongqing Branch. On 1 August 2007, the Bank was further renamed as "Bank of Chongqing Co., Ltd." (重慶銀行股份有限公司) with the approval of Yinjianfu [2007] No.325 by the China Banking Regulatory Commission ("CBRC").

Headquartered in Chongqing, the Bank operates in Chongqing, Sichuan province, Guizhou province and Shaanxi province in the People's Republic of China (the "PRC").

As at 30 June 2013, the Bank had a business department, a small enterprise loan center and 94 sub-branches in Chongqing. In addition, the Bank has 3 branches in the capital cities of three provinces in western China, namely Chengdu in Sichuan Province, Xi'an in Shaanxi Province and Guiyang in Guizhou Province.

The principal activities of the Bank are the provision of corporate and personal banking products and services, and the treasury operations in China.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to relevant periods presented unless otherwise stated.

2.1 Basis of presentation

The Financial Information of the Bank has been prepared in accordance with the International Financial Reporting Standards ('IFRS') and disclosure requirements of the Hong Kong Companies Ordinance and the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

The Bank applied all relevant effective IFRS in the preparation of the financial information.

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Bank as at the relevant periods are as follows:

	Effective for annual periods beginning on or after
IAS 32, Financial instruments: Presentation	January 1, 2014
Amendment to IFRS 10, IFRS 12 and IAS 27, Investment entities	January 1, 2014
IFRS 9, Financial instruments- classification of financial assets and financial liabilities	January 1, 2015

IAS 32 Amendment provides additional application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

The directors of the Bank anticipate that the application of the amendment to IAS 32 is not expected to have a material effect on the disclosures of the Bank's statement of financial position.

IFRS 10, IFRS 12 and IAS 27 Amendments apply to a particular class of business that qualifies as investment entities. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Bank anticipate that the application of the amendments will have no effect on the Bank as the Bank is not an investment entity.

IFRS 9 and IFRS 9 Amendments replaced those parts of IAS 39 relating to the classification, measurement and de-recognition of financial assets and financial liabilities with key changes mainly related to the classification and measurement of financial assets and certain types of financial liabilities. Together with the amendments to IFRS 9, IFRS 7 — Financial Instruments: Disclosures is also amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The Bank is in the process of assessing the impact of IFRS 9 on the financial statements.

2.2 **Associates**

Associates are all entities over which the Bank has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of the accounting and are initially recognized at cost. The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Unrealized gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealized losses are also eliminated unless the transaction provides the evidence of an impairment of the assets transferred.

The Bank assesses at each financial reporting date whether there is objective evidence that investments in associates are impaired. Impairment losses are recognised for the amounts by which the investments in associates' carrying amounts exceed its recoverable amounts. The recoverable amounts are the higher of investments in associates' fair value less costs to sell and value in use.

2.3 **Financial assets**

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, investment securities classified as loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss refer to financial assets held for trading. There are no designated at fair value though profit or loss at inception held by the Bank.

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

(b) ***Investment securities classified as loans and receivables***

Investment securities classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (ii) those that the entity upon initial recognition designates as available-for-sale; or (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(c) ***Held-to-maturity financial assets***

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

The Bank shall not classify any financial assets as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than sales or reclassifications due to a significant deterioration in the issuer's credit worthiness.

(d) ***Available-for-sale financial assets***

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, equity prices or management intention.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Investment securities classified as loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in profit or loss. Gains or losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income, until the financial asset is derecognized or impaired. At this time, the cumulative gains or losses previously recognised in equity is recognised in profit or loss. Interest earned whilst holding monetary financial assets, including available for sale financial assets, is reported as interest income using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank determines fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.4 **Impairment of financial assets**

(a) ***Assets carried at amortised cost***

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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

For investment securities classified as loans and receivables category, the amount of a loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude) to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

(b) ***Assets classified as available-for-sale***

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in comprehensive income — is transferred out from equity and recognised in profit and loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the statement of profit and loss.

2.5 **Financial liabilities**

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value.

All financial liabilities are recognised in the statement of financial position, when and only when, the Bank becomes a party to the contractual provisions of the instrument.

(a) ***Financial liabilities at fair value through profit or loss***

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains or losses from changes in fair value are recognised in profit or loss.

The Bank did not hold financial liabilities at fair value through profit or loss on book as at 31 December 2010, 2011 and 2012 and 30 June 2013.

(b) ***Other financial liabilities***

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the other financial liabilities using the effective interest method.

Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

2.6 **Interest income and expense**

Interest income and expense are recognised in profit or loss for interest-bearing instruments on an accruals basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized on the written down value using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7 **Fee and commission income**

The Bank earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are recognized over that period. For other services, fee and commission income are recognized when the transactions are completed.

2.8 **Dividend income**

Dividends are recognised when the right to receive payment is established.

2.9 **Sale/purchase and repurchase/resale agreements**

Securities sold subject to a linked repurchase agreements ('repos') with banks and other financial institutions are retained in the financial statements as financial assets held for trading or investment securities, as the Bank still retains substantially all risk and rewards of the ownership of the underlying securities. The related liability is recorded as due to other banks and financial institutions.

Securities and bills purchased under agreements to re-sell ("Reverse repos") are not recognised. The receivables are recorded as "Due from other banks and financial institutions".

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the income statement over the life of the agreements using the effective interest method.

2.10 **Property, plant and equipment**

The Bank's fixed assets mainly comprise buildings, motor vehicles, electronic equipment, office equipment and construction in progress.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are reviewed for impairment at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant sales taxes and expenses. These are included in the income statement.

Buildings comprise primarily branch office premises and office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, motor vehicles, electronic equipment, office equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate	Depreciation rate
Buildings	30 years	3.0%	3.2%
Motor vehicles	5 years	3.0%	19.4%
Electronic equipment	5 years	3.0%	19.4%
Office equipment	5 years	3.0%	19.4%

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in operating expenses in the statement of comprehensive income.

2.11 **Repossessed assets**

Repossessed assets are initially recognized at fair value plus related costs when they are obtained as the compensation for the loans principal and interest. When there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is written down immediately to its recoverable amount.

2.12 **Land use rights**

Land use rights are recognised initially at 'cost', being the consideration paid for the rights to use and occupy the land. Land use rights are amortised using the straight-line method over their authorized useful lives.

Land use rights are not separately presented from building, when they are acquired together with the building at inception and the costs attributable to the land use rights cannot be reasonably measured and separated from that of the building.

2.13 **Intangible assets**

Intangible assets are recognised initially at their costs, which include expenditure that is directly attributable to the acquisition of the items. Where payment for an intangible asset is deferred beyond normal credit terms, its cost is the equivalent cash price. Costs associated with maintaining computer software program are recognised as an expense as incurred. However, expenditure that enhances or extends the performance of computer software program beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Amortization for intangible assets is calculated on a straight-line basis from the month of acquisition over the estimated useful period and is recognised in the profit and loss. Intangible assets are stated at cost less accumulated amortization and impairment.

2.14 **Investment property**

Property held to earn rentals which is not occupied by the Bank is classified as investment property. Investment property comprises land and buildings.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of the items. Subsequent to initial recognition, the Bank adopts the cost model to account for its investment property. The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives (years)	Estimated residual value rate	Depreciation rate
Buildings leased	30 years	3.0%	3.2%

Investment properties are reviewed for impairment at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.15 **Operating Leases**

Leases in which a significant portion of the risk and rewards are retained by the lessor are classified as operating lease.

When the Bank is the lessee under an operating lease, rental expenses are charged to "Operating expenses" in the income statement on a straight-line basis over the period of the lease.

When the Bank is the lessor under operating leases, the assets subject to the operating lease are accounted for as the Bank's assets. Rental income is recognised as "Other operating income" in the income statement on a straight-line basis over the lease term net of any incentives given to lessees.

2.16 **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including: cash, unrestricted balances with central banks, amounts due from banks and other financial institutions.

2.17 **Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.18 **Current and deferred income taxes**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from impairment and depreciation of property and equipment, revaluation of certain financial assets and liabilities and provisions for employee benefits.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilized. Deferred income tax liabilities are the amounts of income tax payable in respect of taxable temporary differences, which are measured at the amount expected to be paid to the tax authorities in the future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 **Share capital**

Ordinary shares are classified as equity.

2.20 **Employee benefits**

Salaries and bonuses, housing benefits and costs for social security benefits are accrued in the financial period in which the services are rendered by employees of the Bank. The Bank also participates in various defined contribution retirement plans principally organized by municipal and provincial governments.

In addition, the Bank pays supplementary retirement benefits to employees, who retired before 30 June 2011. The Bank's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Bank is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Bank's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the other comprehensive income statement as they occur. Current service cost and net interest on the net defined benefit liability (asset) is recognized in profit and loss.

Employees who retire after 1 January 2010 can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan") according to state corporate annuity plan besides the pension plan of the social security. The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries. The Bank's contributions to annuity plans are charged to profit or loss in the financial period to which they relate.

2.21 **Foreign currency translation**

(a) ***Functional and presentation currency***

The Bank's presentation currency is Renminbi ('RMB'), the legal currency of the PRC. Items included in the financial information of each of the Bank are measured using the currency that best reflects the economic environment of the underlying events and circumstances relevant to that entity ('the functional currency'). The financial information are presented in RMB which is the functional and presentation currency of the Bank.

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of comprehensive income. Foreign currency gains or losses in monetary assets classified as available for sale are recognized in profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.22 **Contingent liabilities**

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

A contingent liability is not recognised but is disclosed in the notes to the financial information. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognised as a provision.

2.23 **Financial guarantee contracts**

Financial guarantees are contracts that require the Bank as the guarantor (the "issuer") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in "other liabilities". The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Bank under the guarantee, and the amount of that claim on the Bank is expected to exceed the carrying amount of the deferred income.

2.24 **Fiduciary activities**

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the financial information where the Bank acts in a fiduciary capacity such as nominee, trustee, custodian or agent.

The Bank grants entrusted loans on behalf of third-party lenders. The Bank grants loans to borrowers, as agent, at the direction of the third-party lenders, who fund these loans. The Bank has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans including their purposes, amounts, interest rates, and repayment schedule. The Bank charges a commission related to its activities in connection with the entrusted loans which are recognised ratably over the period the service is provided. The risk of loss is born by the third-party lenders.

2.25 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the senior management team represented by the governor as its chief operating decision maker.

An operating segment is a component of the Bank with all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) discrete financial information for the component is available to the Bank. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

Intra-segment revenue and costs are eliminated. Income and expenses directly associated with each segment are included in determining segment performance.

The classification of reporting segments are based on the operating segments, and the assets and expenses shared by all the segments are allocated according to their scales.

The Bank identifies the following four segments: Corporate, Retail, Treasury and Unallocated.

2.26 Offset financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously.

3 FINANCIAL RISK MANAGEMENT

Overview

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

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is the highest authority for the Bank's overall risk management. It provides strategy and risk preference for overall risk management and decides the risk tolerance and monitor risk management and internal control system. It accesses overall risk based on monitoring information and risk management reported to the senior management. Risk Control Committee establishes related risk management policies and procedures under the strategy approved by the Board, including written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk. The senior management of the Bank is responsible for the overall risk management and internal control, as well as formulating and adapting risk management policies and procedures. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The main types of financial risks are credit risk and market risk which includes currency risk and interest rate risk, liquidity risk and operation risk.

3.1 Credit risk

The Bank is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Significant changes in the economy, or those in credit quality of a particular industry segment or concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from loans and advances, debt securities, and due from banks and other financial institutions. There is also credit risk in off-statement financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

3.1.1 *Credit risk measurement*

(a) *Credit business*

The Bank measures and manages the quality of its credit assets in accordance with the CBRC's Guidelines of Risk Classification of Loans and Guidelines of Risk Classification of Micro Corporation Loans (Trail Implementation). The classification of loans is based on the borrowers' repayment ability, payment history, willing of repayment, guarantee of loans, legal responsibility and loan administration. The Guidelines of Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. The Bank monitors the overdue status of its loans and advances to retail customers in managing credit risk.

The core definitions of credit asset classifications in "Loan Risk Classifications Guiding Principles" are as follows:

Pass: The borrower can fulfill the contracts, and there is insufficient reason to suspect that the principal and interest of loans can not be repaid in full on time.

Special-mention: The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

Substandard: The borrower's repayment ability has been impaired and their normal income can not repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

Doubtful: The borrower can not repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

Loss: After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or no recovery.

Credit supervision department is responsible for the classification of loans. The classification of loans is performed monthly and adjusted timely. Credit supervision department summarizes the reclassification information monthly and reports to Risk disposal committee for approval. The classification of loans is monitored through credit management system.

(b) *Treasury business*

The Bank manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of banks and financial institutions. The head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties. For debt securities and other treasury business, the Bank manages the credit risk exposures by setting limits to the external credit ratings of its investments.

3.1.2 ***Risk limit control and mitigation policies***

(a) *Credit business*

The Bank takes the same credit risk management control procedure for on and off-balance risk exposures. The risk control procedure of the Bank's credit risk includes the following: credit policy stipulating, pre-credit investigation, credit rating for corporate and retail customers, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

The Bank has established a mechanism of risk warning for credit business, mainly including single customer authorization risk and systematic risk. According to policy of corporate credit management, the exposure to single borrower is determined by the borrower's repayment ability and credit collateral. After the limits being determined, the Bank monitors on a timely basis the actual risk exposures in relation to the corresponding risk limits.

The Bank takes action to strengthen controls over credit risk in relation to group customer and related party customer. The Bank places limits in relation to key group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls on related party transaction.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is common practice.

Except for few customers with excellent quality, the Bank requires the borrowers provide collateral for loans. The type of collateral mainly includes mortgage, pledge and guarantee. The detailed collateral type and amount is determined by credit risk of counterparty or customers.

The Bank employs property appraisal companies with certificates to evaluate the collateral. The Bank commonly accepts collateral with definite value like deposit certificate and state bond.

(b) *Treasury business*

Treasury department centralizes control over treasury business with hierarchical authorization from department heads to president for different business types such as sale, distribution, trade and repurchase of debt securities.

The Bank invests debt securities with hierarchical authorization under the guidelines of asset and liability committee. The Bank sets stop-loss point accordingly for different maturity period and evaluates risk and loss of trading debt securities. The Bank places limits for interbank borrowing and lending. The Bank manages the credit risk exposures of interbank borrowing and lending strictly within the limit of regulation and credit authorization.

For debt securities and other bills, the Bank manages the credit risk exposures by setting limits to the external credit ratings of its investments, par value of single debt security purchase, buy and sell price. RMB debt securities investments require a rating of A or above for long-term securities investments for state owned debtor and a rating of A+ or above for long-term securities investments of non-state-owned debtor, and A- or above for short-term securities investment for all debtor.

Among foreign currency debt securities investment, government bonds mainly are sovereign bonds issued by Chinese government, USA government and European government (Germany, Britain, and France). A credit rating of BBB or above (by Standard & Poor's or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments.

The debt traders regularly review and monitor the changes of market interest and report the market value of debt securities to Risk management committee and Assets and liability committee. If there is any violation of interest rate in the market or any significant credit risk encountered to debtors, the business department responsible for security investment will ask for holding extraordinary asset and liability management meeting to conclude an emergency plan. The debt trader will react according to the plan.

3.1.3 ***Collateral and guarantees***

The Bank has a range of policies and practices intended to mitigate credit risk. The most prevalent of these is the taking of security for funds advances (collateral) and guarantees, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral. The amount of acceptable collateral at the time of loan origination is determined by the Department of Risk Management and is subject to loan-to-value ratio limits based on type and is monitored on an ongoing basis by the Department of Risk Management. The principal collateral types for corporate loans and advances are:

Collateral	Maximum loan-to-value ratio
Cash deposits, Bank note and Bank acceptance	90%
Warehouse receipt and Accounts receivable	70%
Construction in progress	50%
Publicly traded stocks	60%
Property	70%
Land use rights	70%
Automobiles	40%

Mortgage loans to retail customers are generally collateralised by mortgages over residential properties. Other loans are collateralised dependant on the nature of the loan.

For loans guaranteed by a third party guarantor, the Bank will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Under such agreements, the Bank is permitted to sell or repledge collateral in the absence of default by the owner of the collateral. Details of collateral accepted and which the Bank is obligated to return are disclosed in Note 33.

3.1.4 ***Impairment and provisioning policies***

The internal rating systems described in Note 3.1.1 focus more on credit-quality mapping. In contrast, impairment allowances recognised for financial reporting purposes are the losses that have been incurred at the balance sheet date based on objective evidence of impairment (see Note 2.4). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating system assists management to determine whether objective evidence of impairment exists based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such debt securities.

The Bank's policy requires the review of individual financial assets that have objective evidence of impairment at least quarterly or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied to all individually impaired financial assets. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipt for that individual account.

Collectively assessed impairment allowances are provided for: losses that have been incurred but have not yet been identified, by using the available historical experience, judgment and statistical techniques.

3.1.5 ***Maximum exposure to credit risk before collateral held or other credit enhancements***

	31 December			30 June
	2010	2011	2012	2013
Assets				
Balances with central banks	14,718,068	18,926,488	24,721,552	30,722,481
Due from other banks and financial institutions	18,035,048	24,339,736	18,532,058	24,963,572
Held for trading - debt securities	414,707	1,615,203	2,413,849	2,315,924
Loans and advances to customers				
— Loans to corporate entities	43,201,157	48,876,897	55,991,464	60,249,528
— Loans to individuals	8,753,794	13,948,029	19,265,409	23,219,259
Investment securities - loans and receivables	6,087,074	5,768,802	21,232,136	33,287,864
Investment securities - available-for-sales	4,892,827	1,414,078	3,045,035	3,066,020
Investment securities - held-to-maturity	9,915,010	9,720,839	7,656,075	6,745,290
Other financial assets	376,506	462,685	567,437	773,981
	106,394,191	125,072,757	153,425,015	185,343,919
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	8,985,797	15,472,407	26,683,778	36,256,636
Unused credit card limits	268,216	537,931	651,269	630,264
	9,254,013	16,010,338	27,335,047	36,886,900

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2010, 2011 and 2012 and 30 June 2013, without taking account of any related collateral or other credit enhancements. For on-statement assets, the exposures above are based on net carrying amounts as reported in the statement of financial position.

As shown above, as at 31 December 2010, 2011 and 2012 and 30 June 2013, total on-statement exposure derived from loans and advances to customers amounted to 48.83%, 50.23%, 49.05% and 45.03% respectively.

Management is confident in its ability to continue to control and sustain minimal exposure to credit risk to the Bank from its loan and advances based on the following:

- As at 30 June 2013, 98.08% of its loans and advances portfolio were categorized in the top grade of the internal rating system (2012: 97.76%, 2011: 98.23%, 2010: 98.29%);
- As at 30 June 2013, Mortgage loans, which represented the biggest group in the individual portfolio, were backed by collateral;
- As at 30 June 2013, 99.57% of the loans and advances portfolio were considered to be neither past due nor impaired (2012: 99.66%, 2011: 99.64%, 2010: 99.64%);
- As at 30 June 2013, of the 322 million loans and advances assessed on an individual basis (2012: 256 millions, 2011: 227 millions; 2010: 190 millions), 0.38% were impaired (2012: 0.33%, 2011: 0.35%, 2010: 0.36%).

3.1.6 ***Loans and advances***

Loans and advances are summarised as follows:

	31 December						30 June	
	2010		2011		2012		2013	
	Loans and advances to customers	Discounted bills and trading bills	Loans and advances to customers	Discounted bills and trading bills	Loans and advances to customers	Discounted bills and trading bills	Loans and advances to customers	Discounted bills and trading bills
Neither past due nor impaired	45,225,754	7,550,920	58,291,929	5,496,994	69,876,745	6,493,583	78,990,907	5,584,652
Past due but not impaired	1,409	—	5,665	—	7,689	—	45,727	—
Individually impaired	188,279	1,367	221,727	5,501	251,944	4,200	321,695	—
Gross	45,415,442	7,552,287	58,519,321	5,502,495	70,136,378	6,497,783	79,358,329	5,584,652
Less: Collective impairment allowances	(770,883)	(75,509)	(970,534)	(54,971)	(1,160,900)	(72,728)	(1,253,009)	(62,548)
Individual impairment allowances.................	(165,019)	(1,367)	(167,984)	(3,401)	(141,560)	(2,100)	(158,637)	—
Total allowance	(935,902)	(76,876)	(1,138,518)	(58,372)	(1,302,460)	(74,828)	(1,411,646)	(62,548)
Net	44,479,540	7,475,411	57,380,803	5,444,123	68,833,918	6,422,955	77,946,683	5,522,104

(a) *Gross loans and advances neither past due nor impaired*

The Bank monitors the credit risk of corporate loans and advances neither past due nor impaired by applying its grading system to customers.

31 December 2010	Internal rating		
	Pass	Special mention	Total
Corporate entities			
— Commercial loans..........	35,686,788	703,500	36,390,288
— Discounted bills	7,503,337	—	7,503,337
— Trade finance..........	47,583	—	47,583
Subtotal..........	43,237,708	703,500	43,941,208
Individual..........	8,825,266	10,200	8,835,466
Total	52,062,974	713,700	52,776,674

31 December 2011	Internal rating		
	Pass	Special mention	Total
Corporate entities			
— Commercial loans	43,332,827	881,182	44,214,009
— Discounted bills	5,457,156	—	5,457,156
— Trade finance	39,838	—	39,838
Subtotal	48,829,821	881,182	49,711,003
Individual	14,054,574	23,346	14,077,920
Total	62,884,395	904,528	63,788,923

31 December 2012	Internal rating		
	Pass	Special mention	Total
Corporate entities			
— Commercial loans	49,023,037	1,399,032	50,422,069
— Discounted bills	6,458,419	—	6,458,419
— Trade finance	35,164	—	35,164
Subtotal	55,516,620	1,399,032	56,915,652
Individual	19,398,676	56,000	19,454,676
Total	74,915,296	1,455,032	76,370,328

30 June 2013	Internal rating		
	Pass	Special mention	Total
Corporate entities			
— Commercial loans	54,387,088	1,202,301	55,589,389
— Discounted bills	5,180,027	—	5,180,027
— Trade finance	404,625	—	404,625
Subtotal	59,971,740	1,202,301	61,174,041
Individual	23,317,991	83,527	23,401,518
Total	83,289,731	1,285,828	84,575,559

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

Gross amount of loans and advances by types of customers that were past due but not impaired are as follows:

31 December 2010	Past due up to 30 days	Past due 30 - 60 days	Past due 60 - 90 days	Past due over 90 days	Total
Corporate entities	—	—	—	—	—
Individual	1,349	21	39	—	1,409
Total	1,349	21	39	—	1,409

31 December 2011	Past due up to 30 days	Past due 30 - 60 days	Past due 60 - 90 days	Past due over 90 days	Total
Corporate entities	2,400	—	—	—	2,400
Individual	2,887	156	222	—	3,265
Total	5,287	156	222	—	5,665

31 December 2012	Past due up to 30 days	Past due 30 - 60 days	Past due 60 - 90 days	Past due over 90 days	Total
Corporate entities	—	—	—	—	—
Individual	3,750	2,947	992	—	7,689
Total	3,750	2,947	992	—	7,689

30 June 2013	Past due up to 30 days	Past due 30 - 60 days	Past due 60 - 90 days	Past due over 90 days	Total
Corporate entities	3,000	—	—	—	3,000
Individual	28,221	9,834	4,672	—	42,727
Total	31,221	9,834	4,672	—	45,727

(c) *Loans and advances that are individually impaired*

As at 30 June 2013, individually impaired loans and advances to customers before taking into consideration the collateral held amounted to RMB 322 million (2012: RMB 256 million, 2011: RMB 227 million, 2010: RMB 190 million).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	31 December			30 June
	2010	2011	2012	2013
Corporate entities	156,032	187,460	218,615	261,455
Individual	33,614	39,768	37,529	60,240
Individually impaired loans and advances to customers	189,646	227,228	256,144	321,695
Fair value of collaterals				
Corporate entities	89,200	174,029	236,126	254,772
Individual	17,813	19,557	46,573	51,558
Individually impaired loans and advances to customers	107,013	193,586	282,699	306,330

No individually-impaired amount due from other banks and financial institutions was held by the Bank as at 30 June 2013 and 31 December 2012. As at 31 December 2010 and 2011, individually impaired for due from other banks and financial institutions amounted to RMB11,000 thousand respectively.

The fair value of collaterals is estimated based on the latest available external valuations, the realization experience of the current collaterals and the market conditions.

(d) *Loans and advances renegotiated*

Restructuring activities include approval of debtor repayment plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue to be made. These policies are under continuous review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans. There were no renegotiated loans as at 31 December 2010, 2011, 2012 and 30 June 2013.

(e) *Concentration risk analysis for loans and advances to customers (gross) by geographic sectors*

	31 December 2010			31 December 2011			31 December 2012			30 June 2013		
	Gross amount	%	Impaired loan ratio	Gross amount	%	Impaired loan ratio	Gross amount	%	Impaired loan ratio	Gross amount	%	Impaired loan ratio
Chongqing City	43,542,684	82.21%	0.44%	50,841,003	79.41%	0.40%	56,590,770	73.85%	0.24%	62,856,324	74.00%	0.23%
Sichuan Province	5,637,512	10.64%	0.00%	6,357,635	9.93%	0.05%	9,044,110	11.80%	1.12%	9,067,770	10.68%	1.72%
Guizhou Province	3,787,533	7.15%	0.00%	4,635,854	7.24%	0.43%	6,785,433	8.85%	0.26%	8,309,707	9.78%	0.24%
Shaanxi Province	—	—	—	2,187,324	3.42%	0.00%	4,213,848	5.50%	0.00%	4,709,180	5.54%	0.01%
Total	52,967,729	100.00%	0.36%	64,021,816	100.00%	0.35%	76,634,161	100.00%	0.33%	84,942,981	100%	0.38%

(f) *Industry analysis*

Concentration risks analysis for loans and advances to customers (gross) by economic sectors:

	31 December 2010		31 December 2011		31 December 2012		30 June 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Corporate loans								
Manufacturing	9,533,220	21.62%	12,006,633	24.06%	13,275,408	23.24%	14,971,646	24.37%
Wholesale and retail trade	2,798,768	6.35%	5,161,337	10.34%	7,320,311	12.81%	9,369,284	15.25%
Construction	2,875,102	6.52%	4,036,009	8.09%	5,670,282	9.92%	6,218,987	10.12%
Administration of water conservancy, environment and public facilities	5,947,250	13.49%	5,615,294	11.25%	4,883,806	8.55%	4,702,004	7.65%
Real estate	3,555,664	8.06%	3,841,043	7.70%	4,437,890	7.77%	4,491,132	7.31%
Renting and business activities	4,896,258	11.10%	4,443,794	8.91%	4,319,477	7.56%	4,198,954	6.83%
Mining	1,064,000	2.41%	1,920,600	3.85%	2,736,497	4.79%	3,007,073	4.89%
Transportation, storage and postal service	1,715,900	3.89%	1,769,513	3.55%	2,238,020	3.92%	2,492,188	4.06%
Electricity, gas and water production and supply	1,402,750	3.18%	1,918,500	3.84%	1,430,795	2.50%	1,236,233	2.01%
Agriculture, forestry, animal husbandry and fishery	961,874	2.18%	1,295,096	2.60%	1,379,400	2.41%	1,475,640	2.40%
Education	484,100	1.10%	701,632	1.41%	893,731	1.56%	1,082,751	1.76%
Household Services and other Services	67,183	0.15%	166,772	0.33%	653,943	1.14%	891,100	1.45%
Accommodation and catering	401,660	0.91%	387,059	0.78%	579,500	1.01%	490,723	0.80%
Culture, sports and entertainment	390,200	0.88%	454,350	0.91%	407,000	0.71%	393,550	0.64%
IT and telecommunication service	201,077	0.46%	343,997	0.69%	302,907	0.53%	439,774	0.72%
Scientific research, technology services and geological prospecting	72,030	0.16%	77,030	0.15%	62,000	0.11%	427,000	0.70%
Health, social security and social welfare	88,168	0.20%	65,849	0.13%	46,681	0.08%	52,292	0.09%
Financing	108,200	0.25%	18,200	0.04%	38,200	0.07%	172,993	0.28%
Public administration and social organizations	30,500	0.07%	221,000	0.44%	—	—	145,145	0.24%
Discounted bills	7,503,337	17.02%	5,457,156	10.93%	6,458,419	11.32%	5,180,027	8.43%
Total corporate loans	44,097,241	100.00%	49,900,864	100.00%	57,134,267	100.00%	61,438,496	100.00%
Individual loans								
Mortgage loans	5,783,860	65.20%	9,796,581	69.38%	12,397,665	63.58%	15,191,708	64.63%
Credit card advances	25,211	0.29%	102,566	0.73%	535,575	2.75%	855,299	3.64%
Individual business loans	1,965,930	22.16%	3,032,983	21.48%	4,846,272	24.85%	5,471,588	23.28%
Individual consumption loans	1,048,922	11.82%	1,153,281	8.17%	1,694,812	8.69%	1,964,824	8.36%
Others	46,565	0.53%	35,541	0.24%	25,570	0.13%	21,066	0.09%
Total individual loans	8,870,488	100.00%	14,120,952	100.00%	19,499,894	100.00%	23,504,485	100.00%
Gross amount of loans and advances before allowance for impairment	52,967,729		64,021,816		76,634,161		84,942,981	

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

(g) *Type of collateral analysis*

Analysis for loans and advances to customers (gross) by type of collateral:

	31 December			30 June
	2010	2011	2012	2013
Collateralised loans	21,193,320	27,584,055	33,715,821	39,671,855
Pledged loans	9,712,780	9,054,731	10,485,921	10,319,566
Guaranteed loans	14,331,258	19,995,770	26,985,660	29,693,245
Unsecured loans	7,730,371	7,387,260	5,446,759	5,258,315
Total	52,967,729	64,021,816	76,634,161	84,942,981

3.1.7 ***Investment securities***

The table below presents an analysis of investment securities by independent rating agencies designation including China Chengxin International Credit Rating Co., Ltd, Dagong Global Credit Rating Co., Ltd, China Lianhe Credit Rating Co., Ltd, Shanghai Fareast Credit Rating Co., Ltd, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd and Pengyuan Credit Rating Co., Ltd for RMB securities, Standard & Poor's for Foreign currency securities as at 31 December 2010, 2011 and 2012 and 30 June 2013:

31 December 2010	Investment securities — loans and receivables	Investment securities — available-for-sale ('AFS') — debt securities	Investment securities — held-to-maturity ('HTM')	Held for trading — debt securities	Total
RMB securities					
AAA	—	940,073	206,000	78,619	1,224,692
AA- to AA+	—	2,010,795	260,000	49,957	2,320,752
A- to A+	—	120,150	100,000	70,926	291,076
Unrated[(a)]	6,087,074	1,812,407	9,315,783	215,205	17,430,469
Sub-total	6,087,074	4,883,425	9,881,783	414,707	21,266,989
Foreign currency securities					
AA- to AA+	—	9,402	—	—	9,402
A- to A+	—	—	33,227	—	33,227
Sub-total	—	9,402	33,227	—	42,629
Total	6,087,074	4,892,827	9,915,010	414,707	21,309,618

31 December 2011	Investment securities — loans and receivables	Investment securities — available-for-sale ('AFS') — debt securities	Investment securities — held-to-maturity ('HTM')	Held for trading — debt securities	Total
RMB securities					
AAA	—	4,785	206,000	428,301	639,086
AA- to AA+	—	228,328	360,000	1,186,902	1,775,230
Unrated[(a)]	5,768,802	1,172,293	9,154,839	—	16,095,934
Sub-total	5,768,802	1,405,406	9,720,839	1,615,203	18,510,250
Foreign currency securities					
AA- to AA+	—	8,672	—	—	8,672
Sub-total	—	8,672	—	—	8,672
Total	5,768,802	1,414,078	9,720,839	1,615,203	18,518,922

31 December 2012	Investment securities — loans and receivables	Investment securities — available-for-sale ('AFS') — debt securities	Investment securities — held-to-maturity ('HTM')	Held for trading — debt securities	Total
RMB securities					
AAA	—	—	236,000	505,616	741,616
AA- to AA+	—	49,417	360,000	1,908,233	2,317,650
Unrated[(a)]	21,232,136	2,995,618	7,060,075	—	31,287,829
Total	21,232,136	3,045,035	7,656,075	2,413,849	34,347,095

30 June 2013	Investment securities — loans and receivables	Investment securities — available-for-sale ('AFS') — debt securities	Investment securities — held-to-maturity ('HTM')	Held for trading — debt securities	Total
RMB securities					
AAA	—	—	46,000	56,268	102,268
AA- to AA+	—	62,129	360,000	2,259,656	2,681,785
Unrated[(a)]	33,287,864	3,003,891	6,339,290	—	42,631,045
Total	33,287,864	3,066,020	6,745,290	2,315,924	45,415,098

(a) These mainly represent investment and trading securities issued by PRC Ministry of Finance, central bank, policy banks and other oversea financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies. Investment securities classified as loans and receivables mainly include the profit-guaranteed wealth management products with fixed income, and the beneficiary rights of trust schemes, whose principle and income are guaranteed by financial institutions or guarantee companies. There were no overdue debt securities held, no individually impaired debt securities, no impairment sight on investment securities classified as loans and receivables, and no impairment provision as at 31 December 2010, 2011 and 2012 and 30 June 2013.

3.1.8 ***Repossessed assets***

	31 December			30 June
	2010	2011	2012	2013
Business properties	77,858	28,469	27,676	19,162
Residential properties	6,039	3,556	3,088	2,758
Others	2,770	2,502	952	945
Total	86,667	34,527	31,716	22,865

Repossessed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Bank does not generally occupy repossessed properties for its business use. Repossessed assets are classified in the statement of financial position as other assets.

3.1.9 ***Concentration risk analysis for financial assets with credit risk exposure***

Geographical sectors

	31 December 2010			
	Mainland China	Hong Kong	Others	Total
Financial Assets				
Balances with central banks	14,718,068	—	—	14,718,068
Due from other banks and financial institutions	17,977,453	3,842	53,753	18,035,048
Held for trading - debt securities	414,707	—	—	414,707
Loans and advances to customers	51,954,951	—	—	51,954,951
Investment securities - loans and receivables	6,087,074	—	—	6,087,074
Investment securities - available-for-sale-debt securities	4,892,827	—	—	4,892,827
Investment securities - held-to-maturity	9,881,783	—	33,227	9,915,010
Other financial assets	376,506	—	—	376,506
	106,303,369	3,842	86,980	106,394,191
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	8,985,797	—	—	8,985,797
Unused credit card limits	268,216	—	—	268,216
	9,254,013	—	—	9,254,013

	31 December 2011			
	Mainland China	Hong Kong	Others	Total
Financial Assets				
Balances with central banks	18,926,488	—	—	18,926,488
Due from other banks and financial institutions	24,243,116	55,199	41,421	24,339,736
Held for trading - debt securities	1,615,203	—	—	1,615,203
Loans and advances to customers	62,824,926	—	—	62,824,926
Investment securities - loans and receivables	5,768,802	—	—	5,768,802
Investment securities - available-for-sale-debt securities	1,414,078	—	—	1,414,078
Investment securities - held-to-maturity	9,720,839	—	—	9,720,839
Other financial assets	462,685	—	—	462,685
	124,976,137	55,199	41,421	125,072,757
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	15,472,407	—	—	15,472,407
Unused credit card limits	537,931	—	—	537,931
	16,010,338	—	—	16,010,338

	31 December 2012			
	Mainland China	Hong Kong	Others	Total
Financial Assets				
Balances with central banks	24,721,552	—	—	24,721,552
Due from other banks and financial institutions	18,166,458	51,605	313,995	18,532,058
Held for trading - debt securities	2,413,849	—	—	2,413,849
Loans and advances to customers	75,256,873	—	—	75,256,873
Investment securities - loans and receivables	21,232,136	—	—	21,232,136
Investment securities - available-for-sale-debt securities	3,045,035	—	—	3,045,035
Investment securities - held-to-maturity	7,656,075	—	—	7,656,075
Other financial assets	567,437	—	—	567,437
	153,059,415	51,605	313,995	153,425,015
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	26,683,778	—	—	26,683,778
Unused credit card limits	651,269	—	—	651,269
	27,335,047	—	—	27,335,047

	30 June 2013			
	Mainland China	Hong Kong	Others	Total
Financial Assets				
Balances with central banks	30,722,481	—	—	30,722,481
Due from other banks and financial institutions	24,853,083	5,816	104,673	24,963,572
Held for trading - debt securities	2,315,924	—	—	2,315,924
Loans and advances to customers	83,468,787	—	—	83,468,787
Investment securities - loans and receivables	33,287,864	—	—	33,287,864
Investment securities - available-for-sale-debt securities	3,066,020	—	—	3,066,020
Investment securities - held-to-maturity	6,745,290	—	—	6,745,290
Other financial assets	773,981	—	—	773,981
	185,233,430	5,816	104,673	185,343,919
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	36,256,636	—	—	36,256,636
Unused credit card limits	630,264	—	—	630,264
	36,886,900	—	—	36,886,900

The counterparties are mainly located in Mainland China.

3.2 **Market risk**

3.2.1 ***Overview***

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market arising from trading and non-trading activities are concentrated in Bank Treasury business and monitored by two teams separately. Regular reports are submitted to the Board of Directors and head of each business unit.

In accordance with the requirements of the CBRC, the Bank categorizes its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading book or the banking book. The banking book consists of the investment book through which the Bank purchases financial instruments with excess funds and other financial instruments that are not captured in trading book.

3.2.2 ***Sensitivity tests***

Interest rate sensitivity test

The result of the interest rate sensitivity tests set out in the table below is based on the following assumptions. The projections assume that yield curves move by the same amount and, therefore, do not reflect the potential impact on net interest income due to changes in certain rates while others remain unchanged. The projections make other assumptions, including that all positions run to maturity. But the Bank has not considered the following: changes after the balance sheet date, the impact of interest rate fluctuations on the customers' behaviors; the complicated relationship between complex structured products and interest rate fluctuations; the impact of interest rate fluctuations on market prices; the impact of interest rate fluctuations on off-balance sheet products; and impact affected by risk management.

Base on the above gap analysis on the interest rate, the Bank implemented sensitivity test to analyze the sensitivity of bank's net interest income against change in interest rate. The table below illustrates the potential impact of a parallel 100 basis point move in interest rates on the financial position of the Bank at 31 December 2010, 2011 and 2012 and 30 June 2013 on the net interest income of the coming year/period.

	Expected changes of net interest income			
	31 December			30 June
	2010	2011	2012	2013
+ 100 basis point parallel move in all yield curves......	(87,018)	62,342	3,789	(151,735)
- 100 basis point parallel move in all yield curves.......	87,018	(62,342)	(3,789)	151,735

The table below illustrates the potential impact of a 100 basis point move on the other comprehensive income of the Bank.

	Change of other comprehensive income			
	31 December			30 June
	2010	2011	2012	2013
+ 100 basis point parallel move in all yield curves......	(156,809)	(23,898)	(81,697)	(71,612)
- 100 basis point parallel move in all yield curves.......	167,267	25,662	85,871	74,998

Foreign exchange sensitivity test

The Bank performs exchange rate sensitivity analysis on net profit before tax for the Bank by measuring the impact of a change in exchange rate on financial position, including on balance sheet and off balance sheet. On the assumptions below: the sensitivities of foreign currencies are exchange gains or losses of RMB against foreign currencies fluctuation by 1% absolute value in closing price at balance sheet dates. The foreign currency exchange rates against RMB move by the same amount and same trends. The portfolio of assets and liabilities has a static structure of foreign exchange risk and all positions are held and renewed after maturity. The Bank has not considered the following: business changes after the balance sheet date, the impact of exchange rate fluctuations on the customers' behaviors; the complicated relationship between complex structured products and exchange rate fluctuations; and the impact of exchange rate fluctuations on market prices, the impact of exchange rate fluctuations on off-balance sheet products; and the impacted of risk management.

The table below illustrates the potential impact of an appreciation of RMB against foreign currencies by 1% on the Bank's net profit before tax.

	Net profit/(loss) before tax			
	31 December			30 June
	2010	2011	2012	2013
+1% upward change of foreign exchange rate...........	(1)	(496)	835	455
- 1% downward change of foreign exchange rate	1	496	(835)	(455)

3.2.3 ***Interest rate risk***

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate risk of the Bank mainly comes from the interest rate change's effect on net interest income, which was caused by the mismatch of the interest rate sensitive assets and liabilities' maturity date or the re-pricing date.

The Bank's Assets and Liabilities Management Committee is responsible for establishing, periodically examining and monitoring the exercising of the policies, procedures and detailed operating rules regarding interest rate risk. The treasury department is responsible for the front office treasury transactions; the accounting department is responsible for the settlement at the back office. The assets and liabilities management department is responsible for the analysis of RMB interest rate risk, submission of interest rate analysis report to the Assets and Liabilities Management Committee, timely reporting and dealing with the extraordinary situation of interest rate risk identified.

The treasury department follows the Bank's interest rate management policies and conducts the front office treasury transactions under the Bank's approved interest rate limit. The Bank records the assets in trading book and non-trading book. The freely tradable financial instruments held for trading purpose or avoiding the risks of other items in trading book were recorded under the trading book; others were recorded under the non-trading book. The treasury department manages and conducts treasury transactions within the interest rate limit approved by the senior management, and monitors the market risk of the trading book and its risk limit compliance.

The Bank uses the RMB interest rate risk management system to monitor and manage the overall interest rate risk of the assets and liabilities under the non-trading book. At the current stage, the Bank manages the interest rate risk mainly through raising suggestion about the re-pricing date of assets and liabilities, setting market risk limit and other methods. The Bank analyses the interest rate gap and assesses the difference between the interest-bearing assets and liabilities which would mature or re-price within certain time period, to provide instruction for the adjustment of interest-bearing assets and liabilities' re-pricing date. Meanwhile, the Bank controls and manages interest risk by establishing investment portfolio's instruction and authorized limit. The Bank's treasury management conducts real-time market value assessment to monitor the investment risk more accurately. In addition, the Bank centralized branches' funds for managing and allocation using the internal funding transfer-pricing system.

The tables below summarise the Bank's exposures to interest rate risks. The tables show the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2010							
Assets							
Cash and balances with central banks	14,718,068	—	—	—	—	347,351	15,065,419
Due from other banks and financial institutions	12,158,763	4,061,952	1,794,333	20,000	—	—	18,035,048
Financial assets at fair value through profit or loss	414,707	—	—	—	—	—	414,707
Loans and advances to customers	34,719,843	2,689,211	9,882,823	4,395,082	267,992	—	51,954,951
Investment securities							
— loans and receivables	427,114	2,535,439	1,323,042	1,801,479	—	—	6,087,074
— available-for-sale	—	389,451	420,143	2,922,777	1,162,813	186,307	5,081,491
— held-to-maturity	7,114	46,102	1,592,872	3,667,897	4,601,025	—	9,915,010
Other financial assets	—	—	—	—	—	376,506	376,506
Total assets	62,445,609	9,722,155	15,013,213	12,807,235	6,031,830	910,164	106,930,206
Liabilities							
Due to other banks and financial institutions	20,957,824	5,068,252	812,524	—	—	—	26,838,600
Customer deposits	48,541,932	4,666,612	19,356,189	1,291,526	211	—	73,856,470
Debts issued	—	—	—	993,966	—	—	993,966
Other financial liabilities	—	—	—	—	—	1,167,745	1,167,745
Total liabilities	69,499,756	9,734,864	20,168,713	2,285,492	211	1,167,745	102,856,781
Total interest sensitivity gap	(7,054,147)	(12,709)	(5,155,500)	10,521,743	6,031,619	(257,581)	4,073,425

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2011							
Assets							
Cash and balances with central banks	18,926,488	—	—	—	—	413,372	19,339,860
Due from other banks and financial institutions	10,274,396	6,530,958	7,534,382	—	—	—	24,339,736
Financial assets at fair value through profit or loss	1,615,203	—	—	—	—	—	1,615,203
Loans and advances to customers	48,323,850	1,167,873	7,880,321	4,455,536	997,346	—	62,824,926
Investment securities							
— loans and receivables	2,380,544	1,337,478	2,050,780	—	—	—	5,768,802
— available-for-sale	354,912	420,739	30,054	217,834	390,553	187,380	1,601,472
— held-to-maturity	110,000	80,000	2,521,560	2,946,776	4,062,503	—	9,720,839
Investments in an associate	—	—	—	—	—	21,773	21,773
Other financial assets	—	—	—	—	—	462,685	462,685
Total assets	81,985,393	9,537,048	20,017,097	7,620,146	5,450,402	1,085,210	125,695,296
Liabilities							
Due to other banks and financial institutions	20,065,822	4,494,178	3,885,571	—	—	—	28,445,571
Customer deposits	48,497,732	5,349,805	33,113,561	2,345,245	211	—	89,306,554
Debts issued	—	—	—	994,562	—	—	994,562
Other financial liabilities	—	—	—	—	—	1,675,157	1,675,157
Total liabilities	68,563,554	9,843,983	36,999,132	3,339,807	211	1,675,157	120,421,844
Total interest sensitivity gap	13,421,839	(306,935)	(16,982,035)	4,280,339	5,450,191	(589,947)	5,273,452

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2012							
Assets							
Cash and balances with central banks	24,721,552	—	—	—	—	521,782	25,243,334
Due from other banks and financial institutions	5,238,839	4,909,278	8,383,941	—	—	—	18,532,058
Financial assets at fair value through profit or loss	—	—	469,299	838,501	1,106,049	—	2,413,849
Loans and advances to customers	50,892,511	4,866,208	15,864,685	3,317,748	315,721	—	75,256,873
Investment securities							
— loans and receivables	606,555	600,000	3,467,448	16,558,133	—	—	21,232,136
— available-for-sale	—	28,890	—	1,985,524	1,030,635	199,052	3,244,101
— held-to-maturity	—	229,993	1,493,033	2,602,865	3,330,184	—	7,656,075
Investment in an associate	—	—	—	—	—	22,935	22,935
Other financial assets	—	—	—	—	—	567,437	567,437
Total assets	81,459,457	10,634,369	29,678,406	25,302,771	5,782,589	1,311,206	154,168,798
Liabilities							
Due to other banks and financial institutions	17,101,070	4,609,601	5,948,470	—	—	—	27,659,141
Customer deposits	52,345,358	9,128,688	46,513,997	6,049,883	5,259	—	114,043,185
Debts issued	—	—	—	1,789,886	—	—	1,789,886
Other financial liabilities	—	—	—	—	—	3,793,312	3,793,312
Total liabilities	69,446,428	13,738,289	52,462,467	7,839,769	5,259	3,793,312	147,285,524
Total interest sensitivity gap	12,013,029	(3,103,920)	(22,784,061)	17,463,002	5,777,330	(2,482,106)	6,883,274

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
30 June 2013							
Assets							
Cash and balances with central banks	30,722,481	—	—	—	—	513,170	31,235,651
Due from other banks and financial institutions	13,611,109	8,065,451	3,287,012	—	—	—	24,963,572
Financial assets at fair value through profit or loss	—	29,877	16,798	1,610,709	658,540	—	2,315,924
Loans and advances to customers	38,659,716	7,478,868	35,008,367	1,908,404	413,432	—	83,468,787
Investment securities							
— loans and receivables	—	1,090,000	11,477,231	20,720,633	—	—	33,287,864
— available-for-sale	—	29,020	—	1,982,951	1,054,063	188,250	3,254,284
— held-to-maturity	130,000	220,000	1,200,986	1,925,373	3,268,931	—	6,745,290
Investment in an associate	—	—	—	—	—	23,726	23,726
Other financial assets	—	—	—	—	—	773,981	773,981
Total assets	83,123,306	16,913,216	50,990,394	28,148,070	5,394,966	1,499,127	186,069,079
Liabilities							
Due to other banks and financial institutions	26,245,380	3,416,324	189,313	—	152,125	—	30,003,142
Customer deposits	78,500,653	11,967,144	38,427,567	10,713,404	5,211	—	139,613,979
Debts issued	—	—	995,517	3,780,360	—	—	4,775,877
Other financial liabilities	—	—	—	—	—	3,818,853	3,818,853
Total liabilities	104,746,033	15,383,468	39,612,397	14,493,764	157,336	3,818,853	178,211,851
Total interest sensitivity gap	(21,622,727)	1,529,748	11,377,997	13,654,306	5,237,630	(2,319,726)	7,857,228

3.2.4 ***Foreign exchange risk***

The International business department is responsible for the Bank's daily foreign exchange risk management. Pursuant the related regulation, the Bank at the current stage cannot conduct speculative proprietary foreign exchange trading. Therefore, currently the Bank's foreign exchange risk is mainly the foreign currency exposure risk for foreign currency settlement and trading on behalf of customers. Because the Bank has no derivative operating license, and is lack of effective hedging instruments for the above risk exposure, the Bank decreases and control foreign exchange rate risk by setting foreign currency exposure limits and stop-loss limits.

The tables show the Bank's total assets and liabilities at carrying amounts in RMB, categorized by the original currency.

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2010					
Assets					
Cash and balances with central banks	15,051,598	10,964	2,681	176	15,065,419
Due from other banks and financial institutions	17,502,588	523,034	993	8,433	18,035,048
Financial assets at fair value through profit or loss	414,707	—	—	—	414,707
Loans and advances to customers	51,909,599	44,693	659	—	51,954,951
Investment securities					
— loans and receivables	6,087,074	—	—	—	6,087,074
— available-for-sale	5,072,089	—	—	9,402	5,081,491
— held-to-maturity	9,881,783	33,227	—	—	9,915,010
Other financial assets	375,625	881	—	—	376,506
Total assets	106,295,063	612,799	4,333	18,011	106,930,206
Liabilities					
Due to other banks and financial institutions	26,786,865	46,360	—	5,375	26,838,600
Customer deposits	73,462,734	387,726	2,885	3,125	73,856,470
Debts issued	993,966	—	—	—	993,966
Other financial liabilities	1,167,084	660	1	—	1,167,745
Total liabilities	102,410,649	434,746	2,886	8,500	102,856,781
Net position	3,884,414	178,053	1,447	9,511	4,073,425
Financial guarantees and credit related commitments	9,093,846	138,007	—	22,160	9,254,013

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2011					
Assets					
Cash and balances with central banks	19,333,131	4,677	1,886	166	19,339,860
Due from other banks and financial institutions	22,783,123	1,034,439	493,035	29,139	24,339,736
Financial assets at fair value through profit or loss	1,615,203	—	—	—	1,615,203
Loans and advances to customers	62,802,817	21,482	627	—	62,824,926
Investment securities					
— loans and receivables	5,768,802	—	—	—	5,768,802
— available-for-sale	1,592,713	—	—	8,759	1,601,472
— held-to-maturity	9,720,839	—	—	—	9,720,839
Investments in an associate	21,773	—	—	—	21,773
Other financial assets	460,958	655	269	803	462,685
Total assets	124,099,359	1,061,253	495,817	38,867	125,695,296
Liabilities					
Due to other banks and financial institutions	27,373,366	613,695	432,914	25,596	28,445,571
Customer deposits	88,957,609	283,981	58,642	6,322	89,306,554
Debts issued	994,562	—	—	—	994,562
Other financial liabilities	1,674,058	414	248	437	1,675,157
Total liabilities	118,999,595	898,090	491,804	32,355	120,421,844
Net position	5,099,764	163,163	4,013	6,512	5,273,452
Financial guarantees and credit related commitments	15,802,101	88,409	—	119,828	16,010,338

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2012					
Assets					
Cash and balances with central banks	25,225,374	15,457	2,294	209	25,243,334
Due from other banks and financial institutions	17,764,761	530,545	42,906	193,846	18,532,058
Financial assets at fair value through profit or loss	2,413,849	—	—	—	2,413,849
Loans and advances to customers	75,222,103	34,770	—	—	75,256,873
Investment securities					
— loans and receivables	21,232,136	—	—	—	21,232,136
— available-for-sale	3,244,101	—	—	—	3,244,101
— held-to-maturity	7,656,075	—	—	—	7,656,075
Investment in an associate	22,935	—	—	—	22,935
Other financial assets	558,955	5,871	—	2,611	567,437
Total assets	153,340,289	586,643	45,200	196,666	154,168,798
Liabilities					
Due to other banks and financial institutions	27,370,816	121,823	—	166,502	27,659,141
Customer deposits	113,679,700	298,854	41,620	23,011	114,043,185
Debts issued	1,789,886	—	—	—	1,789,886
Other financial liabilities	3,792,862	404	—	46	3,793,312
Total liabilities	146,633,264	421,081	41,620	189,559	147,285,524
Net position	6,707,025	165,562	3,580	7,107	6,883,274
Financial guarantees and credit related commitments	27,252,772	72,661	—	9,614	27,335,047

	RMB	US Dollar	HK Dollar	Others	Total
30 June 2013					
Assets					
Cash and balances with central banks	31,214,033	21,276	172	170	31,235,651
Due from other banks and financial institutions	24,324,658	458,371	4,551	175,992	24,963,572
Financial assets at fair value through profit or loss	2,315,924	—	—	—	2,315,924
Loans and advances to customers	83,073,512	395,275	—	—	83,468,787
Investment securities					
— loans and receivables	33,287,864	—	—	—	33,287,864
— available-for-sale	3,254,284	—	—	—	3,254,284
— held-to-maturity	6,745,290	—	—	—	6,745,290
Investment in an associate	23,726	—	—	—	23,726
Other financial assets	770,898	257	—	2,826	773,981
Total assets	185,010,189	875,179	4,723	178,988	186,069,079
Liabilities					
Due to other banks and financial institutions	29,695,100	155,771	—	152,271	30,003,142
Customer deposits	139,053,431	537,119	816	22,613	139,613,979
Debts issued	4,775,877	—	—	—	4,775,877
Other financial liabilities	3,815,407	1,094	—	2,352	3,818,853
Total liabilities	177,339,815	693,984	816	177,236	178,211,851
Net position	7,670,374	181,195	3,907	1,752	7,857,228
Financial guarantees and credit related commitments	36,781,328	82,699	—	22,873	36,886,900

3.3 **Liquidity risk**

3.3.1 ***Overview***

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Bank's objective in liquidity management is to ensure the availability of adequate funding to meet its needs to fund deposits withdrawals and other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw downs, guarantees and cash deposit hold as collateral.. The Board of Directors set limits on the minimum proportion of funds to be made available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. In addition, the Bank limits its loan to deposits ratio at below 75% as required by the PBOC. As at 30 June 2013 and December 2012 18% (19% as at 31 December 2011 and 16.5% as at 31 December 2010) of the Bank's total RMB denominated customer deposits and 5% (5% as at 31 December 2011 and 5% as at 31 December 2010) of the total foreign currency denominated customer deposits must be deposited with the PBOC.

3.3.2 ***Liquidity risk management process***

Bank's liquidity risk represents the risk in meeting its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn, it includes unable to meets payment obligations, liquidate its assets portfolio promptly and/or at market value.

The board of directors formulates the policy, strategy, procedures, limit and contingency plan relate to the overall management of liquidity risk according to risk preference. Asset and liability management committee is established under the top management, which is responsible for the daily operations in liquidity risk management. Assets and liabilities management department cooperates with Treasury department and others, in order to form a well organized, fully functional liquidity risk management system.

Bank of Chongqing actively applies new technology, in order to enhance the involvement of IT in liquidity risk management. The system monitors the liquidity index and exposure, which form a mechanism in regular, automatic liquidity risk assessment, and arrange the banking processes according to current liquidity exposure. Bank of Chongqing actively modifies the assets and liabilities maturity structure by applying internal fund transfer pricing. Bank of Chongqing pays constant attention to its liquidity risk management process, holds the weekly meeting for assets and liabilities integration, enhances and improves liquidity risk related policy timely, eventually achieve its goal in liquidity risk management.

3.3.3 ***Non-derivative financial liabilities and assets held for managing liquidity risk***

The table below presents the undiscounted cash flows of the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2010									
Liabilities									
Due to other banks and financial institution	179,858	12,882,142	7,512,144	1,872,786	5,226,119	—	—	—	27,673,049
Customer deposits	44,228,590	4,275,042	4,727,893	19,635,106	1,382,462	4,893	—	—	74,253,986
Debts issued	—	—	—	53,100	1,153,266	—	—	—	1,206,366
Other liabilities	—	426,191	121,052	231,686	722,665	22,990	81,978	—	1,606,562
Total liabilities (contractual maturity dates)	44,408,448	17,583,375	12,361,089	21,792,678	8,484,512	27,883	81,978	—	104,739,963
Assets									
Cash and balances with central banks	347,351	3,351,167	—	—	—	—	11,366,901	—	15,065,419
Due from other banks and financial institutions	525,455	10,757,029	4,093,854	2,398,097	365,805	—	—	—	18,140,240
Non-derivative financial assets at fair value through profit or loss	—	414,707	—	—	—	—	—	—	414,707
Loans and advances to customers	—	4,713,471	6,533,848	18,328,206	17,230,811	13,735,160	—	185,900	60,727,396
Investment securities									
— loans and receivables	—	441,749	2,574,627	1,373,827	2,068,028	—	—	—	6,458,231
— available-for-sale ('AFS')	—	—	—	333,515	3,700,374	1,933,282	186,307	—	6,153,478
— held-to-maturity ('HTM')	—	—	—	188,124	5,239,254	7,036,507	—	—	12,463,885
Other assets	—	38,344	352,319	6,851	36,746	—	1,337,559	—	1,771,819
Assets held for managing liquidity risk (contractual maturity dates)	872,806	19,716,467	13,554,648	22,628,620	28,641,018	22,704,949	12,890,767	185,900	121,195,175

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2011									
Liabilities									
Due to other banks and financial institution	181,833	9,763,927	8,297,009	7,998,862	2,855,928	—	—	—	29,097,559
Customer deposits	43,273,029	4,766,434	5,352,982	33,836,270	3,058,110	2,428	—	—	90,289,253
Debts issued	—	—	—	53,100	1,100,762	—	—	—	1,153,862
Other liabilities	—	655,324	164,497	480,288	709,070	22,265	108,620	—	2,140,064
Total liabilities (contractual maturity dates)	43,454,862	15,185,685	13,814,488	42,368,520	7,723,870	24,693	108,620	—	122,680,738
Assets									
Cash and balances with central banks	413,372	2,520,372	—	—	—	—	16,406,116	—	19,339,860
Due from other banks and financial institutions	1,854,270	7,250,523	6,593,171	8,979,141	26,878	—	—	—	24,703,983
Non-derivative financial assets at fair value through profit or loss	—	1,615,203	—	—	—	—	—	—	1,615,203
Loans and advances to customers	—	4,755,193	4,573,137	28,885,254	16,093,871	22,750,477	—	170,613	77,228,545
Investment securities									
— loans and receivables	—	1,339,787	—	3,051,857	1,742,767	—	—	—	6,134,411
— available-for-sale ('AFS')	—	—	—	358,832	687,101	674,631	187,380	—	1,907,944
— held-to-maturity ('HTM')	—	50,078	50,293	2,036,804	3,727,930	6,076,693	—	—	11,941,798
Investment in an associate	—	—	—	—	—	—	21,773	—	21,773
Other assets	—	119,303	139,287	117,607	103,855	51,943	1,575,309	—	2,107,304
Assets held for managing liquidity risk (contractual maturity dates)	2,267,642	17,650,459	11,355,888	43,429,495	22,382,402	29,553,744	18,190,578	170,613	145,000,821

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2012									
Liabilities									
Due to other banks and financial institution	120,432	3,230,266	6,465,613	12,385,880	6,485,045	209,171	—	—	28,896,407
Customer deposits	46,071,805	6,211,155	9,186,007	47,057,486	7,482,848	10,098	—	—	116,019,399
Debts issued	—	—	54,400	53,100	2,060,586	—	—	—	2,168,086
Other liabilities	—	1,856,789	596,570	652,731	1,145,106	22,381	139,339	—	4,412,916
Total liabilities (contractual maturity dates)	46,192,237	11,298,210	16,302,590	60,149,197	17,173,585	241,650	139,339	—	151,496,808
Assets									
Cash and balances with central banks	521,782	4,031,544	—	—	—	—	20,690,008	—	25,243,334
Due from other banks and financial institutions	1,065,133	3,617,796	5,228,393	8,867,735	—	—	—	—	18,779,057
Non-derivative financial assets at fair value through profit or loss	—	2,413,849	—	—	—	—	—	—	2,413,849
Loans and advances to customers	—	4,027,892	7,355,092	36,664,517	17,071,224	28,005,993	—	283,638	93,408,356
Investment securities	—								
— loans and receivables	—	908,261	307,900	3,635,968	18,901,243	—	—	—	23,753,372
— available-for-sale ('AFS')	—	—	—	—	2,208,020	1,355,811	199,052	—	3,762,883
— held-to-maturity ('HTM')	—	—	230,835	1,361,209	3,010,314	4,978,763	—	—	9,581,121
Investment in an associate	—	—	—	—	—	—	22,935	—	22,935
Other assets	—	156,165	174,488	45,820	228,428	50,268	1,906,948	—	2,562,117
Assets held for managing liquidity risk (contractual maturity dates)	1,586,915	15,155,507	13,296,708	50,575,249	41,419,229	34,390,835	22,818,943	283,638	179,527,024

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
30 June 2013									
Liabilities									
Due to other banks and financial institution	660,081	11,945,079	4,629,712	8,902,684	4,517,038	208,987	—	—	30,863,581
Customer deposits	54,810,415	10,886,952	12,008,963	39,143,978	24,077,258	9,048	—	—	140,936,614
Debts issued	—	—	—	1,246,417	4,517,160	—	—	—	5,763,577
Other liabilities	—	1,442,003	318,832	1,823,189	563,739	23,814	334,452	—	4,506,029
Total liabilities(contractual maturity dates)	55,470,496	24,274,034	16,957,507	51,116,268	33,675,195	241,849	334,452	—	182,069,801
Assets									
Cash and balances with central banks	513,170	6,356,944	—	—	—	—	24,365,537	—	31,235,651
Due from other banks and financial institutions	2,089,062	10,773,818	8,120,347	4,118,196	—	—	—	—	25,101,423
Non-derivative financial assets at fair value through profit or loss	—	2,315,924	—	—	—	—	—	—	2,315,924
Loans and advances to customers	—	5,475,407	8,615,439	40,388,039	16,448,943	34,126,971	—	204,403	105,259,202
Investment securities									
— loans and receivables	—	—	1,105,890	12,106,174	24,301,898	—	—	—	37,513,962
— available-for-sale ('AFS')	—	—	—	—	2,168,191	1,361,268	188,250	—	3,717,709
— held-to-maturity ('HTM')	—	130,426	220,743	1,100,008	2,255,626	4,836,749	—	—	8,543,552
Investment in an associate	—	—	—	—	—	—	23,726	—	23,726
Other assets	—	334,663	15,384	111,907	372,127	37,203	2,261,931	—	3,133,215
Assets held for managing liquidity risk (contractual maturity dates)	2,602,232	25,387,182	18,077,803	57,824,324	45,546,785	40,362,191	26,839,444	204,403	216,844,364

Assets available to meet all of the liabilities include cash, balances with central bank, items in the course of collection and treasury; due from other banks and financial institutions; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities, using credit commitment from other financial institutions, early termination of borrowing from other financial institutions and repurchase agreement and using the mandatory reserve deposits upon the PBOC's approval.

3.3.4 ***Maturity Analysis***

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2010									
Assets									
Cash and balances with central banks	347,351	3,351,167	—	—	—	—	11,366,901	—	15,065,419
Due from other banks and financial institutions	525,455	10,740,074	4,069,203	2,353,184	347,132	—	—	—	18,035,048
Financial assets at fair value through profit or loss	—	414,707	—	—	—	—	—	—	414,707
Loans and advances to customers	—	4,710,226	6,479,069	17,676,901	14,821,553	8,081,302	—	185,900	51,954,951
Investment securities									
— loans and receivables	—	427,114	2,536,889	1,323,042	1,800,029	—	—	—	6,087,074
— available-for-sale	—	—	—	327,959	3,162,141	1,405,084	186,307	—	5,081,491
— held-to-maturity	—	—	—	185,161	4,889,310	4,840,539	—	—	9,915,010
Other assets, including deferred income tax assets	—	38,344	352,319	6,851	36,746	—	1,337,559	—	1,771,819
Total assets	872,806	19,681,632	13,437,480	21,873,098	25,056,911	14,326,925	12,890,767	185,900	108,325,519
Liabilities									
Due to other banks and financial institution	179,858	12,871,281	7,455,296	1,762,165	4,570,000	—	—	—	26,838,600
Customer deposits	44,228,590	4,273,040	4,705,653	19,357,386	1,287,090	4,711	—	—	73,856,470
Debts issued	—	—	—	—	993,966	—	—	—	993,966
Other financial liabilities including deferred income tax liabilities	—	426,191	121,052	231,686	722,665	22,990	81,978	—	1,606,562
Total liabilities (contractual maturity dates)	44,408,448	17,570,512	12,282,001	21,351,237	7,573,721	27,701	81,978	—	103,295,598
Net Liquidity Gap	(43,535,642)	2,111,120	1,155,479	521,861	17,483,190	14,299,224	12,808,789	185,900	5,029,921

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2011									
Assets									
Cash and balances with central banks	413,372	2,520,372	—	—	—	—	16,406,116	—	19,339,860
Due from other banks and financial institutions	1,854,270	7,237,847	6,515,226	8,706,578	25,815	—	—	—	24,339,736
Financial assets at fair value through profit or loss	—	1,615,203	—	—	—	—	—	—	1,615,203
Loans and advances to customers	—	4,749,025	4,524,589	27,666,703	13,806,972	11,907,024	—	170,613	62,824,926
Investment securities									
— loans and receivables	—	1,336,210	—	2,932,592	1,500,000	—	—	—	5,768,802
— available-for-sale	—	—	—	351,033	585,661	477,398	187,380	—	1,601,472
— held-to-maturity	—	50,000	50,000	1,992,627	3,475,709	4,152,503	—	—	9,720,839
Investment in an associate	—	—	—	—	—	—	21,773	—	21,773
Other assets, including deferred income tax assets	—	119,303	139,287	117,607	103,855	51,943	1,575,309	—	2,107,304
Total assets	2,267,642	17,627,960	11,229,102	41,767,140	19,498,012	16,588,868	18,190,578	170,613	127,339,915
Liabilities									
Due to other banks and financial institution	181,833	9,748,492	8,243,658	7,771,588	2,500,000	—	—	—	28,445,571
Customer deposits	43,273,029	4,763,085	5,318,164	33,110,484	2,840,056	1,736	—	—	89,306,554
Debts issued	—	—	—	—	994,562	—	—	—	994,562
Other financial liabilities including deferred income tax liabilities	—	655,324	164,497	480,288	709,070	22,265	108,620	—	2,140,064
Total liabilities (contractual maturity dates)	43,454,862	15,166,901	13,726,319	41,362,360	7,043,688	24,001	108,620	—	120,886,751
Net Liquidity Gap	(41,187,220)	2,461,059	(2,497,217)	404,780	12,454,324	16,564,867	18,081,958	170,613	6,453,164

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2012									
Assets									
Cash and balances with central banks	521,782	4,031,544	—	—	—	—	20,690,008	—	25,243,334
Due from other banks and financial institutions	1,065,133	3,611,261	5,176,662	8,679,002	—	—	—	—	18,532,058
Financial assets at fair value through profit or loss	—	2,413,849	—	—	—	—	—	—	2,413,849
Loans and advances to customers	—	4,021,604	7,268,335	35,122,947	14,638,199	13,922,150	—	283,638	75,256,873
Investment securities									
— loans and receivables	—	906,555	300,000	3,467,448	16,558,133	—	—	—	21,232,136
— available-for-sale	—	—	—	—	1,985,524	1,059,525	199,052	—	3,244,101
— held-to-maturity	—	—	229,871	1,339,788	2,756,111	3,330,305	—	—	7,656,075
Investment in an associate	—	—	—	—	—	—	22,935	—	22,935
Other assets, including deferred income tax assets	—	156,165	174,488	45,820	228,428	50,268	1,906,948	—	2,562,117
Total assets	1,586,915	15,140,978	13,149,356	48,655,005	36,166,395	18,362,248	22,818,943	283,638	156,163,478
Liabilities									
Due to other banks and financial institution	120,432	3,223,755	6,408,279	12,238,323	5,502,000	166,352	—	—	27,659,141
Customer deposits	46,071,805	6,206,730	9,136,712	46,079,017	6,542,090	6,831	—	—	114,043,185
Debts issued	—	—	—	—	1,789,886	—	—	—	1,789,886
Other financial liabilities including deferred income tax liabilities	—	1,856,789	596,570	652,731	1,145,106	22,381	139,339	—	4,412,916
Total liabilities (contractual maturity dates)	46,192,237	11,287,274	16,141,561	58,970,071	14,979,082	195,564	139,339	—	147,905,128
Net Liquidity Gap	(44,605,322)	3,853,704	(2,992,205)	(10,315,066)	21,187,313	18,166,684	22,679,604	283,638	8,258,350

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
30 June 2013									
Assets									
Cash and balances with central banks	513,170	6,356,944	—	—	—	—	24,365,537	—	31,235,651
Due from other banks and financial institutions	2,089,062	10,754,045	8,069,478	4,050,987	—	—	—	—	24,963,572
Financial assets at fair value through profit or loss	—	2,315,924	—	—	—	—	—	—	2,315,924
Loans and advances to customers	—	5,464,374	8,530,972	38,546,489	13,998,406	16,724,143	—	204,403	83,468,787
Investment securities									
— loans and receivables	—	—	1,090,000	11,477,231	20,720,633	—	—	—	33,287,864
— available-for-sale	—	—	—	—	1,982,951	1,083,083	188,250	—	3,254,284
— held-to-maturity	—	130,000	220,000	1,080,986	2,045,373	3,268,931	—	—	6,745,290
Investment in an associate	—	—	—	—	—	—	23,726	—	23,726
Other assets, including deferred income tax assets	—	334,663	15,384	111,907	372,127	37,203	2,261,931	—	3,133,215
Total assets	2,602,232	25,355,950	17,925,834	55,267,600	39,119,490	21,113,360	26,839,444	204,403	188,428,313
Liabilities									
Due to other banks and financial institution	660,081	11,928,959	4,573,939	8,666,038	4,022,000	152,125	—	—	30,003,142
Customer deposits	54,810,415	10,864,162	11,938,377	38,482,463	23,512,469	6,093	—	—	139,613,979
Debts issued	—	—	—	995,517	3,780,360	—	—	—	4,775,877
Other financial liabilities including deferred income tax liabilities	—	1,442,003	318,832	1,823,189	563,739	23,814	334,452	—	4,506,029
Total liabilities (contractual maturity dates)	55,470,496	24,235,124	16,831,148	49,967,207	31,878,568	182,032	334,452	—	178,899,027
Net Liquidity Gap	(52,868,264)	1,120,826	1,094,686	5,300,393	7,240,922	20,931,328	26,504,992	204,403	9,529,286

3.3.5 ***Off-balance-sheet items***

The table below lists the off balance-sheet statement items of the Bank according to their remaining term to maturity, and also includes the future minimum lease payments under non-cancellable operating leases where the Bank are the lessees. The financial commitments are listed by the earliest maturity date in its notional principal.

	No later than 1 year	1-5 years	Over 5 years	Total
31 December 2010				
Unused credit card limits	268,216	—	—	268,216
Guarantees, acceptances and letters of credit	8,905,791	80,006	—	8,985,797
Operating lease commitments	19,634	34,147	1,413	55,194
Capital commitments	114,464	28,876	1,000	144,340
Total	9,308,105	143,029	2,413	9,453,547

	No later than 1 year	1-5 years	Over 5 years	Total
31 December 2011				
Unused credit card limits	537,931	—	—	537,931
Guarantees, acceptances and letters of credit	15,428,453	43,954	—	15,472,407
Operating lease commitments	28,684	57,875	35,426	121,985
Capital commitments	113,002	51,210	1,000	165,212
Total	16,108,070	153,039	36,426	16,297,535

	No later than 1 year	1-5 years	Over 5 years	Total
31 December 2012				
Unused credit card limits	651,269	—	—	651,269
Guarantees, acceptances and letters of credit	26,618,163	65,615	—	26,683,778
Operating lease commitments	41,256	83,811	46,842	171,909
Capital commitments	387,421	118,467	10,000	515,888
Total	27,698,109	267,893	56,842	28,022,844

	No later than 1 year	1-5 years	Over 5 years	Total
30 June 2013				
Unused credit card limits	630,264	—	—	630,264
Guarantees, acceptances and letters of credit	36,185,287	71,349	—	36,256,636
Operating lease commitments	43,346	82,886	2,576	128,808
Capital commitments	304,649	97,490	—	402,139
Total	37,163,546	251,725	2,576	37,417,847

3.4 **Fair values of financial assets and liabilities**

(a) ***Financial instruments not measured at fair value***

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value.

	31 December 2010		31 December 2011		31 December 2012		30 June 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets								
Investment securities								
— loans and receivables	6,087,074	6,161,598	5,768,802	5,848,491	21,232,136	21,874,851	33,287,864	34,047,613
— held to maturity	9,915,010	9,690,424	9,720,839	9,677,021	7,656,075	7,572,944	6,745,290	6,702,258
Financial liabilities								
Debts issued	993,966	999,514	994,562	972,621	1,789,886	1,794,328	4,775,877	4,907,814

Investment securities

The fair value for loans and receivables and held to maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Debts issued

The fair value of fixed interest bearing debts issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

Other than above, the difference between the carrying value and fair value of those financial assets and liabilities not presented at their fair value on the statement of financial position are insignificant. Fair value is measured using a discounted future cash flow model.

(b) ***Fair value hierarchy***

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Hong Kong Stock Exchange).

- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments traded in interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are China Bond and Bloomberg.

- Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and structured financial instruments.

The Bank uses valuation techniques to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

For asset-backed securities and unlisted equity (private equity) held by the Bank, the fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments. Instruments which have been valued using unobservable inputs have been classified by the Bank as level 3. Management determines the fair value of the Bank's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external valuers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The Bank has established internal control procedures to control the Bank's exposure to such financial instruments.

Assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total
31 December 2010				
Financial assets at fair value through profit or loss				
— Debt securities	—	414,707	—	414,707
— Equity investment	—	—	—	—
	—	414,707	—	414,707
Investment securities-available-for-sale				
— Debt securities	—	4,892,841	—	4,892,841
— Equity investment	2,343	—	186,307	188,650
	2,343	4,892,841	186,307	5,081,491
Total	2,343	5,307,548	186,307	5,496,198

	Level 1	Level 2	Level 3	Total
31 December 2011				
Financial assets at fair value through profit or loss				
— Debt securities	—	1,615,203	—	1,615,203
— Equity investment	—	—	—	—
	—	1,615,203	—	1,615,203
Investment securities-available-for-sale				
— Debt securities	—	1,414,092	—	1,414,092
— Equity investment	—	—	187,380	187,380
	—	1,414,092	187,380	1,601,472
Total	—	3,029,295	187,380	3,216,675

	Level 1	Level 2	Level 3	Total
31 December 2012				
Financial assets at fair value through profit or loss				
— Debt securities	—	2,413,849	—	2,413,849
— Equity investment	—	—	—	—
	—	2,413,849	—	2,413,849
Investment securities-available-for-sale				
— Debt securities	—	3,045,049	—	3,045,049
— Equity investment	—	—	199,052	199,052
	—	3,045,049	199,052	3,244,101
Total	—	5,458,898	199,052	5,657,950

	Level 1	Level 2	Level 3	Total
30 June 2013				
Financial assets at fair value through profit or loss				
— Debt securities	—	2,315,924	—	2,315,924
— Equity investment	—	—	—	—
	—	2,315,924	—	2,315,924
Investment securities-available-for-sale				
— Debt securities	—	3,066,034	—	3,066,034
— Equity investment	—	—	188,250	188,250
	—	3,066,034	188,250	3,254,284
Total	—	5,381,958	188,250	5,570,208

Reconciliation of beginning and ending balances for level 3 financial assets and liabilities:

	Investment securities-AFS	Total assets
As at 1 January 2010	184,065	184,065
Total gains or losses		
— Other comprehensive income	2,242	2,242
As at 31 December 2010	186,307	186,307
Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2010	4,216	4,216

	Investment securities-AFS	Total assets
1 January 2011	186,307	186,307
Total gains or losses		
— Other comprehensive income	1,073	1,073
31 December 2011	187,380	187,380
Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2011	5,224	5,224

	Investment securities-AFS	Total assets
1 January 2012	187,380	187,380
Total gains or losses		
— Other comprehensive income	11,672	11,672
31 December 2012	199,052	199,052
Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2012	5,947	5,947

	Investment securities-AFS	Total assets
1 January 2013	199,052	199,052
Total gains or losses		
— Other comprehensive income	(10,791)	(10,791)
— Switch off level 3	(11)	(11)
30 June 2013	188,250	188,250
Total gains for the period included in statement of comprehensive income for assets/liabilities held at 30 June 2013	7,791	7,791

Quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 for the year ended December 31, 2012 and for the period ended June 30, 2013 presented as follows:

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at December 31, 2012	Valuation Technique(s)	Unobservable Inputs	Weighted Average
Equity Securities — Banking....	174,987	Market comparable companies	PB multiple (a)	1.15
			Discount for lack of marketability(b)	19.94%

	Fair Value at June 30, 2013	Valuation Technique(s)	Unobservable Inputs	Weighted Average
Equity Securities — Banking....	164,190	Market comparable companies	PB multiple (a)	0.90
			Discount for lack of marketability(b)	18.64%

(a) Represents amounts used when the reporting entity has determined that market participants would use such multiples when pricing the investments.

(b) Represents amounts used when the reporting entity has determined that market participants would take into account these premiums and discounts when pricing the investments.

(c) Unobservable inputs that are not developed by the Bank are not included in the disclosure.

(d) Equity securities using recent transaction prices without adjustment amounted to RMB 24,065 thousand as at December 31, 2012 and RMB 24,060 thousand as at June 30, 2013.

3.5 **Capital management**

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored quarterly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

In year 2010, 2011 and 2012, the CBRC required each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%, and a core capital ratio of above 4%.

- Core capital: Paid up ordinary share capital, capital surplus, statutory reserve, statutory general reserve, discretionary reserve, retained earnings and non-controlling interest; and

- Supplementary capital: Revaluation reserve for properties and AFS securities, collectively assessed impairment allowance for impaired assets and regulatory reserve, qualified portion of subordinated term debts.

Goodwill, unconsolidated investment in financial associates and investments in non-financial related entities are deducted from core and supplementary capital to arrive at the capital.

The on-statement risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of, and reflecting an estimate of, credit and other risks associated with each asset and customer, and taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement exposure with adjustments to reflect the contingent nature of the potential losses. The market risk capital adjustment is measured by means of a standardized approach.

The table below summarizes the composition of regulatory capital and the ratios of the Bank as at 31 December 2010, 2011, 2012 and 30 June 2013.

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
Core capital:				
Share capital	2,020,619	2,020,619	2,020,619	2,020,619
Counted part of capital surplus	(34,753)	(281)	(28,421)	(18,554)
Surplus reserve and general risk reserves	836,360	1,155,310	1,501,160	2,526,470
Counted part of retained earnings	2,168,350	3,212,757	4,636,072	4,986,852
	4,990,576	6,388,405	8,129,430	9,515,387
Secondary capital:				
General reserves for loan loss	530,342	641,133	767,092	848,391
Long-term subordinated debts	1,000,000	1,000,000	1,800,000	1,800,000
Other supplementary capital	328,129	328,129	344,975	338,875
Subtotal	1,858,471	1,969,262	2,912,067	2,987,266
Counted supplementary capital	1,858,471	1,969,262	2,912,067	2,987,266
Total capital base before deductions	6,849,047	8,357,667	11,041,497	12,502,653
Deductions:				
Equity investments in financial institutions	(187,600)	(209,600)	(209,600)	(209,600)
Equity investments in industrial and commercial enterprises	(3,990)	(3,820)	(3,820)	(1,210)
Equity investments in real property	(13,318)	(8,788)	(9,288)	(9,070)
Other deductions	(30,000)	(30,000)	(30,000)	(30,000)
Subtotal	(234,908)	(252,208)	(252,708)	(249,880)
Total capital base after deduction	6,614,139	8,105,459	10,788,789	12,252,773
Risk-weighted assets:				
On-balance sheet risk-weighted assets	50,660,483	60,977,430	74,594,685	82,180,761
Off-balance sheet risk-weighted assets	2,635,723	5,977,738	9,517,848	12,345,724
Total risk-weighted assets	53,296,206	66,955,168	84,112,533	94,526,485
Market risk capital	—	67,373	104,499	110,283
Capital adequacy ratio	12.41%	11.96%	12.63%	12.78%
Core capital adequacy ratio	9.17%	9.26%	9.39%	9.81%

Effective from 1 January, 2013, the bank started to implement the CBRC's regulation of "Administrative Measures for the Capital of Commercial Banks (Trial Implementation)". In accordance with relevant regulation, the Bank's capital adequacy ratio should be no less than the following criterion:

- Core Tier One Capital adequacy ratio should be no less than 5%.
- Tier One Capital adequacy ratio should be no less than 6%.
- Capital adequacy ratio should be no less than 8%.
- Commercial Banks need to make provision reserve assets on the basis of minimum capital requirement. Reserve assets are required to be 2.5% of the risk-weighted assets, fulfilled by Core Tier One Capital.

In certain circumstances, commercial banks need to make provision of countercyclical capital on the basis of minimum capital requirement and reserve capital requirement. Countercyclical capital is required to be 0 to 2.5% of the risk-weighted assets, fulfilled by Core Tier One Capital.

The capital adequacy ratio of 2013 half year under the "Administrative Measures for the Capital of Commercial Banks (Trial Implementation)" is as follows:

	30 June 2013
Core capital:	
Share capital	2,020,619
Counted part of capital surplus	(18,554)
Surplus reserve and general risk reserves	2,526,470
Counted part of retained earnings	4,997,598
Core Tier 1 Capital deductibles items:	
Full deductibles items	(62,856)
Threshold deduction items	—
Total Core Tier 1 Capital, net	9,463,277
Other Tier 1 Capital, net	—
Tier 2 Capital, net	2,861,960
Net capital	12,325,237
On-balance sheet risk-weighted assets	89,352,838
Off-balance sheet risk-weighted assets	12,266,941
Risk-weighted assets for exposure to counterpart credit risk	—
Total credit risk-weighted assets	101,619,779
Total market risk-weighted assets	2,414,619
Total operational risk-weighted assets	6,787,635
Total risk-weighted assets before applying capital base	110,822,033
Total risk-weighted assets after applying capital base	110,822,033
Core Tier 1 Capital adequacy ratio	8.54%
Tier 1 Capital adequacy ratio	8.54%
Capital adequacy ratio	11.12%

3.6 **Fiduciary activities**

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the financial information. The Bank also grants entrusted loans on behalf of third-party lenders, which are not included in the financial information.

	31 December		30 June	
	2010	2011	2012	2013
Assets held in investment custody accounts	—	—	1,396,900	3,281,900
Entrust loans	1,303,966	1,662,856	2,333,220	3,547,310

3.7 **Unsecured wealth management products**

The Bank issue and manage unsecured wealth management products to institutional and individual investors. The funds raised from the institutional and individual investors are invested in the open market bonds and trust schemes. The maturity of these unsecured wealth management products ranged from three months to one year.

The Bank assesses its control on the unsecured wealth management product. The Bank takes a fiduciary role on these wealth management products and has no contractual obligation to repay the principal or pre-determined interest. The risk exposure of the products is mainly from the fluctuation of the expected return of the bonds market and the performance of trust schemes. The risk of loss is born by the investors. The Bank recognizes the commission income from the products.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the funds raised from the unsecured wealth management products were RMB 3,970 million, RMB1,760 million, RMB9,305 million and RMB10,432 million respectively. The Bank has recognized net commission income from unsecured wealth management products with the amount of RMB 20,728K, RMB34,562K, RMB80,311K and RMB106,611K for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, through provision of asset management service.

4 **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES**

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) **Impairment allowances on loans and advances**

The bank reviews its loan portfolios to assess impairment on a quarterly basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the bank. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances are collectively assessed for impairment, Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) **Fair value of financial instruments**

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models. To the extent practical, only observable data is used in models, however areas such as credit risk (both ours and counterparties'), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) **Income taxes**

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and past practice. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and business tax in the period during which such a determination is made (Note 26).

(d) **Held-to-maturity**

The bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the bank fails to hold these investments to maturity other than for specific circumstances defined in IAS 39 such as, selling an insignificant amount close to maturity due to a significant, deterioration in the issuer's credit, or regulatory requirement, it will be required to reclassify the entire portfolio of assets as available-for-sale. The investments would therefore be measured at fair value, not at amortised cost.

(e) **Impairment of available-for-sale financial assets and held-to-maturity securities**

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

The Bank recognises an impairment loss for an available-for-sale debt instrument and held to maturity debt securities when there is objective evidence that the debt instrument is impaired. Objective evidence of an impairment for a debt instrument exists when one or more events have occurred after the initial recognition of the debt instrument, that reduce the estimated future cash flows to be received on the debt instrument.

5 NET INTEREST INCOME

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Interest income					
Balances with central banks	163,009	248,247	321,953	149,788	198,570
Due from other banks and financial institutions	443,814	1,199,684	1,446,687	879,609	634,861
Loans and advances to customers	2,699,545	3,941,870	5,101,485	2,517,996	2,878,629
Investment securities and financial assets at fair value through profit or loss	647,009	717,556	1,438,691	536,272	1,217,633
	3,953,377	6,107,357	8,308,816	4,083,665	4,929,693
Interest expense					
Due to other banks and financial institutions	(528,901)	(1,289,547)	(1,760,418)	(949,003)	(851,155)
Customer deposits	(825,355)	(1,442,615)	(2,302,286)	(1,043,619)	(1,523,932)
Debts issued	(53,665)	(53,696)	(96,481)	(40,481)	(80,452)
	(1,407,921)	(2,785,858)	(4,159,185)	(2,033,103)	(2,455,539)
Net interest income	2,545,456	3,321,499	4,149,631	2,050,562	2,474,154

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Interest income accrued on loans and advances to customers individually impaired	733	869	4,951	1,687	3,437

6 NET FEE AND COMMISSION INCOME

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Fee and commission income					
Commission income from financial advisory and consulting services	134,618	191,081	154,128	30,341	141,944
Commission income from wealth management agency service	34,752	54,353	107,406	36,290	116,343
Commission income from settlement and agency services	38,517	54,882	42,648	16,947	18,251
Commission income from bank card services	10,489	12,687	45,750	11,465	47,632
Commission income from credit commitments	9,257	15,336	27,240	13,181	19,306
Commission income from custodian service	—	—	28,834	6,192	46,362
	227,633	328,339	406,006	114,416	389,838
Fee and commission expense					
Commission expense from settlement and agency services	(23,033)	(28,142)	(23,797)	(7,373)	(14,895)
Commission expense from bank card services	(876)	(6,934)	(11,137)	(4,861)	(6,603)
Other commission expense	(5,296)	(3,451)	(3,026)	(972)	(1,519)
	(29,205)	(38,527)	(37,960)	(13,206)	(23,017)
Net fee and commission income	198,428	289,812	368,046	101,210	366,821

7 NET TRADING (LOSSES)/INCOME

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Net (losses)/gains on:					
— foreign exchange	(2,010)	(5,681)	3,327	1,193	(1,201)
— interest rate instruments	(5,532)	(7,924)	22,462	94,692	14,328
	(7,542)	(13,605)	25,789	95,885	13,127

Net gains/(losses) on foreign exchange mainly include gains and losses from the retranslation of foreign currency monetary assets and liabilities into Renminbi and gains and losses from purchase of foreign currency spot.

The retranslation of foreign currency monetary assets and liabilities amounted to losses of RMB 4,574,271, losses of RMB 6,718,159, losses of RMB 629,277, gains of RMB 141,974 and losses of RMB 2,305,655 for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013.

Net gains/(losses) on interest rate instruments mainly include gains or losses generating from the fair value adjustment of the trading securities.

8 OTHER OPERATING INCOME

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Profit on sale of land use rights and buildings and investment properties	5,871	3,230	—	—	3,857
Profit on sale of foreclosed assets and other assets	1,144	4,448	5,063	—	22,755
Dividend income from unlisted available-for-sale investments	4,216	5,224	5,947	5,947	7,791
Government grants (i)	2,976	391	8,101	940	50
Rental income from investment property	2,336	2,864	1,676	961	456
Income from dormant account	5,873	2,218	2,402	793	1,014
Other miscellaneous income (ii)	3,666	3,824	2,642	2,902	9,513
	26,082	22,199	25,831	11,543	45,436

(i) Government grants

Government grant in 2010 was financial supporting fund received from the Science and technology committee of Chongqing (重慶市科學技術委員會).

Government grant in 2011 and 2012 was financial supporting fund received from Wuhou District Ministry of Finance for Chengdu Branch being in accordance with economic development promotion policy.

Government grant in 2013 was reward for outstanding financial institutions to support local economic development.

(ii) Other miscellaneous income mainly comprises cashier surplus, compensation on breach of contract, incomes from writing off other payables etc.

9 OPERATING EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Staff costs (including directors and supervisors' emoluments)(Note 10)	495,603	725,305	865,458	386,870	457,389
General and administrative expenses	331,294	368,626	564,352	187,091	253,626
Business tax and surcharges	164,638	227,360	313,225	145,743	184,682
Depreciation of property, plant and equipment (Note 21)	45,984	52,843	58,293	27,896	38,398
Amortization of intangible assets (Note 22(c))	6,578	8,112	7,221	2,988	5,474
Amortization of land use rights (Note 22(b))	4,731	4,826	4,898	2,449	2,449
Depreciation of investment properties (Note 22(d))	395	406	428	210	218
Amortization of long-term prepaid expenses	11,126	15,722	14,577	7,050	9,237
Rental expenses	24,170	30,889	51,121	22,631	29,509
Professional fees	8,110	6,685	10,855	4,237	5,489
Auditors' remuneration	1,115	1,270	1,425	914	3,250
Donations	6,000	5,010	5,760	1,760	4,208
Provision on foreclosed assets	2,696	5	1,338	120	4,248
Impairment loss/(reversal) on other receivables	3,443	1,332	89	(192)	(4,447)
Others	2,578	2,395	2,408	601	209
	1,108,461	1,450,786	1,901,448	790,368	993,939

10 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Salaries and bonuses	383,416	488,306	592,725	270,492	316,368
Pension costs (Note 27)	40,189	73,682	89,486	40,471	47,465
Housing benefits and subsidies	12,673	33,841	43,539	20,569	22,992
Labor union and staff education expenses	24,525	26,127	23,787	7,867	7,836
Other social security and benefit costs	34,800	103,349	115,921	47,471	62,728
	495,603	725,305	865,458	386,870	457,389

11 IMPAIRMENT ALLOWANCES ON LOANS AND ADVANCES

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Loans and advances to customers (Note 18(b))					
— Collectively assessed	257,305	179,113	208,123	77,816	81,929
— Individually assessed	(3,889)	4,419	31,504	20,377	20,189
	253,416	183,532	239,627	98,193	102,118

12 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Details of the directors' and supervisors' emoluments for the year ended 31 December 2010 are as follows:

	Year ended 31 December 2010				
Name	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Ma Qianzhen	—	374	949	—	1,323
Gan Weimin (Governor)	—	374	949	—	1,323
Ding Shilu(1)	—	282	696	—	978
Ran Hailing(3)	—	—	—	—	—
Koo Tak Wing	—	276	759	—	1,035
Non-executive directors					
Derek H.H. Wong	38	—	—	—	38
Yin Mingshan	38	—	—	—	38
Lv Wei	38	—	—	—	38
He Zhiya(2)	38	—	—	—	38
Wu Jiahong	38	—	—	—	38
Gu Mei(2)	38	—	—	—	38
Chen Huiming(2)	75	—	—	—	75
Xiao Changhua	75	—	—	—	75
Zhang Zongyi(2)	75	—	—	—	75
Horace S.Y. Fan	75	—	—	—	75
Chen Diquan(2)	75	—	—	—	75
Liu Liangcai(3)	—	—	—	—	—
Qin Wei(3)	—	—	—	—	—
Sun Fangcheng(3)	—	—	—	—	—
Zhang Weiguo(3)	—	—	—	—	—
Han Deyun(3)	—	—	—	—	—
Supervisors					
Chen Xiao	—	374	949	—	1,323
Ren Cheng	—	305	759	—	1,064
Liu Jianhua	—	339	764	—	1,103
Chen Jianwei	25	—	—	—	25
Sun Shenlin(2)	25	—	—	—	25
Ying Xiaoyue(2)	50	—	—	—	50
Zeng Xiaoling(2)	50	—	—	—	50
Zhou Yongkang(3)	—	—	—	—	—
Liu Xingyu(3)	—	—	—	—	—
Si Houchun(3)	—	—	—	—	—
Total	753	2,324	5,825	—	8,902

Details of the directors' and supervisors' emoluments for the year ended 31 December 2011 are as follows:

	Year ended 31 December 2011				
Name	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Ma Qianzhen	—	450	977	147	1,574
Gan Weimin (Governor)	—	450	977	85	1,512
Ran Hailing	—	377	782	76	1,235
Koo Tak Wing	—	293	782	—	1,075
Non-executive directors					
Derek H.H. Wong	86	—	—	—	86
Yin Mingshan	52	—	—	—	52
Lv Wei	58	—	—	—	58
Liu Liangcai	50	—	—	—	50
Wu Jiahong	48	—	—	—	48
Qin Wei	52	—	—	—	52
Sun Fangcheng	107	—	—	—	107
Xiao Changhua	111	—	—	—	111
Zhang Weiguo	117	—	—	—	117
Horace S.Y. Fan	99	—	—	—	99
Han Deyun	101	—	—	—	101
Supervisors					
Chen Xiao	—	450	977	123	1,550
Ren Cheng	—	377	782	88	1,247
Liu Jianhua(5)	—	639	332	45	1,016
Wan Jiayu(4)	—	394	579	47	1,020
Chen Jianwei	55	—	—	—	55
Zhou Yongkang	90	—	—	—	90
Liu Xingyu	46	—	—	—	46
Si Houchun	45	—	—	—	45
Total	1,117	3,430	6,188	611	11,346

Details of the directors' and supervisors' emoluments for the year ended 31 December 2012 are as follows:

	Year ended 31 December 2012				
Name	**Fees**	**Salaries and allowances and benefits**	**Discretionary bonuses**	**Contribution to pension schemes**	**Total**
Executive directors					
Ma Qianzhen	—	434	1,020	92	1,546
Gan Weimin (Governor) [(8)]	—	434	1,020	50	1,504
Ran Hailing	—	359	816	54	1,229
Koo Tak Wing	—	340	816	—	1,156
Non-executive directors					
Derek H.H. Wong	76	—	—	—	76
Yin Mingshan	48	—	—	—	48
Lv Wei	54	—	—	—	54
Liu Liangcai	52	—	—	—	52
Wu Jiahong	52	—	—	—	52
Qin Wei	54	—	—	—	54
Sun Fangcheng	43	—	—	—	43
Xiao Changhua	113	—	—	—	113
Zhang Weiguo	101	—	—	—	101
Horace S.Y. Fan	101	—	—	—	101
Han Deyun	97	—	—	—	97
Supervisors					
Chen Xiao	—	434	1,020	76	1,530
Ren Cheng	—	359	816	57	1,232
Wan Jiayu	—	363	1,276	30	1,669
Chen Jianwei[(6)]	13	—	—	—	13
Wen Yuping[(7)]	52	—	—	—	52
Zhou Yongkang	85	—	—	—	85
Liu Xingyu	43	—	—	—	43
Si Houchun	37	—	—	—	37
Total	1,021	2,723	6,784	359	10,887

Details of the directors' and supervisors' emoluments for the six months ended 30 June 2012 are as follows:

	Six months ended 30 June 2012 (unaudited)				
Name	**Fees**	**Salaries and allowances and benefits**	**Discretionary bonuses**	**Contribution to pension schemes**	**Total**
Executive directors					
Ma Qianzhen	—	402	—	46	448
Gan Weimin (Governor)	—	402	—	25	427
Ran Hailing	—	371	—	27	398
Koo Tak Wing	—	363	—	—	363
Non-executive directors					
Derek H.H. Wong	24	—	—	—	24
Yin Mingshan	24	—	—	—	24
Lv Wei	19	—	—	—	19
Liu Liangcai	19	—	—	—	19
Wu Jiahong	19	—	—	—	19
Qin Wei	19	—	—	—	19
Sun Fangcheng	43	—	—	—	43
Xiao Changhua	43	—	—	—	43
Zhang Weiguo	43	—	—	—	43
Han Deyun	43	—	—	—	43
Horace S.Y. Fan	38	—	—	—	38
Supervisors					
Chen Xiao	—	402	—	38	440
Wan Jiayu	—	994	—	15	1,009
Ren Cheng	—	371	—	32	403
Chen Jianwei(6)	13	—	—	—	13
Wen Yuping(7)	13	—	—	—	13
Zhou Yongkang	30	—	—	—	30
Liu Xingyu	13	—	—	—	13
Si Houchun	13	—	—	—	13
Total	416	3,305	—	183	3,904

Details of the directors' and supervisors' emoluments for the six months ended 30 June 2013 are as follows:

	Six months ended 30 June 2013				
Name	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Gan Weimin	—	498	—	30	528
Ran Hailing (Governor) [(9)]	—	426	—	35	461
Ni Yuemin[(10)]	—	361	—	32	393
Zhan Wanghua[(11)]	—	223	—	—	223
Koo Tak Wing[(11)]	—	113	—	—	113
Non-executive directors					
Derek H.H. Wong	24	—	—	—	24
Yin Mingshan	19	—	—	—	19
Lv Wei	19	—	—	—	19
Liu Liangcai[(12)]	3	—	—	—	3
Deng Yong[(12)]	16	—	—	—	16
Wu Jiahong[(13)]	19	—	—	—	19
Qin Wei	19	—	—	—	19
Sun Fangcheng	43	—	—	—	43
Xiao Changhua	43	—	—	—	43
Zhang Weiguo	43	—	—	—	43
Han Deyun	43	—	—	—	43
Horace S.Y. Fan	38	—	—	—	38
Supervisors					
Ma Qianzhen[(14)]	—	498	—	56	554
Chen Xiao[(14)]	—	498	—	46	544
Huang Changsheng[(15)]	—	681	—	22	703
Wan Jiayu	—	1,100	—	18	1,118
Lin Min[(15)]	—	568	—	13	581
Ren Cheng[(15)]	—	361	—	19	380
Wen Yuping	25	—	—	—	25
Zhou Yongkang	30	—	—	—	30
Liu Xingyu	13	—	—	—	13
Si Houchun	13	—	—	—	13
Chen Zhengsheng[(16)]	—	—	—	—	—
Total	410	5,327	—	271	6,008

(1) Resigned on 9 December 2010.

(2) Resigned on 29 December 2010.

(3) Appointed on 29 December 2010.

(4) Appointed on 25 April 2011.

(5) Resigned on 25 April 2011.

(6) Resigned on 30 March 2012.

(7) Appointed on 30 March 2012.

(8) Approved as a chairman by the CBRC on 28 December 2012.

(9) Appointed as an agent governor on 28 December 2012, approved as a governor by the CBRC on 9 April 2013.

(10) Approved as a director by the CBRC on 1 February 2013.

(11) Zhan Wanghua was approved as a director as well as the Chief Risk Officer by the CBRC on 1 February 2013. Koo Tak Wing resigned on the same date.

(12) Dengyong was approved as a director by the CBRC on 1 February 2013. Liu Liangcai resigned on the same date.

(13) Wu Jiahong resigned on 24 May 2013.

(14) Ma Qianzhen was appointed as an agent supervisor on 28 December 2012 and approved as the chief supervisor by the CBRC on 10 April 2013. Chen Xiao resigned on the same date.

(15) Huang Changsheng and Lin Min were appointed on 28 April 2013. Ren Cheng resigned on the same date.

(16) Chen Zhengsheng was appointed on 24 May 2013.

The total compensation packages for executive directors and supervisors for six months ended 30 June 2013 including discretionary bonus have not yet been finalised in accordance with relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Bank's financial statements for the six months ended 30 June 2013. The final compensation for six months ended 30 June 2013 will be disclosed in a separate announcement when determined. The compensation amounts for these directors and supervisors for the year ended 31 December 2012, 2011 and 2010 were restated based on the finalised amounts determined.

(b) Five highest paid individuals

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the five highest paid individuals in the Bank included two directors and one supervisor, one director and nil supervisor, nil director and nil supervisor, two directors and two supervisors, and nil director and one supervisor.

The rest of the five highest paid individuals for the Relevant Period are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Salaries and housing allowances and benefits	474	1,634	1,675	1,257	8,171
Discretionary bonuses	1,891	5,407	9,706	—	—
Employer's contribution to pension schemes	—	202	97	12	51
	2,365	7,243	11,478	1,269	8,222

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
RMB 500,001 — RMB 1,000,000	—	—	—	—	1
RMB 1,000,001 — RMB 1,500,000	2	—	—	1	2
RMB 1,500,001 — RMB 2,000,000	—	3	2	—	—
RMB 2,000,001 — RMB 2,500,000	—	1	2	—	—
RMB 2,500,001 — RMB 3,000,000	—	—	—	—	—
RMB 3,000,001 — RMB 3,500,000	—	—	—	—	—
RMB 3,500,001 — RMB 4,000,000	—	—	1	—	—
RMB 4,000,001 — RMB 4,500,000	—	—	—	—	—
RMB 4,500,001 — RMB 5,000,000	—	—	—	—	—
RMB 5,000,001 — RMB 5,500,000	—	—	—	—	1
	2	4	5	1	4

No emoluments had been paid by the Bank to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Bank or as compensation for loss of office.

13 INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Current income tax	343,064	468,275	591,324	285,162	440,932
Deferred income tax (Note 26)	(30,746)	(19,917)	1,254	36,833	3,661
	312,318	448,358	592,578	321,995	444,593

Current income tax is calculated at 25% for each of the relevant periods on the estimated assessable profit of the Bank for the respective years/periods.

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate of 25% (Period end 30 June 2013: 25%, Year 2012: 25%, Year 2011: 25%, Year 2010: 25%) to profit before income tax can be reconciled as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Profit before income tax	1,413,967	1,936,513	2,517,383	1,432,993	1,855,225
Tax calculated at a tax rate of 25%	353,492	484,129	629,346	358,248	463,806
Tax effect arising from income not subject to tax [(a)]	(36,711)	(53,412)	(50,862)	(47,506)	(23,454)
Tax effect of expenses that are not deductible for tax purposes [(b)]	2,350	6,351	4,475	1,634	4,241
Tax filing differences for previous years	(6,813)	11,290	9,619	9,619	—
Income tax expense	312,318	448,358	592,578	321,995	444,593

(a) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulation.

(b) The expenses that are not tax deductible for tax purposes mainly represent certain expenditure, such as entertainment expenses, etc., which exceed the tax deduction limits pursuant to PRC Law on corporate income tax.

14 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share are calculated by dividing the net profit for the year/period attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Net profit attributable to shareholders of the Bank (in RMB thousands)	1,101,649	1,488,155	1,924,805	1,110,998	1,410,632
Weighted average number of ordinary shares in issue (in thousands)	2,020,619	2,020,619	2,020,619	2,020,619	2,020,619
Basic earnings per share (expressed in RMB yuan)	0.55	0.74	0.95	0.55	0.70

(b) Diluted earnings per share

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

15 CASH AND BALANCES WITH CENTRAL BANKS

	31 December			30 June
	2010	2011	2012	2013
Cash	347,351	413,372	521,782	513,170
Mandatory reserve deposits	11,272,545	16,399,099	20,679,390	24,332,731
Surplus reserve deposits with central banks	3,351,167	2,520,372	4,031,544	6,356,944
Fiscal deposits	94,356	7,017	10,618	32,806
	15,065,419	19,339,860	25,243,334	31,235,651

The Bank is required to place mandatory deposits with central banks. The deposits are calculated based on the amount of deposits placed with the Bank by its customers.

	31 December			30 June
	2010	2011	2012	2013
Mandatory reserve rate for deposits denominated in RMB	16.5%	19%	18%	18%
Mandatory reserve rate for deposits denominated in foreign currencies	5%	5%	5%	5%

Mandatory reserve deposits with central banks are not available for use by the Bank in its day to day operations.

Surplus reserve deposits are maintained with the PBOC mainly for liquidity purpose.

16 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

(a) Due from other banks and financial institutions

	31 December			30 June
	2010	2011	2012	2013
Deposits with other banks and financial institutions	1,931,804	5,707,070	2,065,030	3,191,351
Notes purchased under resale agreements	14,380,145	13,949,164	16,149,730	21,653,505
Securities purchased under resale agreements	1,000,000	700,000	150,000	—
Loans purchased under resale agreements	50,000	20,000	—	—
Other financial assets purchased under resale agreements	154,099	—	—	—
Placements with other banks	530,000	3,974,502	167,298	118,716
	18,046,048	24,350,736	18,532,058	24,963,572
Less: impairment allowance on amounts due from other banks and financial institutions				
— Individual assessed provision	(11,000)	(11,000)	—	—
	18,035,048	24,339,736	18,532,058	24,963,572

(b) **Movements in allowance for impairment losses on amounts due from other banks and financial institutions**

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
Balance at beginning of the year/period	(11,000)	(11,000)	(11,000)	—
Amount written off during the year/period as uncollectible	—	—	11,000	—
Balance at end of the year/period	(11,000)	(11,000)	—	—

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December			30 June
	2010	2011	2012	2013
Government bonds				
— Listed outside Hong Kong	117,215	—	—	—
Other debt securities				
— Listed outside Hong Kong	—	480,268	738,795	783,432
— Unlisted — corporate bonds	199,501	1,134,935	1,675,054	538,487
— Unlisted — banking sector	97,991	—	—	994,005
	414,707	1,615,203	2,413,849	2,315,924

All the Bank's unlisted debt securities are traded in the Inter-bank Bond Market in Mainland China.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, no trading securities of the Bank were pledged to third parties under any repurchase agreements.

Financial assets at fair value through profit or loss are analyzed by issuer as follows:

	31 December			30 June
	2010	2011	2012	2013
Designated debt securities issued by:				
— Government	117,215	—	—	—
— Corporation	199,501	1,615,203	2,413,849	1,321,919
— Central bank	97,991	—	—	—
— Commercial bank	—	—	—	994,005
	414,707	1,615,203	2,413,849	2,315,924

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	31 December			30 June
	2010	2011	2012	2013
Loans and advances to corporate entities				
— Corporate loans	36,593,904	44,443,708	50,675,848	56,258,469
— Discounted bills	7,503,337	5,457,156	6,458,419	5,180,027
Subtotal	44,097,241	49,900,864	57,134,267	61,438,496
Loans and advances to individuals				
— Mortgages loans	5,783,860	9,796,581	12,397,665	15,191,708
— Individual consumption loans	1,048,922	1,153,281	1,694,812	1,964,824
— Credit card advances	25,211	102,566	535,575	855,299
— Individual business loans	1,965,930	3,032,983	4,846,272	5,471,588
— Others	46,565	35,541	25,570	21,066
Subtotal	8,870,488	14,120,952	19,499,894	23,504,485
Total	52,967,729	64,021,816	76,634,161	84,942,981
Less: allowance for impairment losses				
— Collectively assessed	(846,392)	(1,025,505)	(1,233,628)	(1,315,557)
— Individual assessed	(166,386)	(171,385)	(143,660)	(158,637)
Total	(1,012,778)	(1,196,890)	(1,377,288)	(1,474,194)
Loans and advances to customers	51,954,951	62,824,926	75,256,873	83,468,787

(b) **Movements on allowance for losses on loans and advances to customers**

	31 December						30 June	
	2010		2011		2012		2013	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment	Collective impairment	Individual impairment	Collective impairment	Individual impairment
Balance at beginning of the year/period	589,087	170,781	846,392	166,386	1,025,505	171,385	1,233,628	143,660
Impairment allowances for loans and advances charged to profit or loss	346,072	3,097	240,807	19,277	273,370	52,397	122,338	21,999
Reversal of impairment allowances for loans and advances	(88,767)	(6,986)	(61,694)	(14,858)	(65,247)	(20,893)	(40,409)	(1,810)
Net impairment allowances for loans and advances charged to profit or loss (Note 11)	257,305	(3,889)	179,113	4,419	208,123	31,504	81,929	20,189
Unwinding discount on allowances	—	(733)	—	(869)	—	(4,951)	—	(3,437)
Loans and advances written off during the year/period as uncollectible	—	(1,246)	—	(3,287)	—	(57,064)	—	(1,957)
Recoveries of loans and advances written off in prior periods	—	1,473	—	4,736	—	2,786	—	182
Balance at end of the year/period	846,392	166,386	1,025,505	171,385	1,233,628	143,660	1,315,557	158,637

	31 December						30 June	
	2010		2011		2012		2013	
	Corporate	Individual	Corporate	Individual	Corporate	Individual	Corporate	Individual
Balance at beginning of the year/period	692,873	66,995	896,084	116,694	1,023,967	172,923	1,142,803	234,485
Impairment allowances for loans and advances charged to profit or loss	283,618	65,551	183,811	76,273	221,018	104,749	69,808	74,529
Reversal of impairment allowances for loans and advances	(81,293)	(14,460)	(57,842)	(18,710)	(64,371)	(21,769)	(20,809)	(21,410)
Net impairment allowances for loans and advances charged to profit or loss	202,325	51,091	125,969	57,563	156,647	82,980	48,999	53,119
Unwinding of discount on allowances	(586)	(147)	(681)	(188)	(4,502)	(449)	(2,970)	(467)
Loans and advances written off during the year/period as uncollectible	—	(1,246)	(2,132)	(1,155)	(36,042)	(21,022)	—	(1,957)
Recoveries of loans and advances written off in prior periods	1,472	1	4,727	9	2,733	53	136	46
Balance at end of the year/period	896,084	116,694	1,023,967	172,923	1,142,803	234,485	1,188,968	285,226

(c) **Individually identified loans with impairment allowance**

	31 December						30 June	
	2010		2011		2012		2013	
	Impaired loan	Specific Provision	Impaired loan	Specific Provision	Impaired loan	Specific Provision	Impaired loan	Specific Provision
Corporate	156,032	140,463	187,460	141,899	218,615	125,258	261,455	129,861
Individual	33,614	25,923	39,768	29,486	37,529	18,402	60,240	28,776
	189,646	166,386	227,228	171,385	256,144	143,660	321,695	158,637

	31 December			30 June
	2010	2011	2012	2013
Individually impaired loans to gross loans and advances to customers (percentage)	0.36%	0.35%	0.33%	0.38%

19 INVESTMENT SECURITIES

	31 December			30 June
	2010	2011	2012	2013
Investment securities — loans and receivables				
Debt securities — at amortised cost				
— Unlisted				
— Trust scheme[1]	600,000	600,000	18,075,348	27,286,131
— Wealth management product purchased from financial institutions	5,487,074	5,168,802	2,046,788	2,141,733
— Directional asset management plan	—	—	1,110,000	3,860,000
Loans and receivables — Total	6,087,074	5,768,802	21,232,136	33,287,864
Investment securities — available-for-sale				
Debt securities — at fair value				
— Listed outside Hong Kong	1,107,903	237,000	—	62,129
— Unlisted	3,784,924	1,177,078	3,045,035	3,003,891
Debt securities	4,892,827	1,414,078	3,045,035	3,066,020
Equity securities — at fair value				
— Listed outside Hong Kong	2,343	—	—	—
— Unlisted	186,307	187,380	199,052	188,250
Equity securities	188,650	187,380	199,052	188,250
Others	14	14	14	14
Available-for-sale — Total	5,081,491	1,601,472	3,244,101	3,254,284
Investment securities — held-to-maturity				
Debt securities — at amortized cost				
— Listed outside Hong Kong	5,790,834	5,694,679	4,647,621	4,387,647
— Unlisted	4,124,176	4,026,160	3,008,454	2,357,643
Held-to-maturity — Total	9,915,010	9,720,839	7,656,075	6,745,290

Investment securities are analysed by issuer as follows:

	31 December			30 June
	2010	2011	2012	2013
Investment Securities — loans and receivables				
— Trust scheme[1]	600,000	600,000	18,075,348	27,286,131
— Wealth management products purchased from financial institutions	5,487,074	5,168,802	2,046,788	2,141,733
— Directional asset management plan	—	—	1,110,000	3,860,000
	6,087,074	5,768,802	21,232,136	33,287,864
Investment Securities — available-for-sale				
— Government bonds	319,837	8,672	—	—
— Non-commercial bank bonds	1,501,972	1,172,292	2,995,618	3,003,891
— Corporate bonds	3,071,018	233,114	49,417	62,129
— Equity Investment at fair value	188,650	187,380	199,052	188,250
— Others	14	14	14	14
	5,081,491	1,601,472	3,244,101	3,254,284
Investment Securities — held-to-maturity				
— Government bonds	6,450,371	6,385,062	5,235,549	4,734,279
— Non-commercial bank bonds	2,865,412	2,769,777	1,824,526	1,415,011
— Commercial bank bonds	583,227	550,000	550,000	550,000
— Corporate bonds	16,000	16,000	46,000	46,000
	9,915,010	9,720,839	7,656,075	6,745,290

(1) The trust schemes include the trust schemes purchased from trust companies and other banks and the wealth management products invested in trust schemes. The trust schemes purchased from trust companies were nil, nil, RMB14.57 Billion and RMB17.83 Billion as at 31 December 2010, 2011 and 2012 and 30 June 2013, the trust schemes purchased from other banks were nil, nil, RMB2.3 Billion and RMB8.56 Billion as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the wealth management products invested in trust scheme were RMB 0.6 Billion, RMB 0.6 Billion, RMB1.2 Billion and RMB0.9 Billion as at 31 December 2010, 2011 and 2012 and 30 June 2013; the underlying assets of the trust schemes are trust loans for the corporate borrowers; all trust schemes are guaranteed by third-party banks or guarantee companies and the guarantee contracts cover the principal and interest related to the trust scheme.

Net gains on investment securities include:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Net gains arising from de-recognition of held-for-trading financial assets	(1,602)	(19,968)	95,565	69,197	51,004
Net gains arising from de-recognition of available-for-sale financial assets	15,022	(28,879)	(7,566)	(7,664)	(50)
	13,420	(48,847)	87,999	61,533	50,953

20 INVESTMENT IN AN ASSOCIATE

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
Beginning of the year/period	—	—	21,773	22,935
Contribution to an associate	—	22,000	—	—
Share of results	—	(227)	1,162	791
End of the year/period	—	21,773	22,935	23,726

There was no associate held by the Bank as of 31 December 2010.

In 5 May 2011, the Bank invested RMB 22 million in establishment of Xingyi Wanfeng Village Bank Co., Ltd., accounting for 20% of the registered capital of RMB 110 million.

Investment in an associate represents investment in an unlisted corporation's ordinary shares. Assets, liabilities, revenue and profit/ (loss) of an associate are as follows:

	Place of Incorporation	Assets	Liabilities	Revenue	Profit/ (Loss)	Interest held
As of/for the six months ended 30 June 2013						
Xingyi Wanfeng Village Bank Co., Ltd.* (興義萬豐村鎮銀行有限責任公司)	The PRC	337,044	218,417	11,543	3,954	20%
As of/for the year ended 31 December 2012						
Xingyi Wanfeng Village Bank Co., Ltd.* (興義萬豐村鎮銀行有限責任公司)	The PRC	332,278	217,604	19,794	5,810	20%
As of/for the year ended 31 December 2011						
Xingyi Wanfeng Village Bank Co., Ltd.* (興義萬豐村鎮銀行有限責任公司)	The PRC	252,243	143,379	6,606	(1,136)	20%

* The English names of the associate represented the best efforts by management of the Bank in translating the Chinese name as the associate does not have an official English name.

21 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
At 1 January 2010	546,178	21,862	155,612	42,074	52,811	818,537
Additions	2,056	1,351	15,747	7,455	352,997	379,606
Transfer in/(out)	70,899	—	—	—	(70,899)	—
Disposals	(1,112)	(5,321)	(145)	(1,954)	—	(8,532)
Transfer to investment properties (Note 22(d))	(3,352)	—	—	—	—	(3,352)
At 31 December 2010	614,669	17,892	171,214	47,575	334,909	1,186,259
Accumulated depreciation						
At 1 January 2010	(127,303)	(16,217)	(100,177)	(25,695)	—	(269,392)
Charge for the year	(18,369)	(1,688)	(19,523)	(6,404)	—	(45,984)
Disposals	732	5,162	140	1,893	—	7,927
At 31 December 2010	(144,940)	(12,743)	(119,560)	(30,206)	—	(307,449)
Net book value						
At 31 December 2010	469,729	5,149	51,654	17,369	334,909	878,810
Cost						
At 1 January 2011	614,669	17,892	171,214	47,575	334,909	1,186,259
Additions	61,711	2,540	18,865	11,498	234,764	329,378
Transfer in/(out)	199,702	—	997	375	(201,074)	—
Disposals	—	(3,212)	(1,984)	(1,552)	—	(6,748)
Transfer to investment properties (Note 22(d))	(910)	—	—	—	—	(910)
At 31 December 2011	875,172	17,220	189,092	57,896	368,599	1,507,979
Accumulated depreciation						
At 1 January 2011	(144,940)	(12,743)	(119,560)	(30,206)	—	(307,449)
Charge for the year	(24,563)	(2,030)	(19,148)	(7,102)	—	(52,843)
Disposals	—	2,931	1,928	1,477	—	6,336
At 31 December 2011	(169,503)	(11,842)	(136,780)	(35,831)	—	(353,956)
Net book value						
At 31 December 2011	705,669	5,378	52,312	22,065	368,599	1,154,023

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
At 1 January 2012	875,172	17,220	189,092	57,896	368,599	1,507,979
Additions	2,615	2,869	37,618	15,313	316,680	375,095
Transfer in/(out)	214,193	—	8,621	7,626	(230,440)	—
Disposals	—	(1,588)	(2,439)	(932)	—	(4,959)
At 31 December 2012	1,091,980	18,501	232,892	79,903	454,839	1,878,115
Accumulated depreciation						
At 1 January 2012	(169,503)	(11,842)	(136,780)	(35,831)	—	(353,956)
Charge for the year	(28,662)	(1,883)	(19,992)	(7,756)	—	(58,293)
Disposals	—	1,540	2,367	754	—	4,661
At 31 December 2012	(198,165)	(12,185)	(154,405)	(42,833)	—	(407,588)
Net book value						
At 31 December 2012	893,815	6,316	78,487	37,070	454,839	1,470,527
Cost						
At 1 January 2013	1,091,980	18,501	232,892	79,903	454,839	1,878,115
Additions	6,933	—	22,034	3,470	377,162	409,599
Transfer in/(out)	144,585	552	660	—	(145,797)	—
Disposals	(6,514)	(149)	(1,426)	(127)	—	(8,216)
At 30 June 2013	1,236,984	18,904	254,160	83,246	686,204	2,279,498
Accumulated depreciation						
At 1 January 2013	(198,165)	(12,185)	(154,404)	(42,834)	—	(407,588)
Charge for the period	(18,077)	(986)	(13,540)	(5,795)	—	(38,398)
Disposals	3,017	145	1,373	124	—	4,659
At 30 June 2013	(213,225)	(13,026)	(166,571)	(48,505)	—	(441,327)
Net book value						
At 30 June 2013	1,023,759	5,878	87,589	34,741	686,204	1,838,171

As at 31 December 2011 and 2012 and 30 June 2013, certain buildings with carrying value of RMB 27 million, RMB 72 million and RMB 101 million for which registration for the property ownership certificates had not been completed. However, such registration process did not affect the rights of the Bank to these assets.

All buildings of the Bank are located outside Hong Kong.

The carrying values of the buildings are analysed based on the remaining lease terms as follows:

	31 December			30 June
	2010	2011	2012	2013
Held outside Hong Kong				
on long-term lease (over 50 years)	6,442	6,192	187	183
on medium-term lease (10-50 years)	463,287	699,477	893,628	1,023,576
	469,729	705,669	893,815	1,023,759

22 OTHER ASSETS

	31 December			30 June
	2010	2011	2012	2013
Interest receivable (Note(a))	358,079	443,980	520,131	698,966
Fee and commission receivable	18,427	18,705	47,306	75,015
Other receivables	29,265	21,519	29,308	30,991
Less: impairment allowance	(14,988)	(8,548)	(7,290)	(1,356)
Land use rights (Note(b))	181,909	183,607	178,905	176,456
Leasehold improvement	22,487	28,240	34,456	36,702
Intangible assets (Note(c))	22,174	26,914	39,811	40,855
Repocessed assets	86,667	34,527	31,716	22,865
Prepaid rental expenses	20,839	27,980	31,183	32,140
Investment properties (Note(d))	9,350	9,698	9,288	9,070
Others	150	126	75	7
	734,359	786,748	914,889	1,121,711

Notes:

(a) **Interest receivable:**

	31 December			30 June
	2010	2011	2012	2013
Due from and placements with banks, other financial institutions, and central banks	2,832	114,629	9,857	2,498
Debt securities	271,215	209,152	342,075	518,751
Loans and advances to customers	84,032	120,199	168,199	177,717
	358,079	443,980	520,131	698,966

(b) **Land use rights**

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Cost				
Beginning of the year/period	188,851	188,851	195,375	195,571
Additions	—	6,524	196	—
End of the year/period	188,851	195,375	195,571	195,571
Accumulated amortization				
Beginning of the year/period	(2,211)	(6,942)	(11,768)	(16,666)
Additions	(4,731)	(4,826)	(4,898)	(2,449)
End of the year/period	(6,942)	(11,768)	(16,666)	(19,115)
Net book value				
End of the year/period	181,909	183,607	178,905	176,456

The net book values of land use rights are analyzed based on the remaining terms of the leases as follows:

	31 December			30 June
	2010	**2011**	**2012**	**2013**
Held outside Hong Kong on medium-term lease (10-50 years)	181,909	183,607	178,905	176,456

(c) **Intangible assets**

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Cost				
Beginning of the year/period	28,697	40,618	53,470	73,588
Additions	11,921	12,852	20,118	6,518
End of the year/period	40,618	53,470	73,588	80,106
Accumulated amortization				
Beginning of the year/period	(11,866)	(18,444)	(26,556)	(33,777)
Additions	(6,578)	(8,112)	(7,221)	(5,474)
End of the year/period	(18,444)	(26,556)	(33,777)	(39,251)
Net book value				
End of the year/period	22,174	26,914	39,811	40,855

(d) **Investment properties**

	Year ended 31 December			Six months ended 30 June
	2010	**2011**	**2012**	**2013**
Cost				
Beginning of the year/period	11,993	13,318	13,581	13,599
Additions	—	—	18	—
Transfer in from property, plant and equity	3,352	910	—	—
Disposals	(2,027)	(647)	—	—
End of the year/period	13,318	13,581	13,599	13,599
Accumulated depreciation				
Beginning of the year/period	(4,806)	(3,968)	(3,883)	(4,311)
Additions	(395)	(406)	(428)	(218)
Disposals	1,233	491	—	—
End of the year/period	(3,968)	(3,883)	(4,311)	(4,529)
Net book value				
End of the year/period	9,350	9,698	9,288	9,070

The carrying amount of the investment properties is analysed based on the remaining terms of the leases as follows:

	31 December			30 June
	2010	**2011**	**2012**	**2013**
Held outside Hong Kong on medium-term lease (10-50 years)	9,350	9,698	9,288	9,070

23 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	31 December			30 June
	2010	**2011**	**2012**	**2013**
Loans from the PBOC	487,100	691,685	1,496,855	2,344,322
Deposits from other banks	5,511,029	5,339,629	9,362,139	11,893,326
Deposits from other financial institutions	7,162,703	5,113,062	4,484,016	3,100,879
Loans from other banks	1,309,868	2,627,496	25,142	1,155,483
Notes sold under repurchase agreements	12,367,900	13,170,549	12,290,989	11,109,132
Bonds sold under repurchase agreements	—	1,503,150	—	400,000
	26,838,600	28,445,571	27,659,141	30,003,142

24 CUSTOMER DEPOSITS

	31 December			30 June
	2010	2011	2012	2013
Corporate demand deposits	38,397,691	36,006,601	37,560,210	45,063,758
Corporate time deposits	18,669,294	31,289,489	44,568,723	52,687,087
Individual demand deposits	5,600,377	6,994,723	8,488,325	9,482,849
Individual time deposits	6,244,512	7,701,802	10,133,600	13,849,258
Other deposits	4,944,596	7,313,939	13,292,327	18,531,027
	73,856,470	89,306,554	114,043,185	139,613,979
Including:				
Pledged deposits held as collateral	4,618,650	7,032,713	13,146,873	18,203,248

25 OTHER LIABILITIES

	31 December			30 June
	2010	2011	2012	2013
Interest payable (a)	330,936	648,876	1,068,072	1,852,550
Wealth management product	629,630	621,877	2,271,710	1,109,474
Staff salary payable	129,725	144,250	142,024	146,483
Business and other tax payable	61,403	81,040	109,388	118,563
Dividends payable	20,372	16,487	18,859	40,988
Deferred income	50,000	81,546	106,253	60,000
Other payable	161,606	110,736	189,577	174,339
Settlement fund	—	2,280	9,646	553,380
Others	136,807	304,091	318,772	202,461
	1,520,479	2,011,183	4,234,301	4,258,238

(a) **Interest payable**

	31 December			30 June
	2010	2011	2012	2013
Deposits from banks and other financial institutions	33,217	26,590	144,556	218,111
Customer Deposits	257,180	582,674	841,489	1,580,450
Debts issued	39,570	39,570	82,027	53,989
Others	969	42	—	—
Total	330,936	648,876	1,068,072	1,852,550

26 DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% for each of the years ended 31 December 2010, 2011, 2012 and for the six months ended 30 June 2012 and 2013 for transactions in the PRC.

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

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
Balance at beginning of the year/period	121,660	157,547	165,704	170,912
Charge to profit or loss (Note13)	30,746	19,917	(1,254)	(3,661)
Available-for-sale securities-fair value adjustment	5,141	(11,760)	6,462	(590)
At end of the year/period	157,547	165,704	170,912	166,661

Deferred income tax assets and liabilities are attributable to the following items:

	31 December			30 June
	2010	2011	2012	2013
Deferred income tax assets				
Assets impairment allowances	119,833	133,921	138,616	137,046
Fair value losses	14,046	3,993	9,800	6,511
Others	24,771	28,619	28,285	29,777
	158,650	166,533	176,701	173,334
Deferred income tax liabilities				
Fair value gains	(1,103)	(829)	(5,789)	(6,673)
Net deferred income tax assets	157,547	165,704	170,912	166,661

Deferred income tax in the statement of comprehensive income comprises the following temporary differences:

	31 December			30 June
	2010	2011	2012	2013
Assets impairment allowances	33,767	14,088	4,695	(1,570)
Fair value losses/(gains)	1,383	1,981	(5,615)	(3,583)
Others	(4,404)	3,848	(334)	1,492
	30,746	19,917	(1,254)	(3,661)

27 RETIREMENT BENEFIT OBLIGATIONS

The Bank pays supplementary retirement benefits to employees in Mainland China, who retired before 30 June 2011. The Bank's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Bank is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Bank's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the statement of comprehensive income as they occur. The amounts recognised in the statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses minus any unrecognised past service cost.

Employees who retire after 1 January 2010 can voluntarily participate in an annuity plan. The Bank contributes to the annuity plan based on certain percentage of the employees' gross salary and recognised in other comprehensive income as incurred.

Retirement benefit obligations of the Bank in locations other than the PRC, which are immaterial to the Bank, are made in accordance with the relevant local policies and regulations.

	31 December			30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Expenses incurred for retirement benefit plans	23,249	51,993	65,100	28,908	32,931
Expenses incurred for supplementary retirement benefits	2,342	2,280	854	427	411
Expenses incurred for corporate annuity plan	14,598	19,409	23,532	11,136	14,123
Total	40,189	73,682	89,486	40,471	47,465

	31 December			30 June
	2010	2011	2012	2013
Statement of financial position obligations for:				
— Pension benefits	22,190	21,818	20,533	20,278

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Statement of comprehensive income charge for:					
— Pension benefits	2,342	2,280	854	427	411

The amounts recognized in the statements of financial position are determined as follows:

	31 December			30 June
	2010	2011	2012	2013
Present value of unfunded obligations	23,542	21,818	20,533	20,278
Unrecognized past service cost	(1,352)	—	—	—
Net liability in the statement of financial position	22,190	21,818	20,533	20,278

Movements of the carrying value of unfunded obligation are as follows:

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
Beginning of the year	23,542	22,190	21,818	20,533
Retirement benefits paid	(1,014)	(1,529)	(1,075)	(695)
Current service cost	76	20	—	—
Interest cost	958	909	854	411
Net actuarial gains	(2,680)	(1,124)	(1,064)	29
Past service cost	1,308	1,352	—	—
End of the year/period	22,190	21,818	20,533	20,278

Retirement benefit expenses recognized in the statements of comprehensive income are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Current service cost	76	19	—	—	—
Interest cost	958	909	854	427	411
Past service cost	1,308	1,352	—	—	—
Retirement benefit expense-total	2,342	2,280	854	427	411

Revaluation of pension scheme recognized in the statements of other comprehensive income are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Revaluation of pension scheme	(2,010)	(843)	(798)	(271)	22

The principal actuarial assumptions for calculating retirement benefits obligations are as follows:

	31 December			30 June	
	2010	2011	2012	2012	2013
Discount rate	4.24%	4.01%	4.15%	4.01%	4.04%
Inflation rate for pension benefits	4.00%	4.00%	4.00%	4.00%	4.00%

The mortality assumptions are determined based on the statistics published by China Insurance Regulatory Commission.

The following table lists an average life expectancy in years of a pensioner retiring at age 60 for male and 55 for female:

	31 December			30 June	
	2010	2011	2012	2012	2013
Male	22.08	22.08	22.08	22.08	22.08
Female	29.58	29.58	29.58	29.58	29.58

28 DEBTS ISSUED

	31 December			30 June
	2010	2011	2012	2013
Subordinated debts				
Fixed rate subordinated debt — 2019 [(a)]	993,966	994,562	995,192	995,517
Fixed rate subordinated debt — 2022 [(b)]	—	—	794,694	794,882
Financial debt				
Fixed rate financial debt — 2018[(c)]	—	—	—	2,985,478
	993,966	994,562	1,789,886	4,775,877

(a) Pursuant to a resolution of the Extraordinary General Meeting approved on 11 November 2008 and the approval of Yinjianfu [2009] No. 42 by the CBRC (the "Approval to Bank of Chongqing for issuing subordinated debts") on 9 February 2009, the Bank issued a RMB 1 billion subordinated debt within China domestic Interbank Bond Market in April 2009.The fixed-rate subordinated debts issued on 3 April 2009 have a maturity of 10 years, with a fixed coupon rate of 5.31% per annum for the first five years, payable annually. The Bank has the option to redeem all of the bonds at the face value on 3 April 2014. If the bank does not exercise this option, the annual coupon rate for the second 5-year period shall be the original coupon rate plus 3% per annum, and shall remain fixed through to the maturity date.

(b) Pursuant to a resolution of the Extraordinary General Meeting approved on 12 August 2011 and the approval of Yinjianfu [2011] No. 511 by the CBRC (the "Approval to Bank of Chongqing for issuing subordinated debts") on 18 November 2011, the Bank issued a RMB 800 million subordinated debt within China domestic Interbank Bond Market in March 2012. The fixed-rate subordinated debt issued on 21 March 2012 has a maturity of 10 years, with a fixed coupon rate of 6.8% per annum for ten years, payable annually. The Bank has the option to redeem all of the bonds at the face value on 21 March 2017.

The subordinated debts are subordinated to all other claims on the assets of the Bank except for the Bank's share capital. In the calculation of the Bank's capital adequacy ratio, those debts qualify for inclusion as supplementary capital.

(c) Pursuant to a resolution of the Extraordinary General Meeting approved on 25 November 2011 and the approval of Yinjianfu [2012] No. 526 by the CBRC (the "Approval to Bank of Chongqing for issuing small and micro enterprises financial bond") on 21 September 2012, the Bank issued a RMB 3 billion financial bond within China domestic Interbank Bond Market on April 2013.The fixed rate financial debt has a maturity of 5 years, with a fixed coupon rate of 4.78% per annum for five years, payable annually. The fund is raised all for small and micro enterprise loans.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, there were no defaults of principal and interest or other breaches with respect to these debts from the issuance of these debt securities.

29 SHARE CAPITAL AND CAPITAL SURPLUS

All shares of the Bank issued are fully paid common shares. The par value per share is RMB 1 Yuan. The Bank's number of shares is as follows:

	31 December			30 June
	2010	2011	2012	2013
Number of shares authorized, issued and fully paid at par value (in thousands)	2,020,619	2,020,619	2,020,619	2,020,619

Generally, transactions of the following nature are recorded in the capital reserve:

(a) share premium arising from the issue of shares at prices in excess of their par value;

(b) donations received from shareholders; and

(c) any other items required by the PRC regulations to be so treated.

Capital reserve can be utilized for the issue of bonus shares or for increasing paid-in capital as approved by the shareholders.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Bank's capital surplus is shown as follow:

	31 December			30 June
	2010	2011	2012	2013
Donations received from shareholders	800	800	800	800

30 OTHER RESERVES

	Surplus reserve [(a)]	General reserve [(b)]	Revaluation reserve for AFS securities	Surplus on remeasurement of retirement benefits	Total
Balance at 1 January 2010	238,106	421,590	(18,532)	(2,304)	638,860
Other comprehensive income	—	—	(15,339)	2,010	(13,329)
Addition	110,165	178,560	—	—	288,725
Balance at 31 December 2010	348,271	600,150	(33,871)	(294)	914,256
Other comprehensive income	—	—	35,276	843	36,119
Addition	148,816	210,650	—	—	359,466
Balance at 31 December 2011	497,087	810,800	1,405	549	1,309,841
Other comprehensive income	—	—	(19,386)	798	(18,588)
Addition	192,480	199,530	—	—	392,010
Balance at 31 December 2012	689,567	1,010,330	(17,981)	1,347	1,683,263
Other comprehensive income	—	—	1,770	(22)	1,748
Addition	—	832,750	—	—	832,750
Balance at 30 June 2013	689,567	1,843,080	(16,211)	1,325	2,517,761

(a) **Surplus reserve**

In accordance with the "Company Law of the People's Republic of China" and the Bank's Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory reserve can be used for making up losses, or increasing the share capital.

The Bank's statutory reserve as at 31 December 2010, 2011 and 2012 and 30 June 2013 amounted to RMB 348 million, RMB 497 million, RMB 690 million and RMB 690 million.

(b) **General reserve**

Pursuant to Circulars No.49 'Notice on issuing administrative measures for provision of bad debt allowance for financial enterprise' and No.90 issued 'Notice on provision of bad debt allowance' by MOF in 2005 (the "MOF Circulars"), effective from 17 May, 2005 and 5 September 2005 respectively, banks and certain other financial institutions in the PRC, are required to maintain adequate allowances for impairment losses against their risk assets. In addition, a general risk reserve should be established through the appropriation of retained earnings. As a guiding principle, the balance of general risk reserve should not be less than 1% of the aggregate amount of all risk assets.

Since 1 July 2012, the Bank appropriates general reserves according to the regulation of Circulars 'Appropriation Management Measures of Reserve Funds for Financial Enterprises' Caijin [2012] No. 20 issued by MOF. In principal the general reserve balance should not be below 1.5% of the ending balance of risk assets. This Circulars also stipulates that if the balance of general risk reserve can hardly reach 1.5% of the aggregate amount of all risk assets, the reserve may be appropriated to 1.5% during a period of several years, however, the appropriation cannot exceed 5 years in principle.

31 DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Dividend declared during the year	111,134	101,031	101,031	101,031	141,443
Dividend per share (in Rmb yuan)	0.055	0.05	0.05	0.05	0.07

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(i) Making up prior year's cumulative losses, if any.

(ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the PRC Generally Accepted Accounting Principles and (ii) the retained profit determined in accordance with IFRS.

32 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank commits to extend to customers:

	31 December			30 June
	2010	2011	2012	2013
Guarantees	254,707	234,700	150,983	147,874
Letters of credit	159,844	85,403	71,503	102,146
Acceptances	8,571,246	15,152,304	26,461,292	36,006,616
Other commitments with an original maturity of				
— Under 1 year	268,216	537,931	651,269	630,264
	9,254,013	16,010,338	27,335,047	36,886,900

Capital expenditure commitments

	31 December			30 June
	2010	2011	2012	2013
Contracted but not provided for:				
Capital expenditure commitments for buildings.	77,467	110,063	265,676	216,908
Acquisition of IT system	17,066	41,319	48,667	60,205
	94,533	151,382	314,343	277,113
Authorized but not contracted for:				
Capital expenditure commitments for buildings.	44,694	13,830	201,545	125,026
Acquisition of IT system	5,113	—	—	—
	49,807	13,830	201,545	125,026

Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	31 December			30 June
	2010	2011	2012	2013
Not later than 1 year	19,634	28,684	41,256	43,346
Later than 1 year and not later than 5 years	34,147	57,875	83,811	82,886
Later than 5 years	1,413	35,426	46,842	2,576
	55,194	121,985	171,909	128,808

Legal proceedings

Legal proceedings are initiated by third parties against the Bank as defendant. The Bank had one outstanding claim of RMB 920 thousand as at 30 June 2013 and 31 December 2012.There were no outstanding claims at end of the year 2010 and 2011.

33 ASSETS PLEDGED

Assets are pledged as collateral under repurchase agreements with other banks and financial institutions and for security deposits relating to local futures, options and stock exchange memberships. The fair value of them is as follows:

	31 December			30 June
	2010	2011	2012	2013
Investment securities	—	1,503,150	—	400,000
Bills	2,156,106	2,425,510	2,265,518	2,193,102
Total	2,156,106	3,928,660	2,265,518	2,593,102

The Bank accepts collateral for the securities purchased under resale agreement. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Bank did not accept collateral that it is permitted to sell or repledge in the absence of default in connection with its reverse repurchase agreements. These transactions are conducted during ordinary course of business. The bank is obliged to return the collateral on the agreed resale day. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Bank did not sell or re-pledge such collateral received. The fair value of them is as follows:

	31 December			30 June
	2010	**2011**	**2012**	**2013**
Bills	10,643,805	11,054,731	11,186,691	10,880,644

34 CREDIT RISK-WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

	31 December			30 June
	2010	**2011**	**2012**	**2013**
Financial guarantees and credit related commitments	2,635,723	5,977,738	9,517,848	12,266,941

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

35 OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD

	Before tax amount	Tax expense (benefit)	Net of tax amount
As at 31 December 2010			
Other comprehensive (loss)/income			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(20,480)	5,141	(15,339)
Revaluation of pension scheme	2,680	(670)	2,010
Other comprehensive (loss)/income for the year	(17,800)	4,471	(13,329)
As at 31 December 2011			
Other comprehensive (loss)/income			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	47,036	(11,760)	35,276
Revaluation of pension scheme	1,124	(281)	843
Other comprehensive (loss)/income for the year	48,160	(12,041)	36,119
As at 31 December 2012			
Other comprehensive (loss)/income			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(25,848)	6,462	(19,386)
Revaluation of pension scheme	1,064	(266)	798
Other comprehensive (loss)/income for the year	(24,784)	6,196	(18,588)
As at 30 June 2012 (unaudited)			
Other comprehensive (loss)/income			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	38,458	(9,614)	28,844
Revaluation of pension scheme	363	(92)	271
Other comprehensive (loss)/income for the period	38,821	(9,706)	29,115
As at 30 June 2013			
Other comprehensive (loss)/income			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	2,360	(590)	1,770
Revaluation of pension scheme	(29)	7	(22)
Other comprehensive (loss)/income for the period	2,331	(583)	1,748

36 NOTES TO STATEMENTS OF CASH FLOW

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	31 December			30 June
	2010	2011	2012	2013
Cash and balances with central banks	3,698,517	2,933,744	4,553,326	6,870,114
Due from other banks and financial institutions	867,180	4,645,768	1,646,010	2,370,680
Placements with banks	—	12,602	125,710	100,180
	4,565,697	7,592,114	6,325,046	9,340,974

37 RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Bank has control, joint control or significant influence over a party; or a party has control, joint control or significant influence over the Bank; or a party and the Bank are under the same control, joint control or significant influence of another party. Related parties can be individuals or enterprises. The major related parties of the Bank include: the Bank's associates, the major shareholders who have significant influence over the Bank's operating strategies and financial policies as well as the entities controlled by them, and the Bank's directors, supervisors, senior management and their family members.

The main transactions between the Bank and the related parties were loans and deposits, which were engaged under ordinary business terms.

The transactions listed below are all continuing transactions.

All transaction balances and ranges of the interest rate with the related parties at the end of reporting period are as follows:

	31 December			30 June
	2010	2011	2012	2013
Loans and advances to customers	760,300	640,789	452,335	431,523
Customer deposits	980,231	721,153	762,224	1,142,561
Investment securities-corporate bonds	196,653	122,080	—	—
Investment securities-receivables	—	—	900,000	900,000
Fee and commission receivable	—	—	800	800

	31 December			30 June
	2010	2011	2012	2013
Loans and advances to customers	5.31%-5.96%	5.40%-6.06%	5.76%-6.77%	5.40%-7.80%
Customer deposits	0.36%-5.85%	0.40%-5.85%	0.39%-5.85%	0.39%-5.85%
Investment securities-corporate bonds	5.80%	5.80%	—	—
Investment securities-receivables	—	—	9.70%-9.90%	9.70%-9.90%

	Year ended 31 December			Six months ended 30 June
	2010	2011	2012	2013
Interest revenue	31,685	43,225	31,984	15,096
Interest expense	5,473	8,246	9,067	6,213
Fee and commission income	—	—	13,310	9,720

38 SEGMENT ANALYSIS

The Bank's operating segments are business units provide different financial products and service and are engaged in different types of financial transactions. As different operating segments face different clients and counter parties supported by specific techniques and market strategies, they operate independently.

The Bank has four operating segments. They are corporate banking, retail banking, treasury and other classes of business.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retailing banking mainly provides individual customers with financial products and services including deposits and loans.

Treasury mainly performs inter-bank lending and borrowing, bonds investment, re-purchasing and foreign currency transactions.

Unallocated classes of business perform the businesses not included in the above three segments or cannot be allocated with appropriate basis.

	For the year ended 31 December 2010				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	1,515,503	130,508	899,445	—	2,545,456
Inter-segment net interest income/(expense)	237,266	167,820	(405,086)	—	—
Net interest income	1,752,769	298,328	494,359	—	2,545,456
Net fee and commission income	145,882	52,546	—	—	198,428
Net trading income	—	—	(7,542)	—	(7,542)
Net gains on investment securities	—	—	13,420	—	13,420
Other operating income	—	—	4,216	21,866	26,082
Impairment losses on loans and advances to customers	(202,325)	(51,091)	—	—	(253,416)
Operating expense	(859,812)	(192,008)	(40,051)	(16,590)	(1,108,461)
— Depreciation and amortization	(53,378)	(11,920)	(2,486)	(1,030)	(68,814)
— Others	(806,434)	(180,088)	(37,565)	(15,560)	(1,039,647)
Profit before income tax	836,514	107,775	464,402	5,276	1,413,967

	31 December 2010				
Capital expenditure	226,210	33,720	149,651	637	410,218
Segment assets	59,734,984	8,904,414	39,518,123	167,998	108,325,519
Segment liabilities	(63,510,081)	(11,942,408)	(27,842,006)	(1,103)	(103,295,598)

	For the year ended 31 December 2011				
	Corporate Banking	**Retail Banking**	**Treasury**	**Unallocated**	**Total**
Net Interest income from external customers	2,001,113	278,606	1,041,780	—	3,321,499
Inter-segment net interest income/(expense)	385,565	56,559	(442,124)	—	—
Net interest income	2,386,678	335,165	599,656	—	3,321,499
Net fee and commission income	225,909	63,903	—	—	289,812
Net trading income	—	—	(13,605)	—	(13,605)
Net losses on investment securities	—	—	(48,847)	—	(48,847)
Share of losses of an associate	—	—	(227)	—	(227)
Other operating income	—	—	5,224	16,975	22,199
Impairment losses on loans and advances to customers	(125,969)	(57,563)	—	—	(183,532)
Operating expense	(1,151,261)	(244,224)	(44,767)	(10,534)	(1,450,786)
— Depreciation and amortization	(64,998)	(13,788)	(2,527)	(596)	(81,909)
— Others	(1,086,263)	(230,436)	(42,240)	(9,938)	(1,368,877)
Profit before income tax	1,335,357	97,281	497,434	6,441	1,936,513

	31 December 2011				
Capital expenditure	202,209	41,243	124,604	510	368,566
Segment assets	69,863,405	14,249,437	43,050,839	176,234	127,339,915
Segment liabilities	(76,564,210)	(14,859,174)	(29,463,367)	—	(120,886,751)

	For the year ended 31 December 2012				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,123,922	444,289	1,581,420	—	4,149,631
Intersegment net interest income/(expense)	659,943	266,199	(926,142)	—	—
Net interest income	2,783,865	710,488	655,278	—	4,149,631
Net fee and commission income	212,857	155,189	—	—	368,046
Net trading income	—	—	25,789	—	25,789
Net gains on investment securities	—	—	87,999	—	87,999
Share of profits of an associate	—	—	1,162	—	1,162
Other operating income	—	—	5,947	19,884	25,831
Impairment losses on loans and advances to customers	(156,647)	(82,980)	—	—	(239,627)
Operating expense	(1,428,528)	(339,657)	(123,118)	(10,145)	(1,901,448)
— Depreciation and amortization	(64,172)	(15,258)	(5,531)	(456)	(85,417)
— Others	(1,364,356)	(324,399)	(117,587)	(9,689)	(1,816,031)
Profit before income tax	1,411,547	443,040	653,057	9,739	2,517,383

	31 December 2012				
Capital expenditure	219,680	52,273	140,046	491	412,490
Segment assets	83,168,190	19,789,768	53,019,531	185,989	156,163,478
Segment liabilities	(99,538,045)	(18,861,273)	(29,503,770)	(2,040)	(147,905,128)

	For the year ended 30 June 2012 (unaudited)				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	1,112,991	211,605	725,966	—	2,050,562
Intersegment net interest income/(expense)	349,384	169,091	(518,475)	—	—
Net interest income	1,462,375	380,696	207,491	—	2,050,562
Net fee and commission income	77,347	23,863	—	—	101,210
Net trading income	—	—	95,885	—	95,885
Net gains on investment securities	—	—	61,533	—	61,533
Share of profits of an associate	—	—	821	—	821
Other operating income	—	—	6,049	5,494	11,543
Impairment losses on loans and advances to customers	(65,794)	(32,399)	—	—	(98,193)
Operating expense	(632,048)	(124,926)	(32,300)	(1,094)	(790,368)
— Depreciation and amortization	(32,462)	(6,416)	(1,659)	(56)	(40,593)
— Others	(599,586)	(118,510)	(30,641)	(1,038)	(749,775)
Profit before income tax	841,880	247,234	339,479	4,400	1,432,993

	For the six months ended 30 June 2013				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	978,253	230,262	1,265,639	—	2,474,154
Intersegment net interest income/(expense)	695,852	149,011	(844,863)	—	—
Net interest income	1,674,105	379,273	420,776	—	2,474,154
Net fee and commission income	215,425	151,396	—	—	366,821
Net trading income	—	—	13,127	—	13,127
Net gains on investment securities	—	—	50,953	—	50,953
Share of profits of an associate	—	—	791	—	791
Other operating income	—	—	7,791	37,645	45,436
Impairment losses on loans and advances to customers	(48,999)	(53,119)	—	—	(102,118)
Operating expense	(703,505)	(165,069)	(119,960)	(5,405)	(993,939)
— Depreciation and amortization	(42,737)	(10,213)	(2,773)	(53)	(55,776)
— Others	(660,768)	(154,856)	(117,187)	(5,352)	(938,163)
Profit before income tax	1,137,026	312,481	373,478	32,240	1,855,225

	30 June 2013				
Capital expenditure	211,252	54,018	160,290	413	425,973
Segment assets	93,447,011	23,894,772	70,904,124	182,407	188,428,314
Segment liabilities	120,126,633	23,681,241	35,079,269	11,884	178,899,027

There were no material transactions with a single external customer that the Bank mainly relies on.

39 SUBSEQUENT EVENTS

Up to the date of this report, the Bank had no material events for disclosure after the balance sheet date.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Bank in respect of any period subsequent to 30 June 2013 up to the date of this report. Save as disclosed in Note 31 of Section II in this report, no dividend or distribution has been declared or made by the Bank in respect of any period subsequent to 30 June 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out below does not form part of the Accountant's Report as set out in Appendix I, and is included herein for information purposes only.

1 Liquidity Ratios

	31 December			30 June
	2010	2011	2012	2013
RMB current assets to RMB current liabilities	45.43%	42.98%	41.91%	37.49%
Foreign currency current assets to foreign currency current liabilities	135.98%	219.83%	87.01%	122.76%

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and CBRC.

2 Cross-border Claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims mainly include due from other banks and financial institutions and investment securities.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

31 December 2010	Banks and other financial institutions	Total
Asia Pacific excluding Mainland China	3,851	3,851
— of which attributed to Hong Kong	3,344	3,344
Europe	36,607	36,607
North America	49,719	49,719
Oceania	147	147
Total	90,324	90,324

31 December 2011	Banks and other financial institutions	Total
Asia Pacific excluding Mainland China	55,196	55,196
— of which attributed to Hong Kong	54,724	54,724
Europe	3,567	3,567
North America	37,276	37,276
Oceania	106	106
Total	96,145	96,145

31 December 2012	Banks and other financial institutions	Total
Asia Pacific excluding Mainland China	69,140	69,140
— of which attributed to Hong Kong	51,536	51,536
Europe	6,838	6,838
North America	289,466	289,466
Oceania	87	87
Total	365,531	365,531

30 June 2013	Banks and other financial institutions	Total
Asia Pacific excluding Mainland China	20,185	20,185
— of which attributed to Hong Kong	5,748	5,748
Europe	10,347	10,347
North America	79,810	79,810
Oceania	79	79
Total	110,421	110,421

3 Currency concentrations

	Equivalent in Renminbi			
	US Dollars	Hong Kong Dollars	Others	Total
31 December 2010				
Spot assets	612,799	4,333	18,011	635,143
Spot liabilities	(434,746)	(2,886)	(8,500)	(446,132)
Net position	178,053	1,447	9,511	189,011
31 December 2011				
Spot assets	1,061,253	495,817	38,867	1,595,937
Spot liabilities	(898,090)	(491,804)	(32,355)	(1,422,249)
Net position	163,163	4,013	6,512	173,688
31 December 2012				
Spot assets	586,643	45,200	196,666	828,509
Spot liabilities	(421,081)	(41,620)	(189,559)	(652,260)
Net position	165,562	3,580	7,107	176,249
30 June 2013				
Spot assets	875,179	4,723	178,988	1,058,890
Spot liabilities	(693,984)	(816)	(177,236)	(872,036)
Net position	181,195	3,907	1,752	186,854

4 **Overdue and Rescheduled Assets**

(a) **Gross amount of overdue loans**

	31 December			30 June
	2010	2011	2012	2013
Gross advances to customers which have been overdue for:				
— within 3 months	3,613	8,471	11,241	115,726
— between 3 and 6 months	1,435	1,099	9,727	10,074
— between 6 and 12 months	1,133	6,136	109,461	14,132
— over 12 months	179,719	156,030	101,123	195,078
	185,900	171,736	231,552	335,010
Percentage:				
— within 3 months	1.94%	4.93%	4.86%	34.54%
— between 3 and 6 months	0.77%	0.64%	4.20%	3.01%
— between 6 and 12 months	0.61%	3.57%	47.27%	4.22%
— over 12 months	96.68%	90.86%	43.67%	58.23%
	100.00%	100.00%	100.00%	100.00%
Individual impairment allowances	160,749	151,568	129,611	153,168

(b) **Overdue and rescheduled loans**

	31 December			30 June
	2010	2011	2012	2013
Total rescheduled loans and advances to customers	—	—	—	—

(c) **Type of collateral of overdue loans**

31 December 2010	Past due 1 - 90 days (including 90 days)	Past due 90 days - 1 year (including 1 year)	Past due 1 - 3 years (including 3 years)	Past due Over 3 years	Total
Unsecured loans	2,367	444	2,746	10,917	16,474
Guaranteed loans	1,126	1,404	62	84,812	87,404
Collateralised loans	120	720	9,453	71,729	82,022
Pledged loans	—	—	—	—	—
Total	3,613	2,568	12,261	167,458	185,900

31 December 2011	Past due 1 - 90 days (including 90 days)	Past due 90 days - 1 year (including 1 year)	Past due 1 - 3 years (including 3 years)	Past due Over 3 years	Total
Unsecured loans	2,836	139	1,247	9,463	13,685
Guaranteed loans	1,755	2,246	2,019	81,178	87,198
Collateralised loans	3,880	650	906	61,217	66,653
Pledged loans	—	4,200	—	—	4,200
Total	8,471	7,235	4,172	151,858	171,736

31 December 2012	Past due 1 - 90 days (including 90 days)	Past due 90 days - 1 year (including 1 year)	Past due 1 - 3 years (including 3 years)	Past due Over 3 years	Total
Unsecured loans	3,583	858	290	1,832	6,563
Guaranteed loans	5,658	7,507	872	49,014	63,051
Collateralised loans	2,000	110,823	536	44,379	157,738
Pledged loans	—	—	4,200	—	4,200
Total	11,241	119,188	5,898	95,225	231,552

30 June 2013	Past due 1 - 90 days (including 90 days)	Past due 90 days - 1 year (including 1 year)	Past due 1 - 3 years (including 3 years)	Past due Over 3 years	Total
Unsecured loans	12,709	2,292	496	666	16,163
Guaranteed loans	72,927	15,080	4,453	47,362	139,822
Collateralised loans	30,090	6,834	104,159	37,942	179,025
Pledged loans	—	—	—	—	—
Total	115,726	24,206	109,108	85,970	335,010

5 Geographical information

The Bank mainly operates its business in the mainland of China, and most of its loans and advances are granted to the clients from the city of Chongqing.

The information set out below does not form part of the Accountant's Report received from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Company attributable to the shareholders of the Company as of June 30, 2013 as if the Global Offering had taken place on June 30, 2013 assuming the over-allotment is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Company as at June 30, 2013 or at any future dates following the Global Offering. It is prepared based on the net assets of the Company as at June 30, 2013 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited net tangible assets attributable to the shareholders of the Company as at June 30, 2013 (1)	Estimated net proceeds from the Global Offering (2)	Unaudited pro forma adjusted net tangible assets attributable to the shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
		(in millions of RMB)		(RMB) (3)	(HK$) (5)
Based on an Offer Price of HK$5.60 per Share..........	9,488	2,803	12,291	4.57	5.78
Based on an Offer Price of HK$6.50 per Share..........	9,488	3,263	12,751	4.74	5.99

Notes:

(1) The audited net tangible assets attributable to the shareholders of the Company as at June 30, 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited net assets of the Company attributable to the shareholders of the Company as at June 30, 2013 of RMB9,529 million with an adjustment for the intangible assets as at June 30, 2013 of RMB41 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$5.60 and HK$6.50 per Share after deduction of the underwriting fees and other related expenses (excluding approximately RMB4.7 million listing expenses which have been incurred as of June 30, 2013) and do not take into account of any Shares that maybe issued pursuant to the Over-Allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments as described in Note (2) above and on the basis that 2,690,618,604 Shares were in issue assuming that the Global Offering has been completed on June 30, 2013 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-Allotment Option.

(4) No adjustment has been made to reflect any trading result or other transactions of the Company entered into subsequent to June 30, 2013.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of RMB0.79128 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share for the year ending December 31, 2013 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2013. This unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and because of it hypothetical nature, it may not give a true picture of financial results of the Company for the year ending December 31, 2013 or any future period.

Forecast profit attributable to shareholders of the Company for the year ending December 31, 2013 [(1)]	Not less than RMB2,311 million (equivalent to HK$2,921 million)[(3)]
Unaudited pro forma forecast earnings per Share[(2)]	Not less than RMB0.86 (equivalent to HK$1.09)[(3)]

Notes:

(1) The forecast profit attributable to shareholders of our Company for the year ending December 31, 2013 is extracted from the section headed "Financial Information — Profit Forecast For The Year Ending December 31, 2013" in this prospectus. The bases on which the above profit forecast has been prepared are set out in Appendix IV to this prospectus. The Directors have prepared the forecast profit attributable to shareholders of our Company for the year ending December 31, 2013 based on the audited results of the Company for the six months ended June 30, 2013, and a forecast of the results of the Company for the remaining six months ending December 31, 2013. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those presently adopted by the Company as set out in Note 2 of Section II of the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

(2) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2013 is calculated by dividing the forecast profit attributable to shareholders of our Company for the year ending December 31, 2013 on the basis that 2,690,618,604 Shares were in issue during the entire period and assuming that the Global Offering had been completed on January 1, 2013. The calculation takes no account of any Shares which may be issued upon exercise of the Over-Allotment Option.

(3) For the purpose of forecast profit attributable to shareholders of the Company and unaudited pro forma forecast earnings per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.79128 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

C. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF BANK OF CHONGQING CO., LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Bank of Chongqing Co., Ltd. (the "Company") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Company as at June 30, 2013 and unaudited pro forma forecast earnings per share of the Company for the year ending December 31, 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-3 of the Company's prospectus dated October 25, 2013 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in the notes set out on pages III-1 to III-3 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Company's financial position as at June 30, 2013 and the Company's forecast earnings per share for the year ending December 31, 2013 as if the proposed initial public offering had taken place at June 30, 2013 and January 1, 2013, respectively. As part of this process, information about the Company's financial position has been extracted by the directors from the Company's financial information for the period ended June 30, 2013, on which an accountant's report has been published. The information about the Company's forecast profit has been extracted by the directors from the profit forecast as set out in the section headed "Financial Information — Profit Forecast for the Year Ending December 31, 2013" in the Prospectus, on which a letter on the profit forecast has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at June 30, 2013 and January 1, 2013, respectively, would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, October 25, 2013

The forecast net profit attributable to shareholders of our Company for the year ending December 31, 2013 is set out in the section headed "Financial Information — Profit Forecast For The Year Ending December 31, 2013".

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast net profit attributable to shareholders of our Company for the year ending December 31, 2013 based on the audited results of the Company for the six months ended June 30, 2013 and a forecast of the results of the Company for the remaining six months ending December 31, 2013. The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set out in Note 2 of Section II of the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and on the following principal bases and assumptions:

- There will be no material changes in the political, legal, fiscal, market or economic conditions in the PRC or territory in which the Company currently operates;
- There will be no changes in legislation, regulations or rules in the PRC or any territory in which the Company currently operates or any other country or territory with which the Company has arrangements or agreements, which may materially adversely affect the Company's businesses or operations;
- There will be no material changes in inflation rates, interest rates or RMB exchange rates from those currently prevailing in the context of the bank's operations;
- There will be no material changes in the applicable tax rates, surcharges or other government levies in the countries or territories in which the Company currently operates, except as otherwise disclosed in the prospectus;
- There will be no wars, military incidents, pandemic diseases, or natural disasters that will have a material impact on the Company's businesses and operating activities;
- The Company's operations will not be adversely affected by the occurrence of labor shortages and disputes, change of key management or staff, or any other factors outside the control of the Management. In addition, the Company will be able to recruit enough employees to meet its operating requirements during the forecast period; and
- The PRC government will continue to adopt macro-economic and monetary policies similar to those since the second quarter of 2013, in order to maintain a consistent economic growth.

B. LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

October 25, 2013

The Directors
Bank of Chongqing Co., Ltd.

Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the profit attributable to shareholders of Bank of Chongqing Co., Ltd. (the "Company") for the year ending December 31, 2013 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast For The Year Ending December 31, 2013" in the section headed "Financial information" in the prospectus of the Company dated October 25, 2013 (the "Prospectus").

We conducted our work in accordance with Auditing Guideline 3.341 on "Accountant's report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited results of the Company for the six months ended June 30, 2013 and a forecast of the results of the Company for the remaining six months ending December 31, 2013.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on page IV-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Company as set out in Note 2 of section II of the Accountant's Report as set out in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by Goldman Sachs (Asia) L.L.C. in connection with the forecast net profit attributable to shareholders of the Bank for the year ending December 31, 2013.

Goldman Sachs

68th Floor, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

October 25, 2013

The Directors
Bank of Chongqing Co., Ltd.

Dear Sirs,

We refer to the forecast of the net profit attributable to the shareholders of Bank of Chongqing Co., Ltd. (the "Bank") for the year ending December 31, 2013 (the "Forecast") as set out in "Financial Information — Profit Forecast for the Year Ending December 31, 2013" in the prospectus of the Bank dated October 25, 2013 (the "Prospectus").

We have discussed with you the bases and assumptions made by the Directors of the Bank as set out in Part A of Appendix IV to the Prospectus upon which the Forecast has been made. We have also considered the letter dated October 25, 2013 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Forecast, for which you as Directors of the Bank are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Goldman Sachs (Asia) L.L.C.

Bernard Teo
Managing Director

This appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in Appendix VII to this prospectus. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Hong Kong Companies Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

1. PRC LAWS AND REGULATIONS

A. The PRC Legal System

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomy regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court case verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil and criminal matters and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the PRC Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the PRC Constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the relevant provinces or autonomous regions but such local regulations shall conform with the constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. The people's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the PRC Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local regulations as well as rules is vested in the regional legislative and administrative organs which promulgate such regulations and rules.

B. **The PRC Judicial System**

Under the PRC Constitution and the Law of Organization of the People's Courts (中華人民共和國人民法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and have the power to organize other divisions as needed such as the intellectual property division. The higher level people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (中華人民共和國民事訴訟法), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request enforcement of the judgment, order or award. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or non-compliance with social and public interest.

C. **The PRC Company Law, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas**

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- The PRC Company Law (中華人民共和國公司法), which was promulgated by the Standing Committee of the NPC on December 29, 1993, took effect on July 1, 1994 and was revised as of December 25, 1999, August 28, 2004 and October 27, 2005 respectively;

- The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "Special Regulations"), which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law; and

- The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (the "Mandatory Provisions"), which were jointly promulgated by the Securities Committee and the State Restructuring Commission on August 27, 1994, and must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing.

Incorporation

A company incorporated under the PRC Company Law as a joint stock limited company has the status of a legal person and that its registered capital is divided into shares of equal par value. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of two promoters while its maximum thereof is 200, and at least half of the promoters must have residences within the PRC.

Joint stock limited companies incorporated by promotion are companies whereby the entire registered capital of which is subscribed for by the promoters. The initial capital contribution by all promoters of the joint stock limited company shall not be less than 20% of the registered capital. The remainder shall be paid up within 2 years from the date of incorporation of the joint stock limited company by the promoters. For investment joint stock limited companies, the remainder may be paid up within 5 years. Shares in the company shall not be offered to other persons unless the registered capital has been paid up. For joint stock limited companies incorporated by public subscription, the registered capital is the amount of its total paid up capital as registered with the registration authorities. The minimum registered capital of a joint stock limited company is RMB5 million or as required by the laws or administrative regulations, whichever is higher.

For joint stock limited companies incorporated by way of promotion, the promoters shall subscribe in full in writing for shares required to be subscribed by them by the articles of association. The full amount of capital contribution shall be paid up if payments are made in one lump sum and the first installment shall be paid forthwith if payments are made in installments. Promoters who fail to pay up their capital contributions in accordance with the foregoing provision shall be liable for breach of contract in accordance with the covenants laid down in the promoters' agreement. After the promoters have completed the initial capital contribution, a board of directors and a board of supervisors shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authorities, together with a capital verification certificate issued by a capital verification institution established by law and other documents required by the law or administrative regulations.

Where joint stock limited companies are incorporated by subscription, not less than 35% of their total shares must be subscribed for by the promoters and the remainder can be subscribed for by the public or particular persons, unless otherwise provided for by the law or administrative regulations. A promoter who offers shares to the public must publish a shareholder prospectus and draft a share subscription form to be signed and sealed by subscribers, specifying the number of and amount for shares to be subscribed for and their addresses. The subscribers shall pay up the amounts for the number of shares they have subscribed for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities firms established by law, in relation to which underwriting agreements shall be signed. A promoter offering shares to the public shall also sign an agreement with a bank in relation to the receipt of subscription amounts. The receiving bank shall receive and keep in custody the subscription amounts, issue receipts to subscribers who have paid the subscription amounts and furnish evidence of receipt of subscription amounts to the relevant authorities. After the subscription amounts for the share issuance have been paid in full, a capital verification institution established by law must be engaged to conduct capital verification and furnish a report thereon. The promoters shall convene an inaugural meeting within 30 days and notify each subscriber of or publicly announce the date of the inaugural meeting no less than 15 days in advance of the meeting. The inaugural meeting shall be formed by the promoters and subscribers. Where shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inaugural meeting within 30 days after subscription amounts for the shares issued have been fully paid up, the subscribers may demand the promoter return the subscription amounts so paid up together with interest at bank rates payable for a deposit of an equivalent amount for the same term. Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company.

A joint stock limited company's promoters must be liable for:

(i) the payment of all expenses and liabilities incurred in the incorporation process jointly and severally if the company cannot be incorporated;

(ii) the repayment of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and

(iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters may make capital contribution in cash, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for the assets prohibited to be contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the assets contributed pursuant to the relevant provisions of the laws or administrative regulations on valuation must be carried out without any over-valuation or under-valuation. The amount of monetary contribution by all shareholders shall not be less than 30% of the registered capital of the company.

A company may issue registered or bearer share certificates. The Special Regulations and the Mandatory Provisions provide that overseas listed and foreign invested shares issued must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H Shares, and those shares issued to investors within the PRC (other than the territories specified above) are known as domestic shares. Under the Special Regulations, upon approval of the securities regulatory authorities under the State Council, a company may agree, in the underwriting agreement in respect of an issue of H Shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares. The share offering price may be equal to or greater than, but may not be less than, the par value.

Increase in Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities under the State Council, it must publish a prospectus and financial accounts, and prepare the share subscription form. After the new share issuance has been paid up, the change must be registered with the company registration authorities and an announcement must be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) it shall prepare a balance sheet and a property list;

(ii) the reduction of registered capital must be approved by shareholders' general meeting;

(iii) it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(iv) creditors may within the statutory time limit require the company to pay its debts or provide guarantees covering the debts;

(v) it must apply to the relevant registration authority the registration of the reduction in registered capital; and

(vi) the reduced registered capital cannot be lower than the statutory minimum registered capital requirements.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes:

(i) to reduce registered capital;

(ii) to merge with another company that holds its shares;

(iii) to grant its shares to its employees as incentives; and

(iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies in a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within 10 days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares purchased in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such purchase shall be financed by funds appropriated from the company's profit after tax, and the shares so purchased shall be transferred to the company's employees within one year.

Transfer of Shares

The shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders must be carried out at a lawfully established securities exchange or in other manners stipulated by the State Council. No modifications of registration in the share register caused by transfer of shares shall be carried out within 20 days prior to the convening of shareholders' general meeting or 5 days prior to the base date for determination of dividend distributions. However, whereas there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholders' general meeting or 5 days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management officers shall declare to the company that their shareholdings in the company and any alternation of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, or six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of shareholders include:

(i) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

(ii) the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

(iii) the right to inspect the company's articles of association, share register, counterfoil of debentures, minutes of shareholders' general meetings, resolutions of board of directors, resolutions of board of supervisors and financial statements and to make proposals or enquires of the company's operations;

(iv) the right to bring an action in the people's court to rescind resolutions passed by shareholders' general meetings and board of directors where the articles of association is violated by the above resolutions;

(v) the right to dividends and other types of interest distributed in proportion to the number of shares held;

(vi) in the event of the termination or liquidation of the company, the right to participate in the distribution of remaining assets of the company in accordance with the number of shares held; and

(vii) other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;

(iii) to examine and approve reports of the board of directors;

(iv) to examine and approve reports of the board of supervisors;

(v) to examine and approve the company's proposed annual financial budget and final accounts;

(vi) to examine and approve the company's proposals for profit distribution plans and losses recovery plans;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

(x) to amend the company's articles of association; and

(xi) other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once a year. Under the PRC Company Law, companies are required to hold an extraordinary shareholders' general meeting within two months after the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;

(ii) the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;

(iii) when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(iv) whenever the board of directors deems necessary;

(v) when the board of supervisors so requests; or

(vi) other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman of the board of directors. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of the extraordinary shareholders' general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, written notice shall be delivered to all the registered shareholders 45 days before the meeting, and the matters to be considered at and time and venue of the meeting shall be specified. The confirmation letters of the shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders' constituting a quorum in a shareholders' general meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholders' general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within 5 days notify the shareholders again of the matters to be considered at and time and venue of the meeting to the Shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to Special Regulations, modification or abrogation of rights conferred to any class of shareholders must be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to Special Regulations, where the company convenes shareholders' annual general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals, in which the matters falling within the scope of shareholders' general meeting shall be placed in the agenda of the meeting. Pursuant to the PRC Company Law, shareholders holding more than 3% of voting shares have a right to submit new proposals to the board of directors of the company 10 days before the shareholders' general meeting, and the board of directors shall notify the other shareholders of such proposals within two days from the date it receives the proposals and shall submit them to the shareholders' general meeting for deliberation.

Under PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters must be adopted by more than two-third of the voting rights held by the shareholders present at the meeting:

(i) amendments to the articles of association;

(ii) the increase or decrease of registered capital;

(iii) the issue of any types of shares, warrants or other similar securities;

(iv) the issue of debentures;

(v) the merger, separation, dissolution, liquidation or change in the form of the company;

(vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign on the minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. Directors shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the statutory requirement.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

(i) to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed in shareholders' general meetings;

(iii) to decide on the company's business plans and investment proposals;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution and change in the form of the company;

(viii) to formulate the company's basic management system; and

(ix) to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim Board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors must be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Directors

The PRC Company Law provides that the following persons may not serve as a director:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted of an offence of bribery, corruption, misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

(iii) a person who has been a former director, factory manager or manager of a company or enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the liquidation of the company or enterprise;

(iv) a person who has been a legal representative of an enterprise that has had its business license revoked because of unlawful operations and has been ordered to close down by law and the person was personally responsible for such revocation or close down, where less than three years have elapsed since the date of such revocation; or

(v) a person who is liable for a relatively large amount of debt which has not been repaid when due.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one-third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management officers may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. Pursuant to the Mandatory Provisions, the chairman of the board of supervisors are elected with approval of more than two thirds of all the supervisors, while under the PRC Company Law, the chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the board of supervisors meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisors being less than the statutory requirement.

The board of supervisors exercises the following powers:

(i) to review the company's financials;

(ii) to supervise the directors and senior management officers in their performance of their duties and to propose the removal of directors and officers who have violated laws, regulations, the articles of association or shareholders' resolution;

(iii) when the acts of directors and senior management officers are harmful to the company's interests, to require correction of those acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

(v) make proposals for resolutions to shareholders' general meeting;

(vi) to initiate proceedings against directors and senior management officers; and

(vii) other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work at the company's expense.

Managers and Senior Management Officers

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

(i) supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business plans and investment proposals;

(iii) formulate the basic administration system of the company;

(iv) formulate the company's detailed rules;

(v) recommend the appointment and dismissal of deputy managers and person-in-charge of finance;

(vi) appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

(vii) other powers conferred by the board of directors or the articles of association.

Other provisions of the articles of association concerning the manager's powers shall also be complied with. The manager shall be in attendance at board meetings.

According to the PRC Company Law, senior management officers shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of the Directors, Supervisors, Managers and Other Senior Management Officers

Directors, supervisors and senior management officers of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and owe the fiduciary and diligent duties to the company. Directors, supervisors and senior management officers are prohibited from abusing their powers to accept bribes or other unlawful income and from embezzlement of the company's properties. Directors and senior management officers are prohibited from:

(i) misappropriation of company capital;

(ii) depositing company capital into accounts under his own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company's properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;

(v) using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accept and possess the commissions paid by others for transactions conducted with the company;

(vii) unauthorized disclosure of confidential business information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management officer who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to PRC Company Law, the company shall deliver its financial statements to all the shareholders within the time limit stipulated in the articles of association and make its financial statements available at the company for inspection by the shareholders at least 20 days before the convening of a shareholders' annual general meeting. It must also publish its financial statements.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund must be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the finance authority of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The reserve funds shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund cannot be applied to make good the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firms

Pursuant to PRC Company Law, the appointment or dismissal of accounting firms responsible for the audit business of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm that it employs without any refusal, withholding and misrepresentation.

The Special Regulations requires the company to employ an independent accounting firm complying with the relevant regulations to audit its annual report and review and check its other financial reports. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the Articles of Association. The amendment of articles of association involving content of Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council. It must process the registration of changes involving matters of company registration in accordance with laws.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders' general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of merger or division;

(iv) the business license is revoked; the company is ordered to close down or be dissolved; or

(v) the company is dissolved by the people's court in response to the request of shareholders holding the company's shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and that the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of its articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors through notice or public announcement;

(iii) to deal with the company's outstanding businesses related to liquidation;

(iv) to pay any tax overdue as well as tax amounts arising from the process of liquidation;

(v) to claim credits and pay off debts;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment, and issue public notices in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the company's registration authority in order to cancel its registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

According to the Special Regulations, a company must obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issues within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a share certificate in registered form is either lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. The people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Merger and Separation

In case of a merger, a merger agreement shall be signed by merging companies and the involved companies shall prepare their respective balance sheets and inventory of assets. The companies shall within 10 days from the date of passing the resolution of the merger notify their respective creditors and publish an announcement in newspapers within 30 days. The creditors, within 30 days upon receipt of the notification, or within 45 days from the date of the announcement if he has not received any notification, may require the company to pay its debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a separation, the company's assets shall be divided accordingly and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's separation is approved, the company should notify all its creditors thereof within 10 days from the date of passing such resolution and make public the same in newspapers within 30 days. Unless agreed in writing by the creditors in respect of the settlement of debts, obligations in respect of the liabilities of the company before the separation shall be incidentally borne by the separated companies.

Changes in the particulars of the companies as a result of the merger or separation shall, if so required, be registered with the company registration authorities.

In accordance with the laws, cancellation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

D. Securities Laws and Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations that relate to the issue and trading of the shares and disclosure of information by the company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issuance and Trading of Shares (股票發行與交易管理暫行條例) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定) (the "Provisional Securities Regulations"). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law (中華人民共和國證券法) took effect on July 1, 1999 and was revised as of August 28, 2004 and October 27, 2005, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that domestic enterprises must obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

E. Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and became effective on September 1, 1995. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer to the effect that whenever any disputes or claims arise (i) between holders of H Shares and the issuer; (ii) between holders of H Shares and the issuer's directors, supervisors, manager or other senior management officers; and (iii) between holders of H Shares and holders of domestic shares. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (the "CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center (the "HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention must be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, Hong Kong arbitration awards are also enforceable in China.

2. HONG KONG LEGAL AND REGULATORY PROVISIONS

A. Summary of Material Differences Between Hong Kong and PRC Company Laws

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Hong Kong Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Subsisting

Under Hong Kong Companies ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited liability company may be incorporated by either the promotion method or the subscription method. A joint stock limited liability company must have a minimum registered capital of RMB5 million, or higher as may otherwise be required by the laws and regulations. Hong Kong law does not prescribe any minimum capital requirements for a Hong Kong company. Under the PRC Company Law, the monetary contributions by all the shareholders must not be less than 30% of the registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our Shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, domestic shares, which are denominated and subscribed for in Renminbi, may only be subscribed for, or traded by, the state, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Similarly, directors, supervisors and the senior management of such company cannot transfer their shares within one year from the day when the shares are listed and traded on a stock exchange. There are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong law.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of an acquisition of shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management Officers and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a company's directors and managers are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the company's best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by a shareholders' general meeting, or by the directors, that violates any law, administrative rules or articles of association or if the directors, supervisors or senior managers violate laws, administrative rules or articles of association when performing their duties and cause losses to the company. The Mandatory Provisions provide certain remedies against the directors, supervisors and senior management officers who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum is one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company must within five days notify its shareholders again by way of a public announcement and may hold the shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law a company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, it must publish its financial report. The Hong Kong Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting.

When the Mandatory Provisions apply, the relevant company is required to establish its financial and accounting system in accordance with PRC accounting standards. In addition to preparing accounts according to PRC standards, the company should have accounts prepared in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. The company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Hong Kong Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 166 of the Hong Kong Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, after tax profits of a company are subject to deductions of contributions to the statutory reserve fund of a company before they can be distributed to shareholders. There are prescribed limits under the PRC Company Law for such deductions. There are no corresponding provisions under the Hong Kong Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or senior management officer).

Dividends

The Articles of Association empower our Bank to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors and supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Hong Kong Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

B. **Listing Rules**

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance Advisor

A listed company is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period commencing on the listing date and ending on the date of publication of its financial results for the first full financial year commencing after the listing date, to provide it with professional advice on continuous compliance with the Listing Rules, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the listed company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the listed company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the listed company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the listed company are expected to be frequently outside Hong Kong.

Accountant's Report

An accountant's report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either HKFRS or IFRS.

Process Agent

A PRC issuer is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H Shares and other securities held by the public must constitute not less than 25% of the PRC issuer's total issued share capital and that the amount of H Shares must not be less than 15% of the PRC issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million.

Independent Non-Executive Directors and Supervisors

Independent non-executive Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. It must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code and any similar PRC law of which directors are aware, if any. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Mandatory Provisions

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in the appendix entitled "Appendix VI — Summary of the Articles of Association" to this prospectus.

Redeemable Shares

A PRC issuer must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required to the extent that the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and foreign shares as at the date of the passing of the relevant special resolution, or such shares are issued as part of our plan at the time of our establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee or such other competent state council securities regulatory authorities.

Supervisors

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or the subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committees of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to its articles of association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

A listed company is required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by its shareholders at reasonable charges the following:

- complete duplicate register of shareholders;
- report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and (if any) supervisors, if any, thereon;
- special resolutions;

- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the PRC SAIC or other competent PRC authorities; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management officer and it (acting both for the company and for each director, supervisor, manager and other senior management officer), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management officer whereby such directors and senior management officers undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

Our Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between the PRC Issuer and Directors, Senior Management Officers and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management officer containing at least the following provisions:

- an undertaking by the director or senior management officer to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;

- an undertaking by the director or senior management officer to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and

- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between us and its directors or senior management officers and between a holder of shares and a director or senior management officer, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive.

The relevant company is required to enter into a contract in writing with every supervisor containing terms substantially similar to those for directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws must govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and must be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

A PRC issuer must not apply for the listing of its H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H Shares are adequately protected.

English Translation

All notices or other documents required under the Listing Rules to be sent by our Company to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H Shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing. Upon listing on the Hong Kong Stock Exchange, companies listed on the Hong Kong Stock Exchange will be subject to the provisions of the Hong Kong Securities and Futures Ordinance, the Hong Kong Takeovers Code and such other relevant ordinances and regulations as may be applicable.

C. **Other Legal and Regulatory Provisions**

Upon Listing, the provisions of the SFO, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on Hong Kong Stock Exchange will apply to our Company.

D. **Securities Arbitration Rules**

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal must, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal must order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Below is a summary of the principal provisions of our Articles of Association, the principal objective of which is to provide investors with an overview of the Articles.

As the information contained below is in summary form, it does not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of our Articles of Association are available for inspection as mentioned in "Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection."

Our Articles of Association were adopted by our shareholders in the shareholders' general meeting held on April 2, 2013 and were approved by the CBRC Chongqing Bureau on June 5, 2013 and any subsequent amendments will be considered in shareholders' meetings and sent for approval by the CBRC Chongqing Bureau. Our Articles of Association will become effective on the date that our H Shares are listed on the Hong Kong Stock Exchange.

Directors and Other Officers

Power to Allot and Issue Shares

There is no provision in our Articles of Association empowering the directors to allot and issue shares.

To increase the capital of our Bank, the Board must submit a proposal for approval by special resolution at a shareholders' general meeting.

Power to Dispose of the Assets of Our Bank or any Subsidiary

The Board is accountable to the shareholders' meeting.

The Board shall not, without the prior approval of shareholders in a shareholders' general meeting, dispose of, or agree to dispose of, any fixed assets of our Bank where the sum of the estimated value of the consideration for the proposed disposition and the aggregate amount of the consideration for all dispositions of fixed assets of our Bank completed within four months immediately preceding the proposed disposition exceeds 33% of the value of our Bank's fixed assets as shown on the last balance sheet reviewed at a shareholders' general meeting.

The validity of a disposition by our Bank of fixed assets shall not be affected by the breach of the above paragraph.

For the purposes of our Articles of Association, a disposition of fixed assets includes an act involving the transfer of an interest in such assets but does not include the provision of such assets as a form of security.

Emoluments and Compensation for Loss of Office

Our Bank shall, with the prior approval of shareholders at a shareholders' general meeting, enter into a written contract with each of the directors or supervisors wherein his emoluments are stipulated. The aforesaid emoluments include:

- emoluments with respect to his service as a director, supervisor or senior executive officer of our Bank;
- emoluments with respect to his service as a director, supervisor, or senior executive officer of any subsidiary of our Bank;
- emoluments with respect to the provision of other services in connection with the management of our Bank or of any subsidiary of our Bank; and
- compensation for loss of office, or as consideration for or in connection with his retirement from office.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a director or supervisor against our Bank for any benefit due to him with respect to the above matters.

Contracts concerning emoluments between our Bank and our directors or supervisors should provide that in the event of a takeover of our Bank, the directors or supervisors shall, subject to the prior approval of the shareholders in a shareholders' general meeting, have the right to receive compensation or other payment with respect to a loss of office or retirement. A "takeover of our Bank" referred to in this paragraph means either:

- an offer made by any person to all shareholders; or
- an offer made by any person with a goal of becoming "controlling shareholder" within the meaning set out in our Articles of Association. See "Rights of the Minority Shareholders" below.

If the relevant director or supervisor does not comply with this provision, any sum received by him shall belong to those persons who have sold their shares as a result of the said offer. Expenses incurred in distributing such sum *pro rata* amongst those persons shall be borne by the relevant director or supervisor and shall not be paid out of the sum to be received by him.

Loans to Directors, Supervisors and Other Officers

Our Bank shall not grant credit loans to a related person. Our Bank may only provide loans or loan guarantees to a related person if the terms and conditions are normal commercial terms and conditions, and our Bank may not provide guaranteed loans to a related person unless the terms and conditions on such loans are not more favorable than the terms and conditions of the same type of loans provided to other borrowers. "Related person" means:

- a director, supervisor, executive officer, or employee engaged in the credit business of our Bank, or any close relatives of such an individual; and

- a company, enterprise, or other economic organization in which one of the above persons invests or of which such a person is a senior executive officer.

A loan made by our Bank in breach of the above provisions shall be repayable forthwith by the recipient of the loan regardless of the terms of the loan.

Financial Assistance for the Acquisition of Shares in Our Bank

Subject to the exceptions in our Articles of Association, our Bank or any subsidiary shall not, by any means at any time, provide any kind of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire shares of our Bank. Such acquirer of shares of our Bank includes a person who directly or indirectly incurs any obligations (as defined below) due to the acquisition of shares. Our Bank or any subsidiary shall not, by any means at any time, provide financial assistance to such acquirer for the purpose of reducing or discharging the obligations assumed by that person.

The following activities shall not be deemed to be prohibited activities:

- the provision of financial assistance by our Bank where the financial assistance is given in good faith in the interest of our Bank, and the principal purpose in giving financial assistance is not for the acquisition of shares or the giving of financial assistance is an incidental part of a major plan of our Bank;

- the distribution of our Bank's assets through dividends;

- the allotment of bonus shares as dividends;

- a reduction of registered capital, a repurchase of shares, or a reorganization of the share capital structure of our Bank effected in accordance with our Articles of Association;

- the lending of money by our Bank within its scope of business and in the ordinary course of business (provided that the net assets of our Bank are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and

- the provision of money by our Bank for contributions to an employees' shareholding plan (provided that the net assets of our Bank are not thereby reduced or, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

- "financial assistance" includes, but is not limited to, the following:

  1) a gift;

  2) a guarantee (including any liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation due to our Bank's own default), or release or waiver of any rights;

  3) provision of a loan or any other contract under which the obligations of our Bank are to be fulfilled before the obligations of another party, or a change in the parties to, the novation of, or the assignment of rights arising under, such a loan or contract; or

  4) any other form of financial assistance given by our Bank when our Bank is insolvent or has no net assets, or when its net assets would thereby be reduced by a material extent.

- "incurring an obligation" includes the incurring of obligations by the entering into a contract, the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or any other means by the changing of the obligor's financial position.

Disclosure of Interests in Contracts with Our Bank

Where a director, supervisor, or senior executive officer of our Bank is in any way, directly or indirectly, materially interested in a contract, transaction, or arrangement, or proposed contract, transaction, or arrangement with our Bank (other than his contract of service with our Bank), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, regardless of whether the contract, transaction, arrangement, or proposal therefore is otherwise subject to the approval of the Board.

Unless the interested director, supervisor, or senior executive officer discloses his interests in accordance with our Articles of Association and the contract, transaction, or arrangement is approved by the Board at a meeting in which the interested director, supervisor, or senior executive officer is not counted in the quorum and refrains from voting, the contract, transaction, or arrangement in which a director, supervisor, or senior executive officer is materially interested is voidable at the request of our Bank except as against a *bona fide* party acting without notice of the breach of duty by the interested director, supervisor, or senior executive officer.

For the purposes of this provision, a director, supervisor, or senior executive officer of our Bank is deemed to be interested in a contract, transaction, or arrangement in which one of his associates is interested.

If a director, supervisor, or senior executive officer of our Bank, before the date on which the question of entering into the relevant contract, transaction, or arrangement is first taken into consideration by our Bank, gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in the contracts, transactions, or arrangements and such contracts, transactions, or arrangement are subsequently made by our Bank, such notice shall be deemed to be a sufficient declaration of his interests for the purpose of the above paragraphs to the extent of such disclosure in such notice.

Remuneration

The remuneration of directors must be approved by shareholders in a shareholders' general meeting. See "Emoluments and Compensation for Loss of Office" above.

Appointment, Removal, and Retirement

The term of office of the chairman of the Board and the other Board members shall be three years. The qualification of a director shall be examined and approved by the relevant banking regulatory authority.

Directors shall be elected and removed by the shareholders' general meeting. The general procedures for the nomination, election, and appointment of directors are set forth below:

- upon consultation with shareholders and the review of each candidate's qualification to act as director of a commercial bank, the nomination committee under the Board will submit the proposals to the Board for deliberations; and

- proposals for director candidates shall be submitted to the shareholders' general meeting in the form of a written motion by the last Board.

Our Board, Board of Supervisors, and shareholder(s) individually or aggregately holding 1% or more of the issued shares of our Bank are entitled to nominate candidates for independent directors to be elected by shareholders' general meetings.

The Board shall consist of 15 directors, of which at least one-third shall be independent directors. The Board shall have one chairman. The chairman shall be elected by a majority of all directors.

A director, supervisor, president, or other senior executive officer of our Bank may not be:

- a person without legal capacity or with restricted legal capacity;

- a person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property, or sabotaging of the social economic order, and has been punished for the commission of such an offense, where less than five years have elapsed since the date the sentence was completed; or who has been deprived of his political rights, where less than five years have elapsed since the date the deprivation was completed;

- a person who has been a director, factory manager, or manager of a company or enterprise which has entered into an insolvency liquidation because of poor operation and management, and is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date the bankruptcy and liquidation of the company or enterprise was completed;

- a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where less than three years have elapsed since the date the business license was revoked;

- a person who has a relatively large amount of debts and who is in default of such debts;

- a person who is under criminal investigation by a judicial organization for violation of the criminal law for which investigation is not yet concluded;

- a person who is not eligible for enterprise leadership according to laws and administrative regulations;

- a person who is removed by other commercial banks or organizations for his failure to fulfill obligations in good faith;

- a shareholder, or a person employed by an entity shareholder that owes debts (not including debts in the form of deposit or secured by state bond) to our Bank, the amount of which exceeds the audited net share value of his shares in the last fiscal year;

- a person, or a person employed by an entity that owes debts to our Bank and is in default on such debts;

- a person who is currently prohibited from the securities market by relevant regulatory authority;

- a non-natural person; or

- a person who was ruled as contravening provisions of relevant securities regulations by a relevant regulatory authority involving a finding that he has acted fraudulently or dishonestly, and such ruling was made within 5 years;

The validity of an act of a director, president, or other senior executive officer acting on behalf of our Bank is not, *vis-à-vis* a *bona fide* third party, affected by any irregularity in his office, election, or any defect in his qualification.

Borrowing Powers

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board to formulate proposals for the issuance of debentures and other securities by our bank; and

- provisions which provide that the issuance of debentures and other securities shall be approved by the shareholders' meeting by a special resolution.

Amendments to the Articles of Association of Our Bank

Our Articles of Association may be amended by special resolution of the shareholders in a shareholders' general meeting. If the amendments are subject to approval by the relevant PRC government authorities, such approval shall be obtained for such amendments. If a registration is necessary for the amendments, such registration shall be carried out in compliance with the relevant laws.

Change of Rights of Existing Shares or Classes of Shares

Rights conferred on any class of shareholders in the capacity of shareholders, or class rights, may not be changed or abrogated unless approved by a special resolution of shareholders in a shareholders' general meeting and by holders of shares of that class at a separate meeting conducted in accordance with our Articles of Association.

The following circumstances shall be deemed a change or abrogation of the class rights of a shareholder class:

- an increase or decrease in the number of shares of such a class, or an increase or decrease in the number of shares of such a class having voting or distribution rights or privilege equal or superior to those of the shares of such a class;

- an exchange of all or part of the shares of such a class into shares of another class, or an exchange or the creation of a right to exchange all or part of the shares of another class into the shares of such a class;

- the removal or reduction of rights to accrued dividends or rights to cumulative dividends attached to shares of such a class;

- the reduction or removal of a dividend preference or a liquidation preference attached to shares of such class;

- the addition, removal, or reduction of conversion privileges, options, voting rights, transfer, or preemptive rights attached to shares of such a class, or rights to obtain securities of our Bank;

- the removal or reduction of rights to receive payment from our Bank in particular currencies attached to shares of such a class;
- the creation of a new class of shares having voting or distribution rights or privileges equal or superior to those of the shares of such a class;
- the restriction of the transfer or ownership of the shares of such a class or any addition to such restriction;
- the issuance of rights to subscribe for, or conversion into, shares in our Bank of such a class or another class;
- the increase of the rights or privileges of shares of another class;
- the restructuring of our Bank where the proposed restructuring will result in different classes of shareholders bearing different degrees of responsibility in respect to liability; and
- the variance or abrogation of provisions of "special procedures for voting in class meetings" as contained in our Articles of Association.

Interested shareholders (as defined below) shall not be entitled to vote at "class shareholders' meetings."

Resolutions of a class of shareholders shall be passed by votes representing two-thirds or more of the voting rights of shareholders of that class presented at "class shareholders' meetings."

Written notice of a "class shareholders' meeting" shall be given 45 days before the date of the meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date, and the place of such meeting.

Notice of "class shareholders' meetings" need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meetings of all shareholders unless otherwise provided in the Articles of Association. The provisions of our Articles of Association relating to the manner of conducting a shareholders' general meeting shall apply to any meeting of a class of shareholders.

Holders of domestic shares and H Shares are deemed to be shareholders of different classes.

The special procedures for approval by a class of shares shall not apply in the following circumstances:

- where our Bank issues, upon the approval by a special resolution of its shareholders in a shareholders' general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued domestic shares and overseas-listed shares;

- where our Bank's plan to issue domestic shares and overseas-listed shares at the time of its establishment is carried out within 15 months from the date of approval of the Securities Authority of the State Council; or

- where our Bank's unlisted shares may be converted into foreign shares for listing and trading on an overseas stock exchange, subject to the approval of the securities regulatory authorities and banking regulatory authorities of the State Council.

For the purposes of the class rights provisions of our Articles of Association, the meaning of "interested shareholder(s)" is:

- in the case of a repurchase of shares by offers to all shareholders in the same percentage or through public trading on a stock exchange, a "controlling shareholder" within the meaning of our Articles of Association;

- in the case of a repurchase of shares by a privately negotiated contract, a shareholder to which the proposed contract relates; and

- in the case of a restructuring of our Bank, a shareholder within a class who bears a less than proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Resolutions — Majority Required

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one-half of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution, votes representing two-thirds or more of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.

Voting Rights

The ordinary shareholders of our Bank have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. A shareholder (including shareholders' proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of voting shares and each voting share shall have one vote.

At any shareholders' general meeting, a resolution shall be decided on a show of hands unless a poll is required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") or demanded by the following persons before or after any vote by a show of hands:

- by the chairman of the meeting;

- by at least two shareholders entitled to vote present in person or by proxy; or
- by one or more shareholders present in person or by proxy representing in aggregate 10% or more of all voting shares at the meeting.

Unless required by the Listing Rules or a poll is demanded, the chairman, in accordance with the voting result by a show of hands, may declare the voting result and make an entry to that effect in the minutes of the meeting, which shall be conclusive evidence of the fact.

The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on an issue of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other issue shall be taken at such time as the chairman of the meeting directs, and any other items on the agenda may proceed, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting on the matter that the poll was demanded.

On a poll taken at a meeting, a shareholder (including shareholders' proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of a tie, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to one additional vote.

Requirement for Annual Meetings

An annual shareholders' general meeting shall be convened within six months from the close of a fiscal year.

Accounts and Audit

Our Bank shall establish its financial and accounting system in accordance with the laws, administrative regulations, and the rules stipulated by relevant regulatory authority.

The Board of our Bank shall have an audit committee which reports and is responsible to the Board. The audit committee shall consist of not less than five members, and shall have such responsibilities and powers as prescribed by our Articles of Association.

The Board shall place before the shareholders at every annual shareholders' general meeting such annual financial reports prepared by our Bank that are required by any laws, administrative regulations, or any other regulatory documents promulgated by the relevant regional governmental authorities.

Our Bank's annual financial reports shall be made available at our Bank for shareholders' inspection 20 days before the date of such annual shareholders' general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports.

The financial statements of our Bank shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either IFRS or the applicable accounting standards of the overseas stock exchange on which our Bank's shares are listed. If there is any material difference between the annual financial statements prepared in accordance with the two accounting standards, such difference shall be stated in an appendix to the annual financial statements. When our Bank is to distribute its after-tax profits, it may only distribute from the lower of the after-tax profits as shown in the two financial statements.

Our Bank shall publish its financial reports two times every fiscal year. The annual financial report shall be published within 120 days after the expiration of each fiscal year, the interim financial report shall be published within 60 days after the expiration of the first six months of each fiscal year.

Notice of Meetings and Business to be Conducted Thereat

Shareholders' general meetings are divided into annual shareholders' general meetings and extraordinary shareholders' general meetings.

Under any of the following circumstances, the Bank shall convene an extraordinary shareholders' general meeting within two months from the date that such event occurs:

- when the number of directors is less than the number of directors required by the PRC Company Law or two-thirds of the number of directors specified in our Articles of Association;

- when the unrecovered losses of our Bank amount to one-third of the total amount of its share capital;

- when such meeting is requested by one or more shareholders representing in aggregate 10% or more of our Bank's voting shares;

- when the Board deems it necessary, or the Board of Supervisors proposes to convene;

- in other situations as prescribed by laws, administrative regulations, rules, or our Articles of Association.

When our Bank convenes a shareholders' general meeting, written notice of the meeting shall be given 45 days before the date of the meeting to notify all the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to our Bank 20 days before the date of the meeting.

When our Bank convenes an annual shareholders' general meeting, the shareholders individually or in aggregate holding 3% or more of the total issued and outstanding voting shares of our Bank shall have the right to propose new motions in writing, and our Bank shall place on the agenda those matters in the proposed motions that are within the scope of functions and powers of the shareholders' general meeting.

Our Bank shall, based on written replies from the shareholders received 20 days before the date of the shareholders' general meeting, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting is one-half or more of our Bank's total voting shares, our Bank may hold the meeting. Otherwise, our Bank shall within five days notify the shareholders again by public notice of the matters to be considered and the place and the date for the meeting. Our Bank then may hold the meeting after the publication of such notice.

A notice of a meeting of shareholders must:

- be in writing;
- state the venue, date and time of the meeting;
- state the matters to be considered at the meeting and the proposals;
- provide such information and explanations as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to merge our Bank with another, to repurchase shares, to reorganize the share capitals, or to restructure our Bank in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- contain a disclosure of the nature and extent of any material interest of a director, supervisor, president, or other senior executive officer in the matters for discussion and the effect of such interest on his capacity as a shareholder insofar as it is different from the interest of the shareholders of the same class;
- contain the full text of any proposed special resolution to be voted at the meeting;
- contain a prominent statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on his behalf and that a proxy need not be a shareholder;
- specify the time and place for lodging proxy forms for the relevant meeting;
- specify the record date on which the shareholders are eligible to attend the meeting;
- list the name and the phone number of the contact person of the meeting; and
- specify the time and procedure of voting through Internet or other methods, if the meeting will be convened through Internet or other methods.

Notice of a shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting) by delivery or prepaid mail to their addresses as shown in the share register. For the holders of domestic shares, notice of the meetings may be issued by public notice.

The public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council between 45 days and 50 days before the date of the meeting. After the publication of such notice, the holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

The following matters shall be decided by an ordinary resolution at a shareholders' general meeting:

- work reports of the Board and the Board of Supervisors;
- plans formulated by the Board for the distribution of profits and for the making up of losses;
- appointment and removal of the members of the Board and members of the Board of Supervisors, their emoluments and method of payment;
- annual preliminary and final budgets, balance sheets and profit and loss accounts, and other financial statements of our Bank;
- the annual report of our Bank;
- the business principles and investment plans;
- the engagement or dismissal of the accounting firms; and
- other matters unless required to be approved by special resolutions in accordance with the applicable laws and administrative regulations or otherwise as stipulated by our Articles of Association.

The following matters shall be decided by a special resolution at a shareholders' general meeting:

- the increase or decrease of share capital and the issuance of shares of any class, warrants for share subscription and other similar securities;
- the issue of debentures of our Bank;
- the separation, merger, dissolution, or liquidation of our Bank;
- amendments to our Articles of Association;
- the repurchase of shares of our Bank;
- share incentive plans;
- any purchase or sale of our material assets within one year, or provision of guaranty within one year where the amount exceeds 30% of the total amount of our Bank's assets as audited in the latest period; and

- any other matters prescribed by the applicable laws and regulations or our Articles of Association or resolved by the shareholders at a shareholders' general meeting by an ordinary resolution of a nature that may have a material impact on our Bank and should be adopted by a special resolution.

Transfer of Shares

Subject to the approval of the securities regulatory authority and banking regulatory authority of the State Council, our shareholders may list and trade their unlisted shares on an overseas stock exchange. The listing and trading of such shares shall comply with the procedures, regulations and requirements prescribed by the relevant overseas stock market. No class shareholders' voting is required for such listing and trading of shares on an overseas stock exchange.

All the fully paid-up H Shares can be freely transferred in accordance with our Articles of Association. For H Shares listed on the Hong Kong Stock Exchange, if the requirements stipulated in our Articles of Association are not met, the Board may refuse to accept any transfer documents without giving explanation for such refusal.

The alteration to, or rectification of, any part of the share register shall be carried out in accordance with the laws of the place where the share register is maintained.

No changes resulting from share transfers may be made to the share register within 30 days before the date of a shareholders' general meeting or within 5 days before a record date for our Bank's distribution of dividends.

Power of Our Bank to Repurchase Our Own Shares

We may, in accordance with laws, administrative regulations, the Listing Rules, and our Articles of Association and subject to necessary approvals of the relevant banking regulatory authority and other regulatory authority, repurchase our issued shares under the following circumstances:

- for the reduction of our registered capital;
- when merging with another company that holds shares in our Bank;
- when offering the shares to our employees as a bonus;
- when the shareholder disagrees with the resolution of the shareholders' general meeting on the merger or separation of our Bank and requires our Bank to repurchase his shares; and
- under other circumstances permitted by the applicable laws or administrative regulations.

We may, with the approval of the relevant regulatory authority, conduct the repurchase in any one of the following ways:

- making a *pro rata* offer of repurchase to all of our shareholders;
- repurchasing shares through public trading on a stock exchange;

- repurchasing by a privately negotiated agreement; or
- by other means as stipulated by the applicable laws and administrative regulations or as approved by the relevant regulatory authority.

Where we repurchase our shares by a privately negotiated agreement, the prior approval of shareholders shall be obtained in accordance with our Articles of Association. We may release, vary, or waive our rights under a contract so entered into by our Bank with the prior approval of shareholders obtained in the same manner.

Shares repurchased by our Bank shall be canceled within the period prescribed by the applicable laws or administrative regulations.

Unless our Bank is being liquidated, it must comply with the following provisions in relation to the repurchase of our issued shares:

- where our Bank repurchases our shares at par value, payment shall be made out of our distributable profits or out of proceeds of a fresh issue of shares made for that purpose;
- where our Bank repurchases our shares at a premium to par value, payment equivalent to the par value shall be made out of our distributable profits or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows: (i) if the shares being repurchased were issued at par value, payment shall be made out of our distributable profits; or (ii) if the shares being repurchased were issued at a premium to par value, payment shall be made out of our distributable profits or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall exceed neither the aggregate of the premiums received by our Bank on the issue of the shares repurchased nor the current amount (including the premiums on the fresh issue) of our capital reserve account;
- payment by our Bank in consideration of the following shall be made out of our distributable profits: (i) acquisition of rights to repurchase our shares; (ii) amendment of any contract to repurchase our shares; and (iii) release of any of our obligations under any contract to repurchase our shares; and
- after our registered capital has been reduced by the total par value of the canceled shares in accordance with the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the shares repurchased shall be transferred to our capital reserve account.

Right of Our Subsidiaries to Own Shares in Our Bank

There are no provisions in our Articles of Association preventing a subsidiary of our Bank from owning any of our shares.

Dividends and Other Methods of Profit Distribution

Our Bank may distribute dividends in the form of (i) cash, (ii) shares, or (iii) cash and shares.

Our Bank shall appoint receiving agents on behalf of the H Shares to receive on behalf of such shareholders dividends declared and all other monies payable by our Bank in respect of their H Shares. The receiving agents appointed on behalf of holders of the H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Proxies

Any shareholder entitled to attend and vote at a meeting of our Bank shall be entitled to appoint one or more other persons (whether a shareholder or not) as his proxy to attend and vote on his behalf, and a proxy so appointed shall:

- have the same right as the shareholder to speak at the shareholders' general meeting;
- have authority to demand a poll or join in such a demand; and
- have the right to vote by hand or on a poll, except that the proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney on behalf of the appointer, a notary certified copy of that power of attorney or other authority shall be deposited at the residence of our Bank or at such other place as is specified for that purpose in the notice convening the meeting, not less than 24 hours before the time for holding the meeting at which the proxy proposes to vote or 24 hours before the time specified for voting.

If the appointer is a legal entity, its legal representative or such person as is authorized by its Board or other decision-making authorities may attend our shareholders' general meeting as a representative of the appointer.

Any form issued to a shareholder by the Board for use by him for appointing a proxy to attend and vote at a shareholders' general meeting shall enable the shareholder to instruct the proxy to vote in favor of or against each resolution put to vote at the meeting individually. Such a proxy form shall contain a statement that in the absence of instructions by the shareholder, the proxy may vote as he thinks appropriate.

A vote given in accordance with the terms of an instrument appointing the proxy shall be valid notwithstanding the death or incapacity of the appointer, or revocation of the proxy or of the authority under which the appointing instrument was executed, or the relevant shares in respect of which the proxy is given have been transferred, provided that no notice in writing of such death, incapacity, revocation, or transfer has been received by our Bank before the commencement of the meeting at which the proxy is used.

Calls on Shares and Forfeiture of Shares

There are no provisions in our Articles of Association relating to the making of calls on shares or for the forfeiture of shares.

Rights of Shareholders (Including Inspection of Register of Shareholders)

The ordinary shareholders of our Bank shall enjoy the following rights:

- entitlements to dividends and other distributions in proportion to the number of shares held;
- the right to attend or appoint a proxy to attend shareholders' general meetings and vote at the meetings in proportion to the number of shares held;
- the right to supervise the management and business operations of our Bank, and the right to present proposals or to raise inquires in relation thereto;
- the right to transfer shares in accordance with laws, administrative regulations, and the provisions of our Articles of Association;
- the right to obtain relevant information in accordance with laws, administrative regulations, and the provisions of our Articles of Association, including:

  1) the right to obtain a copy of our Articles of Association, subject to payment of the cost of obtaining such a copy;

  2) the right to inspect and copy, subject to payment of a reasonable charge:

     a) all parts of the register of shareholders;

     b) the information regarding directors, supervisors, president or other senior executive officers of our Bank including their name (present and used), alias, main address (domicile), nationality, job (full time and part time) and title, identity certificate and its number;

  3) our share capital and counterfoils of debentures of our Bank;;

  4) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by our Bank since the end of the last accounting year, and the aggregate amount incurred by our Bank for this purpose;

  5) our financial reports, mid-term reports, and annual reports that have been publicly announced;

  6) minutes of the shareholders' general meetings.

- in the event of termination or liquidation of our Bank, participating in the distribution of the remaining assets of our Bank in accordance with the number of shares held; and

- other rights conferred by the applicable laws, administrative regulations, or our Articles of Association.

Quorum for Meetings and Separate Class Meetings

Our Bank may convene a shareholders' general meeting or "class shareholders' meeting" where our Bank has received 20 days before such meeting written replies from shareholders who are entitled and intend to attend the meeting and the number of voting shares held by those shareholders is one-half or more of our voting shares or the voting shares of that class. Otherwise, our Bank shall, within five days, notify the shareholders again of the matters to be considered and the place and the date for the meeting. Our Bank then may hold the shareholders' general meeting or "class shareholders' meeting."

Rights of Minority Shareholders

In addition to obligations on controlling shareholders imposed by the applicable laws, administrative regulations, or requirements imposed by the stock exchange(s) on which our shares are listed, our Articles of Association provide that a controlling shareholder shall not exercise his voting rights in a manner prejudicial to the interest of the shareholders in general or a part of the shareholder group of our Bank in respect of the following matters:

- to relieve a director or supervisor of his duty to act honestly and in the best interest of our Bank;

- to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), under any disguise, of our Bank's assets, including (but not limited to) opportunities beneficial to our Bank; or

- to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the rights of other shareholders, including (but not limited to) rights to distributions and voting rights, except pursuant to a restructuring submitted to the shareholders' general meeting for approval in accordance with our Articles of Association.

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

- alone, or acting in concert with others, has the power to elect half or more of the Board;

- alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in our Bank;

- alone, or acting in concert with others, holds 30% or more of the shares of our Bank; or

- alone, or acting in concert with others, controls our Bank in fact in any other manner.

Procedures on Liquidation

Our Bank shall be dissolved and liquidated upon the occurrence of any of the following events:

- a resolution for dissolution is passed by shareholders at a shareholders' general meeting;
- dissolution is necessary due to a merger or separation of our Bank;
- our Bank is legally declared bankrupt due to its failure to repay debts due;
- our Bank is ordered to have its business license revoked or be closed down or dissolved pursuant to the law;
- our Bank meets any serious difficulty in its operations or management so that the interests of the shareholders will face significant loss if it continues to exist, and the problem cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of the issued shares of the company may ask the people's court to dissolve our Bank; or
- our Bank is ordered to be closed down because of its violation of laws and administrative regulations.

Where the Board decides to liquidate our Bank due to reasons other than insolvency, the Board shall include a statement in its notice convening a shareholders' general meeting to the effect that, after making full inquiry into the affairs of our Bank, the Board is of the opinion that our Bank will be able to repay its debts in full within 12 months from the commencement of the liquidation.

Upon the adoption of the resolution to liquidate our Bank in a shareholders' general meeting, all functions and powers of the Board shall cease immediately.

The liquidation team shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the liquidation team's receipts and payments, the business of our Bank and the progress of the liquidation, and to present a final report to the shareholders' general meeting upon completion of the liquidation.

Other Provisions Material to Our Bank and Our Shareholders

General Provisions

Our Articles of Association become effective on the date our H Shares are listed on the Hong Kong Stock Exchange. Thereafter, our Articles of Association constitute a legally binding document regulating our organization and activities, and the rights and obligations between our Bank and each shareholder and among the shareholders *inter se*.

Our Bank may, based on its requirements for operation and development and in accordance with applicable laws and administrative regulations, increase its capital upon approval of the shareholders' general meeting by a special resolution, relevant banking regulatory authority, and other regulatory authority.

Our Bank may increase its capital in the following ways:

- offering new shares to unspecified investors for subscription;
- placing new shares to its existing shareholders;
- distributing new shares to its existing shareholders;
- converting capital reserve into capital; and
- using any other ways permitted by the applicable laws, administrative regulations, and relevant regulatory authority.

Any increase of capital by issuing new shares shall, after being approved in accordance with the provisions of our Articles of Association, be conducted in accordance with the procedures stipulated by the applicable laws and administrative regulations.

Each shareholder of our Bank shall assume the following obligations:

- to abide by our Articles of Association;
- to pay subscription funds according to the number of shares subscribed and the method of subscription;
- not to withdraw the shares unless in circumstances as permitted by the applicable laws, regulations, and rules;
- not to use his shareholder's rights inappropriately to injure any of the interests of our Bank or of other shareholders; where any of the shareholders of our Bank causes any loss to our Bank or to other shareholders by using the shareholder's rights inappropriately, it shall be liable for compensating the company or the other shareholders;
- not to misuse the limited liability status of a corporation to defraud any creditor of our Bank, where any shareholder of our Bank who evades the payment of its debts by misusing the limited liability status of our Bank, if it seriously injures the interest of any creditor of our Bank, shall bear several and joint liability for such debts of our Bank;
- if the capital adequacy ratio of the Bank fall below the statutory standard, the shareholders shall support the measures put forward by the board to raise the capital adequacy ratio;
- if the possibility that the we will encounter a liquidity squeeze arises, all shareholders that have taken out loans from the Bank shall repay the loans that are due immediately and undue loans shall be prepaid; and
- to assume other obligations imposed by the applicable laws and administrative regulations or Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

Directors' Qualification Shares

A director is a natural person, who does not necessarily hold the shares of the Bank.

Board of Supervisors

Our Bank shall establish a Board of Supervisors. The directors, president, vice president, chief financial officer, secretary to the Board, and other senior executive officers shall not act concurrently as supervisors. The Board of Supervisors shall be composed of seven to nine supervisors. One of the members of the Board of Supervisors shall act as the chairman. The term of office of supervisors shall be three years, renewable upon reelection and reappointment. The election or removal of the chairman of the Board of Supervisors shall be determined by two-thirds or more of the members of the Board of Supervisors. A resolution of the Board of Supervisors shall be passed by two-thirds or more of the members of the Board of Supervisors.

The Board of Supervisors shall consist of representative(s) of shareholders, outside supervisor(s), and representative(s) of employees of our Bank. The representative(s) of shareholders and the outside supervisor(s) shall be elected and removed by a shareholders' general meeting. The representative(s) of employees of our Bank shall be nominated by the Board of Supervisors or the labor union of our Bank, elected and removed by the workers congress of our Bank.

The Board of Supervisors shall be accountable to the shareholders and exercise the following powers:

- to supervise our Board and directors regarding important matters including, but not limited to: compliance with applicable laws, regulations, and rules; compliance with our Articles of Association, the shareholders' general meeting's rules and procedures, and the Board meetings' rules and procedures; implementation of resolutions adopted by shareholders' general meetings and Board of Supervisor meetings; determination of major business management and strategy decisions; continued improvement in corporate governance, development strategy, business strategy, capital management, remuneration management, disclosure, and protection of deposit holders and other interested stakeholders; effective operation of the Board's specialized committees; the directors' attendance, comments and proposals at meetings; and independent directors' independent advices on material connected transaction, profit distribution, matters potential to damage the interests of depositors or minority shareholders of our Bank, and matters potential to cause our Bank's material loss;

- to supervise the senior executive officers regarding important matters including, but not limited to: compliance with applicable laws, regulations, and rules; compliance with our Articles of Association and authorization of the Board's; implementation of resolutions adopted by shareholders' general meetings, Board meetings, and Board of Supervisor meetings; performance of business management within the scope of their authority, and continued improvement in business management, risk management, and internal controls;

- to oversee the conduct of directors and senior executive officers in carrying out their duties. If a director or senior executive officer breaches any applicable laws, regulations, rules, or our Articles of Association, the Board of Supervisors may demand him to rectify his conduct and recommend investigations regarding liability for those responsible for such breaches;

- to establish and improve a performance appraisal system with clearly defined performance criteria and standards, for the evaluation of directors and senior executive officers in the performance of their duties, and carry out resignation audit for directors and senior executive officers;

- to establish a record-keeping system to deposit performance reviews of directors and senior executive officers;

- to review and give written feedback on the regular reports by our Board;

- to examine and supervise our Bank's financial affairs;

- to review financial information, including financial reports, business reports, and profit distribution plan, which the Board intends to submit to the shareholders' general meeting. Where abnormalities arise, a certified public accountant or certified auditor may be entrusted to assist in re-auditing such financial information in the name of our Bank;

- to propose the convening of extraordinary shareholders' general meetings, and, if our Board fails to call such a meeting as required under the PRC Company Law, to convene and host the shareholders' general meetings;

- to present a proposal to the shareholders' general meetings;

- to bring actions against directors and senior executive officers according to the Art.152 of the PRC Company Law;

- to investigate any irregularities in the operations of our Bank, and if necessary, engage accounting firms, law firms, or other professional firms to assist its work with costs borne by our Bank;

- to conduct audits relating to our operation and decision-making, risk management, and internal control when necessary;

- to inquire into directors and senior executive officers;

- to draft remuneration plans for supervisors, and submit them to the shareholders' general meeting for approval; and

- to exercise other powers prescribed by the applicable laws, administrative regulations, and departmental rules, as well as any other power conferred by our Articles of Association.

Members of the Board of Supervisors shall be present at meetings of the Board and are entitled to speak their opinions at such meetings.

President

Our president is accountable to the Board and exercises the following powers:

- to be in charge of the daily operations of our administration, organize the implementation of the Board's resolutions, and report his work to the Board;
- to organize the implementation of our annual plan and investment proposal;
- to draft plans for the establishment of our internal management structure;
- to draft our basic management system;
- to formulate concrete regulatory systems for our Bank;
- to nominate candidates and recommend dismissals to the Board for vice presidents, the chief financial officer, the chief executive officer, and other senior executive officers;
- to appoint or dismiss other executive officers within internal management departments and branches (other than those required to be appointed or dismissed by the Board);
- to authorize senior executive officers and executive officers of the internal management departments and branches to engage in ordinary operation and management;
- to take urgent measures to assist our Bank in case of a run on our Bank or other major emergencies, and report to the relevant banking regulatory authority, the Board, and Board of Supervisors immediately; and
- to exercise other powers conferred by our Articles of Association or granted by the Board.

Our president shall be present at meetings of the Board. However, the president shall have no voting rights at the meetings unless he is also a director.

Board

The Board is accountable to the shareholders' meeting and exercises the following powers:

- to convene shareholders' general meetings and to report on its performance to shareholders at the shareholders' general meetings;
- to implement the resolutions adopted by the shareholders' general meetings;
- to decide on our operational plans, investment plans, and development strategy;
- to formulate our proposed annual preliminary and final financial budgets;
- to formulate our profit distribution plans and plans for recovery of losses;

- to formulate proposals for increases in, or reductions of, our registered capital, issuance of bonds, or other securities and listing plans;
- to formulate proposals for material acquisitions, the purchase of our shares, mergers, separation, dissolution or liquidation of our Bank, or change in the nature of our Bank;
- within the scope authorized by our shareholders' general meetings, to decide on external investments, purchases and sales of assets, pledges of assets, trust management, and material connected transaction matters;
- to examine and approve any financing guarantee our Bank provides when the total amount of the external financing guarantee is greater than or equal to 10% but less than or equal to 30% of our Bank's latest audited total assets;
- to decide on the establishment, dissolution, and merger of our internal management departments and branches;
- to appoint or remove our president and secretary of our Board; to appoint or remove the vice presidents, chief financial officer, and other senior executive officers based on the recommendations of the president, and to decide on matters relating to their emoluments and on the imposition of any disciplinary measures;
- to supervise our Bank's senior executive officers' performance of their duties ensuring that senior executive officers are effectively fulfilling their management responsibilities;
- to establish our basic management system and assume responsibility for regularly evaluating and improving our Bank's corporate governance;
- to decide our Bank's policy for risk management and internal controls;
- to formulate proposals for any amendments to our Articles of Association;
- to manage our disclosure of information, and assume ultimate responsibility for the completeness and accuracy of our Bank's accounting and financial reporting system;
- to propose the appointment or change of accounting firms to audit our Bank;
- to review working reports of the president and to assess the president's performance;
- to review our Bank's development strategy on a regular basis and supervise its implementation;
- to manage our Bank's capital base, and assume ultimate responsibility for the capital adequacy ratio management; and
- to exercise other powers prescribed by the applicable laws, administrative regulations, and departmental rules, as well as any other power conferred by our Articles of Association and shareholders' general meetings.

Meetings of the Board can be divided into regular meetings and extraordinary meetings. Regular meetings shall be held by the Board at least four times every year and be convened by the chairman of the Board. Notice of the meeting shall be served on all of the directors and supervisors 14 days before the date of a regular meeting.

Meetings of the Board shall be held only if one-half or more of the directors are present. Each director shall have one vote. Where the number of votes cast for and against a resolution is equal, the chairman of the Board shall have the deciding vote.

Resolution of Disputes

Whenever any disputes or claims arise — either based on our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws, and administrative regulations — between holders of H Shares and our Bank, holders of the H Shares and our directors, supervisors or senior executive officers, or holders of H Shares and holders of our domestic shares, the relevant parties shall forthwith refer such disputes or claims to arbitration for resolution.

A claimant may elect arbitration through either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

If any disputes or claims of rights are referred to arbitration, the laws of the PRC shall apply, except as otherwise provided by relevant laws and administrative regulations.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration, provided that such person is an employee of our Bank or our shareholder, director, supervisor, or senior executive officer.

The decision of an arbitration body shall be final, conclusive, and binding on all parties.

Miscellaneous

In light of the Guidelines on the Corporate Governance of Commercial Banks (商業銀行公司治理指引) recently promulgated by the CBRC, our Bank will make appropriate amendments to our Articles of Associations according to our Bank's actual situation after the Listing Date.

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change.

A. The People's Republic of China

Certain PRC tax provisions related to the ownership and disposal of H Shares purchased under the Global Offering and held by the investors as capital assets are summarized below. This summary does not purport to address all material tax consequences of the ownership of H Shares and does not take into account the specific circumstances of any particular investors. This summary is based on various PRC tax laws as in effect as of the date of this prospectus, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital tax and stamp duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

Taxation of Dividends

Individual investors. According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) ("IIT Law"), as amended, and its implementation rules, dividends paid by PRC companies are ordinarily subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual shareholder who is not a PRC resident, pursuant to the Circular on the Individual Income Tax Matters after the Repeal of No. Guo Shui Fa [1993]045 Circular (No. Guo Shui Han [2011]348) issued by the State Administer of Taxation ("SAT") on June 28, 2011 (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知), domestic non-foreign-invested companies whose shares are listed in Hong Kong generally may withhold individual income tax at the rate of 10% when distributing dividends with respect to such listed shares. Where the tax rates stipulated by applicable tax treaties are lower than 10%, the non-foreign-invested company whose shares are listed in Hong Kong may apply on behalf of the individual shareholders to seek entitlement of the lower tax rate, and upon approval by the tax authorities, the amounts which are over withheld will be refunded. Where the tax rates stipulated by applicable tax treaties are higher than 10% but lower than 20%, the non-foreign-invested company is required to withhold the tax at the agreed rates under the treaties. For foreign residents of jurisdictions that have not entered a tax treaty with the PRC, the non-foreign-invested company is required to withhold the tax at the rate of 20%.

Enterprises shareholders. In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), (the "EIT Law"), and the Provision of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), both effective on January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知, Guo Shui Han [2008] No.897) issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends distributed out of profit generated after January 1; and upon the receipt of the dividends, a nonresident enterprise shareholder may apply to the tax authorities for enjoying the treatment under the taxation treaties (arrangement) in person or through an agent or a withholding obligator and provide evidence in support of his/her status as a beneficial owner as defined in the taxation treaties (arrangement). Upon verification by the tax authority, the difference between the tax levied and the amount of tax payable calculated at the tax rate under the taxation treaties (arrangement) will be refunded.

Tax Treaties. Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has avoidance of double taxation treaties with a number of countries including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Under each of such avoidance of double taxation treaties, the rates of withholding tax imposed by the PRC tax authorities are generally reduced.

Taxation of Capital Gains

Individual Investors. In accordance with the IIT and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. The implementation rules also provide that the Ministry of Finance ("MOF") shall draft measures for collection of individual income tax from income on the transfer of shares, and such measures are subject to the approval of the State Council. . However, as of the date of this prospectus, no such measures have been enacted, and no legislation has expressly provided individual income tax shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges. To our knowledge, such tax has not been collected by the PRC tax authorities in practice.

Non-individual Investors. In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise in the PRC. Such tax may be exempted in China if the tax treaty or agreement that China concluded with relevant jurisdictions, where applicable, states that China may not tax capital gains.

Stamp Duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例) and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例施行細則), both effective on October 1, 1988, PRC stamp duty should not apply to acquisitions or dispositions of our H Shares outside of the PRC, as PRC stamp duty is imposed on documents that are legally binding in the PRC and protected under PRC law.

B. **Hong Kong**

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be chargeable to Hong Kong profits tax, which is currently imposed at a rate of 16.5% on corporations and at a maximum rate of 15% on unincorporated businesses.

Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and payable by the transferee.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

2. TAXATION OF OUR COMPANY BY THE PRC

Corporate Income Tax

As stipulated under the EIT Law, enterprises and other organizations which generate income within the PRC are enterprise income taxpayers and shall pay enterprise income tax according to stipulations of the EIT Law. The EIT Law and the Regulations on Implementation of the Enterprise Income Tax Law of the People's Republic of China has come into effect on January 1, 2008, while the former Income Tax Law of the People's Republic of China Concerning Foreign Investment Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) and Provisional Regulations of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例) were abrogated on the same date.

Pursuant to the EIT Law and its implementation rules, the income tax rate for PRC enterprises is reduced from the original 33% to 25%, same as the rate applied to foreign investment enterprises and foreign enterprises.

Business Tax

Pursuant to the Provisional Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例), which became effective on January 1, 1994, subsequently amended on November 5, 2008 and implemented on January 1, 2009, enterprises (including foreign investment enterprises) and individuals that provide various labor services and transfer intangible assets or sell real estates within the PRC are subject to the business tax at a rate of 3% or 5% of the amount of taxable services or other transactions, except for the entertainment sector, the turnover of which is subject to the business tax at a rate of 5% to 20%.

3. TAXATION OF OUR COMPANY BY HONG KONG

Our Directors do not consider that any of our Bank's income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. Our Bank will therefore not be subject to Hong Kong taxation.

4. FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In 1994, the conditional convertibility of Renminbi in current account items was implemented and the official Renminbi exchange rate and the market rate for Renminbi was unified. On January 29, 1996, the State Council promulgated the Regulation of the People's Republic of China for the Administration of Foreign Exchange (中華人民共和國外匯管理條例) (the "Foreign Exchange Regulation") which became effective from April 1, 1996. The Foreign Exchange Regulation classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The Foreign Exchange Regulation was subsequently amended on January 14, 1997 and on August 5, 2008. The latest amended Foreign Exchange Regulation clarifies that the State shall not restrict international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Provisions for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Provisions") which became effective on July 1, 1996. The Settlement Provisions abolish the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

Since January 1, 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply. The PBOC set and published daily the Renminbi-US dollar base exchange rate which was permitted to float to a certain extent in foreign exchange transactions.

On July 21, 2005, the PBOC announced that effective on the same date, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each working day, setting the central parity for trading of the Renminbi on the following working day. Since January 4, 2006, PBOC has authorized China Foreign Exchange Trading Center to publish the middle price for the exchange of Reminbi to the U.S. dollar, Euro, Japanese yen and Hong Kong dollar at 9:15 am on each business day, which will be used as the middle prices of exchange rates for transactions in interbank spot foreign exchange market (including OTC and automatic price-matching transactions) and bank counter transactions.

On August 5, 2008, the State Council promulgated the revised Regulation of the People's Republic of China for the Administration of Foreign Exchange (the "Revised Foreign Exchange Regulation"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Regulation has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Regulation has improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Regulation has enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Regulation has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

All foreign exchange income generated from current account transactions of PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange pursuant to relevant rules and regulations of the State. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited into foreign exchange accounts at the designated foreign exchange banks.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange (like us), may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

1. FURTHER INFORMATION ABOUT OUR BANK

A. Incorporation

Our Bank was incorporated in the PRC as a joint stock limited company under the name of "Chongqing Urban Cooperative Bank" on September 27, 1996. On March 31, 1998, our Bank was renamed as "Commercial Bank of Chongqing Co., Ltd.", and subsequently on August 1, 2007, our name was further changed to "Bank of Chongqing Co., Ltd.". Our registered address is at No. 153 Zourong Road, Yuzhong District, Chongqing, China. Our Bank has established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance. Each of Ms. Seng Sze Ka Mee Natalia and Ms. Ho Wing Tsz Wendy has been appointed as our agent for the acceptance of service of process and notices on behalf of our Bank in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business. We conduct our banking business in the PRC under the supervision and regulation of the CBRC and the PBOC. We are not an authorized institution within the meaning of the Banking Ordinance, and are not subject to the supervision of the Hong Kong Monetary Authority, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix V. A summary of the relevant provisions of our Articles of Association is set out in Appendix VI.

B. Changes in Share Capital

At the time of our establishment as a joint stock limited company, our registered capital was RMB255,190,000, divided into 255,190,000 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up.

There has been no alteration in our registered capital within the two years preceding the date of this prospectus.

As of the Latest Practicable Date, our registered capital was RMB2,020,618,604 divided into 2,020,618,604 Shares.

Immediately after the Global Offering, our registered capital will be RMB2,690,618,604, made up of 1,549,494,883 Domestic Shares and 1,141,123,721 H Shares, representing approximately 57.59% and 42.41% of the registered capital, respectively (assuming that the Over-Allotment Option is not exercised).

C. **Resolution of Our Shareholders**

Resolutions were passed by our Shareholders on February 22, 2013, pursuant to which, among other matters, our Shareholders:

(a) approved the conversion of our company into an overseas subscription joint stock company;

(b) approved the issuance and offering of H Shares and the granting of the Over-Allotment Option;

(c) approved the listing of H Shares on the Hong Kong Stock Exchange; and

(d) authorized our Board, and the delegation by our Board to the chairman of the Board together with the other three executive Directors, to determine and handle all matters relating to the listing of our H Shares.

Resolutions were passed by our Shareholders on April 2, 2013, pursuant to which, among other things, our Shareholders approved certain amendments to our Articles of Association in compliance with the requirements of the Listing Rules and other applicable laws and regulations, and our Directors were authorized to make further amendments to our Articles of Association according to any opinions given by the relevant regulatory authorities of the PRC and the Hong Kong Stock Exchange. The relevant amendments will become effective from the Listing Date.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. **Summary of our material contracts**

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material:

(a) a share subscription agreement dated November 30, 2012, entered into between Yufu and us in Chinese language, pursuant to which we agreed to issue, and Yufu agreed to subscribe for, 52,300,000 Shares for a consideration of RMB261,500,000, subject to the approval of the proposed increase in the registered capital and subscription, as well as the qualifications of shareholders by relevant regulatory authorities (the "**Yufu Subscription Agreement**");

(b) a share subscription agreement dated November 30, 2012, entered into between Lifan and us in Chinese language, pursuant to which we agreed to issue, and Lifan agreed to subscribe for, 98,640,000 Shares for a consideration of RMB493,200,000, subject to the approval of the proposed increase in the registered capital and subscription, as well as the qualifications of shareholders by relevant regulatory authorities (the "**Lifan Subscription Agreement**");

(c) an undated share subscription agreement entered into between Chongqing Road & Bridge Co., Ltd. and us in Chinese language, pursuant to which we agreed to issue, and Chongqing Road & Bridge Co., Ltd. agreed to subscribe for, 57,060,000 Shares for a consideration of RMB285,300,000, subject to the approval of the proposed increase in the registered capital and subscription, as well as the qualifications of shareholders by relevant regulatory authorities (the "**Road & Bridge Subscription Agreement**");

(d) a share subscription agreement dated November 30, 2012, entered into between Dah Sing Bank and us in Chinese language, pursuant to which we agreed to issue, and Dah Sing Bank agreed to subscribe for, 52,000,000 Shares for a consideration of RMB260,000,000, subject to the approval of the proposed increase in the registered capital and subscription, as well as the qualifications of shareholders by relevant regulatory authorities (the "**Dah Sing Subscription Agreement**");

(e) the Supplemental Agreement III;

(f) a memorandum dated October 14, 2013, entered into between Yufu and us in Chinese language, pursuant to which Yufu and us agreed to suspend the proposed share issuance under the Yufu Subscription Agreement and terminate the proposed share issuance upon the completion of the Global Offering;

(g) a memorandum dated October 14, 2013, entered into between Lifan and us in Chinese language, pursuant to which Lifan and us agreed to suspend the proposed share issuance under the Lifan Subscription Agreement and terminate the proposed share issuance upon the completion of the Global Offering;

(h) a memorandum dated October 14, 2013, entered into between Chongqing Road & Bridge Co., Ltd. and us in Chinese language, pursuant to which Chongqing Road & Bridge Co., Ltd. and us agreed to suspend the proposed share issuance under the Road & Bridge Subscription Agreement and terminate the proposed share issuance upon the completion of the Global Offering;

(i) a memorandum dated October 14, 2013, entered into between Dah Sing Bank and us in Chinese language, pursuant to which Dah Sing Bank and us agreed to suspend the proposed share issuance under the Dah Sing Subscription Agreement and terminate the proposed share issuance upon the completion of the Global Offering;

(j) the Hong Kong Underwriting Agreement;

(k) the cornerstone investment agreement dated October 22, 2013 and entered into between Chongqing Beiheng Investment & Development Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, ABCI Capital Limited and us, pursuant to which Chongqing Beiheng Investment & Development Limited has agreed to acquire at the Offer Price such number of Offer Shares as may be purchased with an aggregate amount of RMB400,000,000 (approximately US$65,355,206), rounded down to the nearest whole board lot of 500 H Shares;

(l) the cornerstone investment agreement dated October 22, 2013 and entered into between China Fortune Finance Holdings Limited, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C. and us, pursuant to which China Fortune Finance Holdings Limited has agreed to acquire at the Offer Price such number of Offer Shares as may be purchased with an aggregate amount of US$20,000,000, rounded down to the nearest 1,000 H Shares; and

(m) the cornerstone investment agreement dated October 22, 2013 and entered into between National Bank of Canada, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited and us, pursuant to which National Bank of Canada has agreed to acquire at the Offer Price such number of Offer Shares as may be purchased with an aggregate amount of US$10,000,000, rounded down to the nearest whole board lot of 500 H Shares.

B. **Intellectual Property Rights**

As of the Latest Practicable Date, we have registered the following intellectual property rights which are material in relation to our business:

(a) **Trademarks**

No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
1		PRC	36	4125366	From 2007/10/28 until 2017/10/27
2	重庆市商业银行	PRC	36	4125367	From 2007/12/14 until 2017/12/13
3	CQC BANK	PRC	36	4125368	From 2007/12/14 until 2017/12/13
4	CQC BANK	PRC	36	4125371	From 2007/12/14 until 2017/12/13
5		PRC	36	5551563	From 2009/12/21 until 2019/12/20
6	CQC BANK	PRC	36	5551565	From 2009/12/07 until 2019/12/06
7	CQC BANK	PRC	9	5551624	From 2009/07/28 until 2019/07/27
8		PRC	9	5551625	From 2009/07/28 until 2019/07/27
9		PRC	35	5551651	From 2009/10/07 until 2019/10/06
10	CQC BANK	PRC	35	5551652	From 2009/11/14 until 2019/11/13

No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
11	重庆银行股份有限公司	PRC	6	6980913	From 2010/10/28 until 2020/10/27
12	重庆银行	PRC	6	6980914	From 2010/10/28 until 2020/10/27
13	CHONG QING YIN HANG	PRC	35	6980915	From 2010/08/14 until 2020/08/13
14	BANK OF CHONGQING	PRC	35	6980916	From 2010/08/14 until 2020/08/13
15	重庆银行股份有限公司	PRC	35	6980917	From 2010/08/14 until 2020/08/13
16	重庆银行	PRC	35	6980918	From 2010/08/14 until 2020/08/13
17	CHONG QING YIN HANG	PRC	9	6980919	From 2010/09/21 until 2020/09/20
18	BANK OF CHONGQING	PRC	9	6980920	From 2010/09/21 until 2020/09/20
19	重庆银行股份有限公司	PRC	9	6980921	From 2010/09/21 until 2020/09/20
20	重庆银行	PRC	9	6980922	From 2010/09/21 until 2020/09/20
21	CHONG QING YIN HANG	PRC	36	6980925	From 2010/08/14 until 2020/08/13
22	BANK OF CHONGQING	PRC	36	6980926	From 2010/08/14 until 2020/08/13
23	重庆银行股份有限公司	PRC	36	6980927	From 2010/08/14 until 2020/08/13
24	重庆银行	PRC	36	6980928	From 2010/08/14 until 2020/08/13
25		PRC	6	6980930	From 2010/06/07 until 2020/06/06
26	CHONG QING YIN HANG	PRC	6	6980631	From 2010/10/28 until 2020/10/27
27	BANK OF CHONGQING	PRC	6	6980932	From 2010/10/28 until 2020/10/27

No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
28	启动力	PRC	36	10895849	From 2013/08/21 until 2023/08/20
29	凝聚力	PRC	36	10895914	From 2013/09/21 until 2023/09/20
30	重庆银行凝聚力	PRC	36	10896112	From 2013/08/14 until 2023/08/13
31	微企通	PRC	36	10896145	From 2013/08/14 until 2023/08/13
32	长江金	PRC	36	10905926	From 2013/08/14 until 2023/08/13
33	任我分	PRC	36	10906107	From 2013/08/14 until 2023/08/13
34	重庆银行微企通	PRC	36	10906302	From 2013/08/14 until 2023/08/13

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material in relation to our business:

No.	Trademark	Place of Registration	Application Date	Application No.	Application Class(es)
1	重庆银行任我分	PRC	2012/05/18	10906250	36
2	BCQ BCQ	Hong Kong	2013/07/02	302657223	35,36
3	重庆银行 BANK OF CHONGQING 重庆银行 BANK OF CHONGQING 重庆银行 BANK OF CHONGQING	Hong Kong	2013/07/02	302657232	35,36
4		Hong Kong	2013/07/02	302657188	35,36

(b) **Domain Names**

As of the Latest Practicable Date, we have registered the following material Internet domain names:

No.	Domain Name	Place of Registration	Owner	Effective Period
1	重庆银行.网络	PRC	Bank of Chongqing Co., Ltd.	From 2006/08/08 until 2016/08/08
2	重庆银行.公司	PRC	Bank of Chongqing Co., Ltd.	From 2006/08/08 until 2016/08/08
3	重庆银行.net	PRC	Bank of Chongqing Co., Ltd.	From 2006/08/11 until 2016/08/11
4	重庆银行.com	PRC	Bank of Chongqing Co., Ltd.	From 2006/01/27 until 2021/01/27
5	重庆银行.cn	PRC	Bank of Chongqing Co., Ltd.	From 2005/10/20 until 2023/10/20
6	重庆银行.cc	PRC	Bank of Chongqing Co., Ltd.	From 2006/08/11 until 2016/08/11
7	www.Cqcbank.com.cn	PRC	Bank of Chongqing Co., Ltd.	From 2004/12/17 until 2019/12/17
8	www.Cqcbank.com	PRC	Bank of Chongqing Co., Ltd.	From 2001/04/26 until 2016/04/26
9	www.Bankofchongqing.net/cn	PRC	Bank of Chongqing Co., Ltd.	From 2006/08/18 until 2021/08/18
10	www.Bankofchongqing.net	PRC	Bank of Chongqing Co., Ltd.	From 2006/08/11 until 2016/08/11
11	www.96899.cc	PRC	Bank of Chongqing Co., Ltd.	From 2006/08/11 until 2016/08/11
12	重庆银行股份有限公司.cn	PRC	Bank of Chongqing Co., Ltd.	From 2008/01/31 until 2023/01/31
13	重庆银行股份有限公司.网络	PRC	Bank of Chongqing Co., Ltd.	From 2008/01/31 until 2023/01/31
14	重庆银行股份有限公司.公司	PRC	Bank of Chongqing Co., Ltd.	From 2008/01/31 until 2023/01/31
15	重庆银行股份有限公司.com	PRC	Bank of Chongqing Co., Ltd.	From 2008/01/29 until 2023/01/29
16	重庆银行股份有限公司.cc	PRC	Bank of Chongqing Co., Ltd.	From 2008/01/29 until 2023/01/29

No.	Domain Name	Place of Registration	Owner	Effective Period
17	重庆银行股份有限公司.net	PRC	Bank of Chongqing Co., Ltd.	From 2008/01/29 until 2023/01/29
18	重庆银行信用卡.com	PRC	Bank of Chongqing Co., Ltd.	From 2008/09/26 until 2023/09/26
19	重庆银行信用卡.cc	PRC	Bank of Chongqing Co., Ltd.	From 2008/09/26 until 2023/09/26
20	重庆银行信用卡.net	PRC	Bank of Chongqing Co., Ltd.	From 2008/09/26 until 2023/09/26
21	重庆银行信用卡.cn	PRC	Bank of Chongqing Co., Ltd.	From 2008/09/26 until 2023/09/26
22	Bankofchongqing.cn	PRC	Bank of Chongqing Co., Ltd.	From 2011/05/05 until 2022/05/05
23	Bankofchongqing.com.cn	PRC	Bank of Chongqing Co., Ltd.	From 2010/05/13 until 2022/05/13
24	Bankofchongqing.com	PRC	Bank of Chongqing Co., Ltd.	From 2005/01/08 until 2022/01/08
25	96899	PRC	Bank of Chongqing Co., Ltd.	From 2005/11/02 until 2020/11/02
26	重庆银行	PRC	Bank of Chongqing Co., Ltd.	From 2005/10/20 until 2023/10/20
27	重庆银行网上银行	PRC	Bank of Chongqing Co., Ltd.	From 2008/02/05 until 2023/02/05
28	重庆银行电子银行	PRC	Bank of Chongqing Co., Ltd.	From 2008/02/05 until 2023/02/05
29	重庆银行股份有限公司	PRC	Bank of Chongqing Co., Ltd.	From 2008/02/05 until 2023/02/05
30	长江财源金卡	PRC	Bank of Chongqing Co., Ltd.	From 2008/05/15 until 2023/05/15
31	重庆银行信用卡	PRC	Bank of Chongqing Co., Ltd.	From 2008/09/26 until 2023/09/26

Save as disclosed herein, there are no other trademarks, patents or other intellectual or industrial property rights which are material to our business.

4. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS

A. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-Allotment Option is not exercised), the following persons (other than our Directors, Supervisors and chief executive) will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Bank:

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-Allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-Allotment Option)		
Name of Shareholder	Nature of interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Yufu	Beneficial owner	Domestic Shares	407,010,187	15.13	26.27	407,010,187	14.58	26.44
	Interest of a controlled corporation	H Share (1)	54,545,454	2.03	4.78	54,545,454	1.95	4.36
Dah Sing Bank	Beneficial owner	H Shares(1)(2)	458,669,175	17.05	40.19	458,669,175	16.43	36.64
Dah Sing Banking Group Limited	Interest of a controlled corporation	H Shares (3)	458,669,175	17.05	40.19	458,669,175	16.43	36.64
Dah Sing Financial Holdings Limited	Interest of a controlled corporation	H Shares (3)	458,669,175	17.05	40.19	458,669,175	16.43	36.64
Mr. David Shou-Yeh Wong	Interest of a controlled corporation	H Shares (4)	458,669,175	17.05	40.19	458,669,175	16.43	36.64
Chongqing Road & Bridge Co., Ltd. (重慶路橋股份有限公司)	Beneficial owner	Domestic Shares	171,339,698	6.37	11.06	171,339,698	6.14	11.13
Chongqing Land Group (重慶市地產集團)	Beneficial owner	Domestic Shares	140,272,374	5.21	9.05	137,288,796	4.92	8.92

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-Allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-Allotment Option)		
Name of Shareholder	Nature of interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank	Number of Shares directly or indirectly held	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司)	Beneficial owner	Domestic Shares	140,272,374	5.21	9.05	137,288,796	4.92	8.92
Lifan	Beneficial owner	Domestic Shares	129,564,932	4.82	8.36	129,564,932	4.64	8.42
Chongqing Lifan Holdings Co., Ltd. (重慶力帆控股有限公司)	Interest of a controlled corporation	Domestic Shares(5)	129,564,932	4.82	8.36	129,564,932	4.64	8.42
Chongqing Huiyang Holdings Co., Ltd. (重慶匯洋控股有限公司)	Interest of a controlled corporation	Domestic Shares(5)	129,564,932	4.82	8.36	129,564,932	4.64	8.42
Yin Mingshan (尹明善)	Interest of a controlled corporation	Domestic Shares(6)	129,564,932	4.82	8.36	129,564,932	4.64	8.42

(1) Assuming subscription of additional H Shares through its wholly-owned subsidiary with an aggregate subscription price of HK$330 million at an Offer Price of HK$6.05 per H Share, the mid-point of the estimated Offer Price range.

(2) Including 54,545,454 Offer Shares to be subscribed by Dah Sing Bank under the Global Offering.

(3) Dah Sing Bank is wholly owned by Dah Sing Banking Group Limited, which is held as to approximately 74.59% by Dah Sing Financial Holdings Limited. By virtue of the SFO, each of Dah Sing Banking Group Limited and Dah Sing Financial Holdings Limited is deemed to be interested in the Shares held by Dah Sing Bank.

(4) Mr. David Shou-Yeh Wong beneficially owns approximately 40.75% of the issued share capital of Dah Sing Financial Holdings Limited. By virtue of the SFO, Mr. David Shou-Yeh Wong is deemed to be interested in the Shares held by Dah Sing Bank.

(5) Lifan is owned as to approximately 65.00% by Chongqing Lifan Holdings Co., Ltd. (重慶力帆控股有限公司), which is owned as to approximately 75% by Chongqing Huiyang Holdings Co., Ltd. (重慶匯洋控股有限公司). By virtue of the SFO, each of Chongqing Lifan Holdings Co., Ltd. and Chongqing Huiyang Holdings Co., Ltd. is deemed to be interested in the Shares held by Lifan.

(6) Lifan is controlled by Mr. Yin Mingshan. By virtue of the SFO, Mr. Yin is deemed to be interested in the Shares held by Lifan.

B. **Disclosure of the Directors' and Supervisors' interests in the issued share capital of our Bank or our associated corporations**

Save as disclosed below, immediately following the completion of the Global Offering (assuming that the Over-Allotment Option is not exercised), none of our directors, supervisors and chief executive will have any interests or short positions in the equity, underlying shares or debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) after listing of the Shares, or any interests or short positions, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules, which will be required to be notified to us and the Hong Kong Stock Exchange, or any interests or short positions, pursuant to section 352 of the SFO, which will be required to be entered in the register referred to therein after listing of the Shares. For this purpose, the relevant provisions of the SFO shall be construed as if they are applicable to our supervisors.

Directors

Name of Director	Nature of Interest	Class	Number of Shares	Approximate percentage of interest in our Bank
Ran Hailing	Beneficial owner	Domestic Shares	45,374	0.002%
Yin Mingshan(1)	Interest of a controlled corporation	Domestic Shares	129,564,932	4.815%

Supervisors

Name of Supervisor	Nature of Interest	Class	Number of Shares	Approximate percentage of interest in our Bank
Huang Changsheng	Beneficial owner	Domestic Shares	123,451	0.005%
	Interest of spouse	Domestic Shares	60,647	0.002%
Wan Jiayu	Beneficial owner	Domestic Shares	123,285	0.005%
Zhou Yongkang	Interest of spouse	Domestic Shares	28,019	0.001%
Lin Min	Beneficial owner	Domestic Shares	104,002	0.004%

(1) Lifan is controlled by Mr. Yin Mingshan. By virtue of the SFO, Mr. Yin Mingshan is deemed to be interested in the Shares held by Lifan.

C. **Particulars of Service Contracts**

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation).

D. **Directors' and Supervisors' Remuneration**

The aggregate remuneration (including emoluments, salaries, contributions to pension plans, housing and other allowances, benefits in kind and discretionary bonus) paid to our Directors and Supervisors for the year ended December 31, 2012 was RMB10.89 million.

Pursuant to the existing arrangements that are currently in force, for the year ending December 31, 2013, it is estimated that the remuneration and benefits in kind to be received by the Directors and Supervisors would be, in aggregate, approximately RMB12.40 million.

E. **Agency Fees or Commissions Paid or Payable**

None of the Directors or any of the persons whose names are listed in the paragraph headed "Qualifications of Experts" under "Other Information" of this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issuance or sale of any capital of our Bank from us within the two years preceding the date of this prospectus.

F. **Disclaimers**

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors and any of the parties listed in paragraph 5E of this Appendix is:

  (i) interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Bank;

  (ii) materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in paragraph 5E of this Appendix:

(i) is interested legally or beneficially in any of our Shares or our securities; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any of our securities;

(c) except for Mr. Yin Ming Shan, Lifan and Chongqing Land Group, none of our Directors or Supervisors or their associates or any shareholders of our Bank who to the knowledge of the Directors owns more than 5% of our issued share capital has any interest in our top five depositors and borrowers during the Track Record Period; and

(d) none of our Directors or Supervisors is a director or employee of a company which has an interest in the share capital of our Bank, and which have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the listing of H Shares on the Hong Kong Stock Exchange.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that currently there is no material liability for estate duty under PRC law is likely to be imposed on us.

B. Litigation

Save as disclosed in section headed “Business” of this prospectus, our Bank is not involved in any litigation, arbitration or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us as of the Latest Practicable Date.

C. Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Save as disclosed in this prospectus, the Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

D. Preliminary Expenses

Our estimated preliminary expenses are approximately RMB1.03 million. All such preliminary expenses and all expenses relating to the Global Offering will be borne by us.

E. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Hong Kong Companies Ordinance) who have given opinions or advice in this prospectus are as follows:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation permitted to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
C&T Partners	Licensed legal advisor on PRC law

F. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospect of our Bank since June 30, 2013.

G. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

H. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Bank is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) none of our equity and debt securities is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(g) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(h) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(i) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(j) we have no outstanding convertible debt securities; and

(k) we currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

I. **Consents**

Goldman Sachs (Asia) L.L.C., as the Sole Sponsor; PricewaterhouseCoopers, as our reporting accountant; and C&T Partners, as our legal advisor on PRC law, have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, and/or opinions (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

J. **Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. **Promoters**

The promoters of our Bank comprised 10 Bureaux of Finance including the Chongqing Bureau of Finance, 39 corporate legal entities and certain shareholders of 37 city credit cooperatives and 1 city credit joint cooperative.

Save for the Global Offering and as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters above in connection with the Global Offering or the related transactions described in this prospectus.

L. **Particulars of the Selling Shareholders**

An aggregate of 37,520,000 Sale Shares are to be sold by the Selling Shareholders (assuming the Over-Allotment Option is not exercised). Certain particulars of the Selling Shareholders are set forth as follows:

- Chongqing Land Group, located at No. 61, Changjiang Yi Road, Yuzhong District, Chongqing, China. Its principal business is the land reserve and management and investment in city infrastructure projects and social welfare projects using its own funds.

- Chongqing Water Conservancy Investment Group Co., Ltd, located at No. 2, Caifu Avenue, Yubei District, Chongqing, China. Its principal business is the operation and management of water conservancy state-owned assets within the scope authorized by the municipal government, investment and operation of large and medium-sized water projects.

M. **Compliance Advisor**

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor upon listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

- where we propose to use the proceeds of the Global Offering in a manner different from that described in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information set out in this prospectus; and

- where the Hong Kong Stock Exchange makes an inquiry on us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares or any other matters.

The term of appointment shall commence on the Listing Date and end on the date on which we publish our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the Application Forms;

(b) the written consents referred to in the paragraph entitled "Other Information — Consents" in Appendix VIII to this prospectus;

(c) copies of each of the material contracts referred to in the paragraph entitled "Further Information about our Business — Summary of our Material Contracts" in Appendix VIII to this prospectus; and

(d) the name, description and address of each respective Selling Shareholders.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sullivan & Cromwell at 28th Floor, Nine Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of the prospectus:

(a) our Articles of Association;

(b) the accountant's report from PricewaterhouseCoopers in respect of the historical financial information for each of the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the text of which is set forth in Appendix I to this prospectus;

(c) the statement of adjustments reported by PricewaterhouseCoopers;

(d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of our Bank, the text of which is set forth in Appendix III to this prospectus;

(e) the letters from PricewaterhouseCoopers and Goldman Sachs (Asia) L.L.C. in respect of the profit forecast of our Bank for the year ending December 31, 2013, the texts of which are set forth in Appendix IV to this prospectus;

(f) the material contracts referred to in the paragraph entitled "Further Information about our Business — Summary of our Material Contracts" in Appendix VIII to this prospectus;

(g) the written consents referred to in the paragraph entitled "Other Information — Consents" in Appendix VIII to this prospectus;

(h) the service contracts referred to in the paragraph entitled "Further Information about our Directors, Management, Staff and Substantial Shareholders — Particulars of Service Contracts" in Appendix VIII to this prospectus;

(i) the legal opinions issued by C&T Partners, our legal advisors as to PRC law, dated October 25, 2013 in respect of certain aspects of our Bank and the property interests of our Bank;

(j) copies of the following PRC law, together with unofficial English translations thereof:

(i) the PRC Company Law;

(ii) the Securities Law of the PRC promulgated by the Standing Committee of the NPC on December 29, 1998, as amended in 2004 and 2005 and implemented on January 1, 2006;

(iii) the Special Regulations;

(iv) the Mandatory Provisions;

(v) the Provisional Regulations Concerning the Issue and Trading of Shares (April 22, 1993);

(vi) the Arbitration Law of the PRC promulgated by the Standing Committee of the NPC on August 31, 1994 which became effective on September 1, 1995;

(vii) the Civil Procedure Law of the PRC adopted at the fourth meeting of the seventh NPC, promulgated on April 9, 1991, as amended in 2007 and 2012, and implemented on January 1, 2013; and

(viii) the Commercial Banking Law of the PRC, promulgated by the Standing Committee of the NPC on May 10, 1995 and became effective on July 1, 1995, and as amended by the Standing Committee of the NPC on December 27, 2003, which amendment became effective on February 1, 2004.

重庆银行
BANK OF CHONGQING