The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

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Building a better working world

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19 March 2014
The Directors
Harbin Bank Co., Ltd.
China International Capital Corporation Hong Kong Securities Limited
BOCI Asia Limited
ABCI Capital Limited

Dear Sirs,

We set out below our report on the financial information of Harbin Bank Co., Ltd. (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2010, 2011 and 2012, and the nine months ended 30 September 2013 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as of 31 December 2010, 2011, 2012 and 30 September 2013, the statements of financial position of the Bank as of 31 December 2010, 2011, 2012 and 30 September 2013, together with the notes thereto (the "Financial Information"), and the consolidated income statements, consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the nine months ended 30 September 2012 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Bank dated 19 March 2014 (the "Prospectus") in connection with the listing of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Bank was formed when its predecessor, the Harbin Urban Cooperative Bank, was established as a joint-stock commercial bank in Harbin of the People's Republic of China ("China") on 25 July 1997. In June 1998 it changed its name to Harbin Commercial Bank Co., Ltd.. On 5 November 2007, the Bank changed its name to Harbin Bank Co., Ltd..

As of the end of the Relevant Periods, the Bank has direct interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the Accounting Standards for Business Enterprises of China ("CAS") issued by the China Ministry of Finance. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Bank (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards (the "IFRSs"), which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2010, 2011, 2012 and 30 September 2013 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

CONSOLIDATED INCOME STATEMENTS
THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND
THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

		Years ended 31 December			Nine months ended 30 September	
	Notes	2010	2011	2012	2012	2013
					(Unaudited)	
Interest income	5	4,028,269	8,216,790	12,993,170	9,389,122	10,326,760
Interest expense	5	(1,072,365)	(3,398,736)	(6,334,803)	(4,631,638)	(5,402,418)
NET INTEREST INCOME	5	2,955,904	4,818,054	6,658,367	4,757,484	4,924,342
Fee and commission income	6	169,992	503,217	811,437	564,077	950,286
Fee and commission expense	6	(53,802)	(91,363)	(132,787)	(92,996)	(79,089)
NET FEE AND COMMISSION INCOME	6	116,190	411,854	678,650	471,081	871,197
Net trading income	7	124,580	282,133	356,579	280,530	150,085
Net gain/(loss) on financial investments	8	692	(128,782)	(87,409)	(73,432)	(34,227)
Other operating income, net	9	48,050	30,793	105,019	43,300	12,170
OPERATING INCOME		3,245,416	5,414,052	7,711,206	5,478,963	5,923,567
Operating expenses	10	(1,401,533)	(2,082,824)	(3,025,519)	(1,991,391)	(2,388,595)
Impairment losses on:						
Loans and advances to customers	22	(238,744)	(875,987)	(837,225)	(809,705)	(422,102)
Others	13	11,777	52,203	1,019	–	–
OPERATING PROFIT		1,616,916	2,507,444	3,849,481	2,677,867	3,112,870
Share of profits of an associate		–	–	9,429	8,036	7,130
PROFIT BEFORE TAX		1,616,916	2,507,444	3,858,910	2,685,903	3,120,000
Income tax expense	14	(389,702)	(651,019)	(987,451)	(664,797)	(748,679)
PROFIT FOR THE YEAR/ PERIOD		1,227,214	1,856,425	2,871,459	2,021,106	2,371,321
Attributable to:						
Equity holders of the parent company	15	1,227,660	1,854,229	2,864,250	2,017,114	2,357,761
Non-controlling interests		(446)	2,196	7,209	3,992	13,560
		1,227,214	1,856,425	2,871,459	2,021,106	2,371,321
EARNINGS PER SHARE (RMB yuan)						
– basic and diluted	17	0.26	0.34	0.37	0.26	0.29

Details of the dividends declared and paid or proposed are disclosed in note 16 to these financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND
THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

		Years ended 31 December			Nine months ended 30 September	
	Notes	2010	2011	2012	2012	2013
					(Unaudited)	
Profit for the year/period		1,227,214	1,856,425	2,871,459	2,021,106	2,371,321
Other comprehensive income (after tax, net):						
Other comprehensive income to be reclassified to profit or loss in subsequent year/period:						
Net gain/(loss) on available-for-sale financial assets	36	(25,656)	43,837	(40,063)	(37,798)	(102,814)
Share of other comprehensive income of an associate	36	–	–	7,585	7,571	(30,412)
Subtotal of other comprehensive income/(loss) for the year/period		(25,656)	43,837	(32,478)	(30,227)	(133,226)
Total comprehensive income for the year/period		1,201,558	1,900,262	2,838,981	1,990,879	2,238,095
Total comprehensive income attributable to:						
Equity holders of the parent		1,202,004	1,898,066	2,831,772	1,986,887	2,224,535
Non-controlling interests		(446)	2,196	7,209	3,992	13,560
		1,201,558	1,900,262	2,838,981	1,990,879	2,238,095

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010, 2011, 2012 AND 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

		As at 31 December			As at 30 September
	Notes	2010	2011	2012	2013
ASSETS					
Cash and balances with central bank	18	23,413,216	30,935,731	51,858,511	40,729,650
Due from banks and other financial institutions	19	9,837,936	15,907,043	19,946,805	27,730,006
Financial assets held for trading	20	5,318,631	4,780,814	7,878,959	7,201,596
Reverse repurchase agreements	21	17,863,464	49,973,571	51,745,648	27,783,535
Loans and advances to customers	22	53,200,486	67,018,150	85,298,079	102,638,400
Financial investments	23	12,930,578	31,273,460	43,301,170	44,644,993
Investment in an associate	25	–	1,000,000	1,017,014	993,733
Property and equipment	26	1,656,736	3,488,497	6,038,230	6,542,553
Deferred income tax assets	27	136,012	167,009	258,314	370,784
Other assets	28	1,476,876	2,117,084	2,747,422	3,024,875
TOTAL ASSETS		125,833,935	206,661,359	270,090,152	261,660,125
LIABILITIES					
Due to central bank		–	174,764	594,861	755,996
Due to banks and other financial institutions	29	2,594,229	18,051,126	36,523,548	37,208,083
Repurchase agreements	30	2,871,727	27,972,524	22,832,655	6,289,787
Due to customers	31	112,891,627	145,962,426	186,642,384	191,129,991
Income tax payable		125,794	201,231	311,148	272,924
Debt securities issued	32	1,000,000	1,000,000	3,500,000	3,500,000
Other liabilities	33	1,211,825	1,768,913	2,748,575	3,494,939
TOTAL LIABILITIES		120,695,202	195,130,984	253,153,171	242,651,720
EQUITY					
Equity attributable to equity holders of the parent company					
Share capital	34	2,100,333	6,187,823	7,560,198	8,246,900
Reserves		956,647	3,567,729	6,025,456	7,210,492
Retained profits		1,986,199	1,630,073	3,179,086	3,358,457
		5,043,179	11,385,625	16,764,740	18,815,849
Non-controlling interests		95,554	144,750	172,241	192,556
TOTAL EQUITY		5,138,733	11,530,375	16,936,981	19,008,405
TOTAL EQUITY AND LIABILITIES		125,833,935	206,661,359	270,090,152	261,660,125

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2010	2,100,333	15,189	281,522	401,891	(2,355)	–	696,247	1,044,595	3,841,175	–	3,841,175
Profit for the year	–	–	–	–	–	–	–	1,227,660	1,227,660	(446)	1,227,214
Other comprehensive income											
– Change in fair value of available-for-sale investments, net of tax	–	–	–	–	(25,656)	–	(25,656)	–	(25,656)	–	(25,656)
Total comprehensive income	–	–	–	–	(25,656)	–	(25,656)	1,227,660	1,202,004	(446)	1,201,558
Capital contributed by owners	–	–	–	–	–	–	–	–	–	96,000	96,000
Appropriation to surplus reserve	–	–	122,066	–	–	–	122,066	(122,066)	–	–	–
Appropriation to general reserve (i)	–	–	–	163,990	–	–	163,990	(163,990)	–	–	–
Balance as at 31 December 2010	2,100,333	15,189	403,588	565,881	(28,011)	–	956,647	1,986,199	5,043,179	95,554	5,138,733

(i) The subsidiaries did not appropriate general reserve.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2011	2,100,333	15,189	403,588	565,881	(28,011)	–	956,647	1,986,199	5,043,179	95,554	5,138,733
Profit for the year	–	–	–	–	–	–	–	1,854,229	1,854,229	2,196	1,856,425
Other comprehensive income – Change in fair value of available-for-sale investments, net of tax	–	–	–	–	43,837	–	43,837	–	43,837	–	43,837
Total comprehensive income	–	–	–	–	43,837	–	43,837	1,854,229	1,898,066	2,196	1,900,262
Capital contributed by owners	2,197,190	2,247,190	–	–	–	–	2,247,190	–	4,444,380	47,000	4,491,380
Appropriation to surplus reserve	–	–	184,228	–	–	–	184,228	(184,228)	–	–	–
Appropriation to general reserve (i)	–	–	–	135,827	–	–	135,827	(135,827)	–	–	–
Retained profits converted into share capital	1,890,300	–	–	–	–	–	–	(1,890,300)	–	–	–
Balance as at 31 December 2011	6,187,823	2,262,379	587,816	701,708	15,826	–	3,567,729	1,630,073	11,385,625	144,750	11,530,375

(i) Includes the appropriation made by subsidiaries in the amount of RMB7,168 thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2012	6,187,823	2,262,379	587,816	701,708	15,826	–	3,567,729	1,630,073	11,385,625	144,750	11,530,375
Profit for the year	–	–	–	–	–	–	–	2,864,250	2,864,250	7,209	2,871,459
Other comprehensive income											
– Change in fair value of available-for-sale investments, net of tax	–	–	–	–	(40,063)	–	(40,063)	–	(40,063)	–	(40,063)
– Share of other comprehensive income of an associate	–	–	–	–	–	7,585	7,585	–	7,585	–	7,585
Total comprehensive income	–	–	–	–	(40,063)	7,585	(32,478)	2,864,250	2,831,772	7,209	2,838,981
Capital contributed by owners	980,000	1,960,000	–	–	–	–	1,960,000	–	2,940,000	20,000	2,960,000
Dividends – 2011 final (note 16)	–	–	–	–	–	–	–	(392,375)	(392,375)	–	(392,375)
Appropriation to surplus reserve	–	–	281,870	–	–	–	281,870	(281,870)	–	–	–
Appropriation to general reserve (i)	–	–	–	248,617	–	–	248,617	(248,617)	–	–	–
Retained profits converted into share capital	392,375	–	–	–	–	–	–	(392,375)	–	–	–
Others	–	–	–	–	–	(282)	(282)	–	(282)	282	–
Balance as at 31 December 2012	7,560,198	4,222,379	869,686	950,325	(24,237)	7,303	6,025,456	3,179,086	16,764,740	172,241	16,936,981

(i) Includes the appropriation made by subsidiaries in the amount of RMB 14,760 thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2012	6,187,823	2,262,379	587,816	701,708	15,826	–	3,567,729	1,630,073	11,385,625	144,750	11,530,375
Profit for the period	–	–	–	–	–	–	–	2,017,114	2,017,114	3,992	2,021,106
Other comprehensive income											
– Change in fair value of available-for-sale investments, net of tax	–	–	–	–	(37,798)	–	(37,798)	–	(37,798)	–	(37,798)
– Share of other comprehensive income of an associate	–	–	–	–	–	7,571	7,571	–	7,571	–	7,571
Total comprehensive income	–	–	–	–	(37,798)	7,571	(30,227)	2,017,114	1,986,887	3,992	1,990,879
Capital contributed by owners	980,000	1,960,000	–	–	–	–	1,960,000	–	2,940,000	20,000	2,960,000
Dividends – 2011 final (note 16)	–	–	–	–	–	–	–	(392,375)	(392,375)	–	(392,375)
Appropriation to general reserve (i)	–	–	–	248,617	–	–	248,617	(248,617)	–	–	–
Retained profits converted into share capital	392,375	–	–	–	–	–	–	(392,375)	–	–	–
Others	–	–	–	–	–	(282)	(282)	–	(282)	282	–
Balance as at 30 September 2012 (Unaudited)	7,560,198	4,222,379	587,816	950,325	(21,972)	7,289	5,745,837	2,613,820	15,919,855	169,024	16,088,879

(i) Includes the appropriation made by subsidiaries in the amount of RMB14,760 thousand.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity holders of the parent company										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2013	7,560,198	4,222,379	869,686	950,325	(24,237)	7,303	6,025,456	3,179,086	16,764,740	172,241	16,936,981
Profit for the period	–	–	–	–	–	–	–	2,357,761	2,357,761	13,560	2,371,321
Other comprehensive income											
– Change in fair value of available-for-sale investments, net of tax	–	–	–	–	(102,814)	–	(102,814)	–	(102,814)	–	(102,814)
– Share of other comprehensive income of an associate	–	–	–	–	–	(30,412)	(30,412)	–	(30,412)	–	(30,412)
Total comprehensive income	–	–	–	–	(102,814)	(30,412)	(133,226)	2,357,761	2,224,535	13,560	2,238,095
Capital contributed by owners	–	–	–	–	–	–	–	–	–	5,004	5,004
Dividends – 2012 final (note 16)	–	–	–	–	–	–	–	(171,675)	(171,675)	–	(171,675)
Appropriation to general reserve (i)	–	–	–	1,320,013	–	–	1,320,013	(1,320,013)	–	–	–
Retained profits converted into share capital	686,702	–	–	–	–	–	–	(686,702)	–	–	–
Others	–	–	–	–	–	(1,751)	(1,751)	–	(1,751)	1,751	–
Balance as at 30 September 2013	8,246,900	4,222,379	869,686	2,270,338	(127,051)	(24,860)	7,210,492	3,358,457	18,815,849	192,556	19,008,405

(i) Includes the appropriation made by subsidiaries in the amount of RMB35,448 thousand.

CONSOLIDATED STATEMENTS OF CASH FLOWS
THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND
THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Years ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		1,616,916	2,507,444	3,858,910	2,685,903	3,120,000
Adjustments for:						
Share of profits of an associate		–	–	(9,429)	(8,036)	(7,130)
Depreciation and amortisation	10	100,962	136,218	208,255	151,269	213,565
Net trading gain	7	(124,580)	(282,133)	(356,579)	(280,530)	(150,085)
Dividends income	8	(861)	(406)	(507)	(507)	(579)
Interest income on financial investments		(344,834)	(1,202,606)	(2,674,149)	(1,916,611)	(1,542,332)
Impairment loss on loans and advances to customers		238,744	875,987	837,225	809,705	422,102
Reversal of impairments of other assets	13	(11,777)	(52,203)	(1,019)	–	–
Unrealised foreign exchange (gain)/loss		453	(1,554)	(7,000)	(14,079)	(21,866)
Interest expense on issuance of bonds		60,000	60,000	146,202	87,572	130,267
Accreted interest on impaired loans	22	(5,208)	(10,424)	(17,057)	(15,044)	(28,291)
Net loss on disposal of available-for-sale financial assets	8	169	129,188	87,916	73,939	34,806
Net gain on disposal of property and equipment and other assets	9	(7,177)	(4,363)	(209)	–	–
		1,522,807	2,155,148	2,072,559	1,573,581	2,170,457
Net decrease/(increase) in operating assets:						
Due from central bank		(11,376,935)	(7,863,786)	(10,429,323)	(4,382,456)	(583,611)
Due from banks and other financial institutions		(1,704,814)	(4,835,976)	(884,568)	(5,442,163)	(7,266,318)
Reverse repurchase agreements		(13,237,016)	(8,501,697)	(4,418,605)	(2,959,976)	4,183,194
Loans and advances to customers		(10,487,373)	(14,459,146)	(18,780,603)	(23,996,814)	(17,734,132)
Other assets		15,785,486	24,571,327	(1,733,229)	(935,694)	(895,722)
		(21,020,652)	(11,089,278)	(36,246,328)	(37,717,103)	(22,296,589)
Net increase/(decrease) in operating liabilities:						
Due to central bank		–	174,764	420,097	464,991	161,135
Due to banks and other financial institutions		(499,344)	15,456,897	18,472,422	12,141,177	684,535
Repurchase agreements		2,871,584	25,100,797	(5,139,869)	2,410,889	(16,542,868)
Due to customers		37,894,735	33,070,799	40,679,958	28,457,582	4,487,607
Other liabilities		(2,535,813)	(24,596,826)	2,718,837	1,498,468	794,227
		37,731,162	49,206,431	57,151,445	44,973,107	(10,415,364)
Net cash flows from operating activities before tax		18,233,317	40,272,301	22,977,676	8,829,585	(30,541,496)
Income tax paid		(240,844)	(621,191)	(955,485)	(941,877)	(899,373)
Net cash flows from/(used in) operating activities		17,992,473	39,651,110	22,022,191	7,887,708	(31,440,869)

CONSOLIDATED STATEMENTS OF CASH FLOWS THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2013

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

	Notes	Years ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
					(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of property and equipment		(822,884)	(1,790,873)	(2,805,622)	(1,632,891)	(536,232)
Proceeds from disposal of property and equipment		10,784	8,933	5,937	–	15
Cash paid for investments		(1,067,594,990)	(951,543,834)	(1,031,684,982)	(849,153,233)	(369,855,057)
Proceeds from sale and redemption of investments		1,059,007,002	933,756,450	1,015,596,118	826,764,296	368,994,072
Investment in an associate		–	(1,000,000)	–	–	–
Dividends received	8	861	406	507	507	579
Return on investments		417,122	992,845	2,859,545	2,323,064	2,151,153
Net cash flows from/(used in) investing activities		(8,982,105)	(19,576,073)	(16,028,497)	(21,698,257)	754,530
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares		–	4,444,380	2,940,000	2,940,000	–
Capital injection by non-controlling shareholders		96,000	47,000	20,000	20,000	5,004
Proceeds from issuance of other debt securities		–	–	2,500,000	2,500,000	–
Interest paid on debt securities		(60,000)	(60,000)	(75,000)	(15,000)	(130,267)
Dividends paid on ordinary shares		(199)	(91)	(377,842)	(223,095)	(159,396)
Net cash flows from/(used in) financing activities		35,801	4,431,289	5,007,158	5,221,905	(284,659)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,046,169	24,506,326	11,000,852	(8,588,644)	(30,970,998)
Cash and cash equivalents at beginning of the year/period		19,558,847	28,597,851	53,092,155	53,092,155	64,094,278
Effect of exchange rate changes on cash and cash equivalents		(7,165)	(12,022)	1,271	10,073	(3,510)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	37	28,597,851	53,092,155	64,094,278	44,513,584	33,119,770
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES INCLUDE:						
Interest received		3,538,482	6,410,383	10,255,274	6,735,789	8,716,682
Interest paid		(914,746)	(2,721,197)	(5,688,030)	(4,027,432)	(4,644,211)

STATEMENTS OF FINANCIAL POSITION OF THE BANK
AS AT 31 DECEMBER 2010, 2011, 2012 AND 30 SEPTEMBER 2013
(All amounts expressed in thousands of RMB unless otherwise stated)

		As at 31 December			As at 30 September
	Notes	2010	2011	2012	2013
ASSETS					
Cash and balances with central bank	18	22,978,652	30,341,604	50,661,199	39,564,834
Due from banks and other financial institutions	19	10,599,480	15,304,350	19,381,731	28,618,535
Financial assets held for trading	20	5,318,631	4,780,814	7,878,959	7,201,596
Reverse repurchase agreements	21	17,863,464	49,983,487	51,483,015	27,383,535
Loans and advances to customers	22	52,588,696	64,620,725	79,932,859	95,199,136
Financial investments	23	12,170,479	31,258,460	43,301,170	44,644,993
Investment in subsidiaries	24	437,800	867,000	1,142,000	1,142,000
Investment in an associate	25	–	1,000,000	1,017,014	993,733
Property and equipment	26	1,638,336	3,400,487	5,896,052	6,406,737
Deferred income tax assets	27	135,743	160,491	242,898	354,563
Other assets	28	1,460,269	2,088,005	2,693,518	2,956,144
TOTAL ASSETS		125,191,550	203,805,423	263,630,415	254,465,806
LIABILITIES					
Due to central bank		–	19,733	83,613	48,424
Due to banks and other financial institutions	29	3,019,310	18,738,496	37,230,676	38,250,684
Repurchase agreements	30	2,871,727	27,972,524	22,676,761	6,289,787
Due to customers	31	111,934,757	142,767,330	180,433,163	184,012,242
Income tax payable		125,676	196,150	295,808	264,112
Debt securities issued	32	1,000,000	1,000,000	3,500,000	3,500,000
Other liabilities	33	1,203,578	1,744,190	2,709,549	3,442,199
TOTAL LIABILITIES		120,155,048	192,438,423	246,929,570	235,807,448
EQUITY					
Share capital	34	2,100,333	6,187,823	7,560,198	8,246,900
Reserves	35	956,647	3,560,561	6,003,810	7,155,119
Retained profits	35	1,979,522	1,618,616	3,136,837	3,256,339
TOTAL EQUITY		5,036,502	11,367,000	16,700,845	18,658,358
TOTAL EQUITY AND LIABILITIES		125,191,550	203,805,423	263,630,415	254,465,806

II NOTES TO FINANCIAL STATEMENTS THE YEARS ENDED 31 DECEMBER 2010, 2011, 2012 AND THE NINE MONTHS ENDED 30 SEPTEMBER 2013

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

1. CORPORATE INFORMATION AND STRUCTURE

Harbin Bank Co., Ltd. (the "Bank"), which was previously known as Harbin Urban Cooperative Bank, is a joint-stock commercial bank established on 25 July 1997 based on the authorisation of the PBOC designated as YinFu 1997 No.69 "Approval upon the opening of Harbin Urban Cooperative Bank.

In June 1998, according to YinFa 1998 No. 94 issued by the PBOC and SAIC, the Bank changed its name from Harbin Urban Cooperative Bank to Harbin City Commercial Bank Co., Ltd.. In November 2007, according to YinJianFu 2007 No.480 approved by the China Banking Regulatory Commission ("the CBRC"), the Bank changed its name from Harbin City Commercial Bank Co., Ltd. to Harbin Bank Co., Ltd..

The Bank obtained its finance permit No. B0306H223010001 from the CBRC of the PRC. The Bank obtained its business license No. 230100100006877 from the SAIC. The legal representative is Guo Zhiwen and the registered office is located at No. 160 Shangzhi Avenue, Daoli District, Harbin, Heilongjiang Province.

As at 30 September 2013, the Bank has a total of 15 branches in Harbin, Shenyang, Daqing, Dalian, Shuangyashan, Hegang, Jixi, Chengdu, Chongqing, Tianjin, Mudanjiang, Qitaihe, Suihua, Qiqihar and Jiamusi, with 236 sub-branches. The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise deposits, loans, payment and settlement services, as well as other banking services approved by the CBRC.

The subsidiaries of the Bank as at 30 September 2013 are as follows:

Company name	Notes	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage owned by the Bank/voting rights %	Amount invested by the Bank	Principal activities
Bayan Rongxing Village and Township Bank Co., Ltd.	(i)	Bayan, Heilongjiang	50,000	90.00	45,000	Village and Township Bank
Huining Huishi Village and Township Bank Co., Ltd.	(ii)	Huining, Gansu	30,000	100.00	30,000	Village and Township Bank
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	(iii)	Huairou, Beijing	100,000	90.00	90,000	Village and Township Bank
Yushu Rongxing Village and Township Bank Co., Ltd.	(iv)	Yushu, Jilin	30,000	100.00	30,000	Village and Township Bank
Shenzhen Bao an Rongxing Village and Township Bank Co., Ltd.	(v)	Bao an, Shenzhen	200,000	70.00	140,000	Village and Township Bank
Yanshou Rongxing Village and Township Bank Co., Ltd.	(vi)	Yanshou, Heilongjiang	30,000	100.00	30,000	Village and Township Bank

1. CORPORATE INFORMATION AND STRUCTURE (continued)

	Notes	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage owned by the bank/voting rights %	Amount invested by the Bank	Principal activities
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	(vii)	Dadukou, Chongqing	60,000	90.00	54,000	Village and Township Bank
Suining Anju Rongxing Village and Township Bank Co., Ltd.	(viii)	Suining, Sichuan	80,000	75.00	60,000	Village and Township Bank
Huachuan Rongxing Village and Township Bank Co., Ltd.	(ix)	Huachuan, Heilongjiang	50,000	98.00	49,000	Village and Township Bank
Baiquan Rongxing Village and Township Bank Co., Ltd.	(x)	Baiquan, Heilongjiang	30,000	100.00	30,000	Village and Township Bank
Yanshi Rongxing Village and Township Bank Co., Ltd.	(xi)	Yanshi, Henan	30,000	100.00	30,000	Village and Township Bank
Leping Rongxing Village and Township Bank Co., Ltd.	(xii)	Leping, Jiangxi	30,000	100.00	30,000	Village and Township Bank
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	(xiii)	Rudong, Jiangsu	100,000	80.00	80,000	Village and Township Bank
Honghu Rongxing Village and Township Bank Co., Ltd.	(xiv)	Honghu, Hubei	30,000	100.00	30,000	Village and Township Bank
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	(xv)	Zhuzhou, Hunan	50,000	80.00	40,000	Village and Township Bank
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	(xvi)	Wulong, Chongqing	50,000	70.00	35,000	Village and Township Bank
Xin an Rongxing Village and Township Bank Co., Ltd.	(xvii)	Xin an, Henan	30,000	100.00	30,000	Village and Township Bank
Anyi Rongxing Village and Township Bank Co., Ltd.	(xviii)	Anyi, Jiangxi	30,000	100.00	30,000	Village and Township Bank
Yingcheng Rongxing Village and Township Bank Co., Ltd.	(xix)	Yingcheng, Hubei	30,000	100.00	30,000	Village and Township Bank
Leiyang Rongxing Village and Township Bank Co., Ltd.	(xx)	Leiyang, Hunan	50,000	100.00	50,000	Village and Township Bank
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	(xxi)	Baoting, Hainan	30,000	96.67	29,000	Village and Township Bank
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	(xxii)	Shapingba, Chongqing	100,000	80.00	80,000	Village and Township Bank

1. CORPORATE INFORMATION AND STRUCTURE (continued)

	Notes	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage owned by the bank/voting rights %	Amount invested by the Bank	Principal activities
Hejian Ronghui Village and Township Bank Co., Ltd.	(xxiii)	Hejian, Hebei	30,000	100.00	30,000	Village and Township Bank
Chongqing Youyang Rongxing Village and Township Bank Co., Ltd.	(xxiv)	Youyang, Chongqing	60,000	100.00	60,000	Village and Township Bank

Statutory financial statements of the subsidiaries of the Bank were prepared under CASs for the years ended 31 December 2010, 2011 and 2012, and have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP.

Major changes to the structure of the Group during the Relevant Periods are as follows:

(i) On 6 January 2009, the Bank established a wholly-owned subsidiary of Bayan Rongxing Village and Township Bank Co., Ltd. ("Bayan Rongxing") with a registered capital of RMB 23.8 million. On 8 April 2011, the Bank made additional capital injection of RMB 21.2 million into Bayan Rongxing. After the injection, the total registered capital has increased to RMB 45 million. On 17 February 2013, International Finance Company made an additional capital injection of RMB 5 million into Bayan Rongxing. After the injection, the total registered capital has increased to RMB 50 million. The Bank's equity interest has decreased to 90% and is still the controlling shareholder of Bayan Rongxing.

(ii) On 19 May 2009, the Bank established a wholly-owned subsidiary of Huining Huishi Village and Township Bank Co., Ltd. with a registered capital of RMB 30 million.

(iii) On 4 January 2010, the Bank, along with the Beijing Express Bosch Auto Sales & Service Co., Ltd., jointly established Beijing Huairou Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 100 million. The Bank holds 90% of the shares, making it the controlling shareholder of the business entity.

(iv) On 21 January 2010, the Bank established a wholly-owned subsidiary of Yushu Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 30 million.

(v) On 11 June 2010, the Bank, along with China Bao An Group Co., Limited, HSBC Asset Management Co., Ltd., and Shenzhen Ning Jia Investment and Development Co., Ltd., jointly funded the establishment of Shenzhen Bao An Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 200 million. The Bank holds 70% of the shares, making it the controlling shareholder of the business entity.

(vi) On 10 August 2010, the Bank established the wholly-owned subsidiary of Yanshou Rongxing Village and Township Bank Co., Ltd. ("Yanshou Rongxing") with a registered capital of RMB 10 million. On 15 June 2012, the Bank made additional capital injection of RMB 20 million into Yanshou Rongxing, increasing its total registered capital to RMB 30 million.

(vii) On 15 December 2010, the Bank, along with Chongqing Tiantai Green Agricultural Development (Group) Co., Ltd., jointly funded the establishment of Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 60 million. The Bank holds a 90% stake in the company, making it the controlling shareholder.

1. CORPORATE INFORMATION AND STRUCTURE (continued)

(viii) On 22 December 2010, the Bank, along with Suining Rougang Investment Co., Ltd., Suining Kaiming Food Co., Ltd., Sichuan Zhuotong Industrial Co., Ltd. Sichuan Xinghe Real Estate Development Co., Ltd., jointly funded the establishment of Suining Anju Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 80 million. The Bank holds 75% stake in the company, making it the controlling shareholder.

(ix) On 27 January 2011, the Bank, along with Huachuan Xinying Urban Construction Investment Co., Ltd., jointly funded the establishment of Huachuan Rongxing Village and Township Bank Co., Ltd. ("Huachuan Rongxing") with a registered capital of RMB 10 million. The Bank holds a 90% stake of the company, making it the controlling shareholder. On 30 March 2012, the Bank made additional capital injection of RMB 40 million into Huachuan Rongxing. After the capital injection, the registered capital of Huachuan Rongxing is RMB 50 million, the Bank's stake in the company rose to 98%, it remains the controlling shareholder.

(x) On 7 April 2011, the Bank established the wholly-owned subsidiary of Baiquan Rongxing Village and Township Bank Co., Ltd. ("Baiquan Rongxing") with a registered capital of RMB 5 million. On 23 April 2012, the Bank made additional capital injection of RMB 25 million into Baiquan Rongxing, increasing its total registered capital to RMB 30 million.

(xi) On 19 April 2011, the Bank established a wholly-owned subsidiary of Yanshi Rongxing Village and Town with a registered capital of RMB 30 million.

(xii) On 25 April 2011, the Bank established a wholly-owned subsidiary of Leping Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 30 million.

(xiii) On 9 May 2011, the Bank, along with Rudong Textile Rubber Co., Ltd. and Nantong Xiangfen Electronics Co., Ltd. jointly funded the establishment of Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 100 million. The Bank holds 80% shares of the company, making it the controlling shareholder.

(xiv) On 16 May 2011, the Bank established a wholly-owned subsidiary of Honghu Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 30 million.

(xv) On 4 May 2011, the Bank, along with Zhuzhou Hongda Electronic Co., Ltd., Zhuzhou Huachen Real Estate Development Co., Ltd., jointly funded the establishment of Zhuzhou Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 50 million. The Bank holds an 80% stake in the company, making it the controlling shareholder.

(xvi) On 1 June 2011, the Bank, along with Wulong Water Co., Ltd., Chongqing Sanxing Industrial Company, Pengshui Shengda Hydropower Co., Ltd., Chongqing Tianlu Concrete Co., Ltd., jointly established Chongqing Wulong Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 50 million. The Bank holds a 70% stake in the company, making it the controlling shareholder.

(xvii) On 8 June 2011, the Bank established the wholly-owned subsidiary of Xin an Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 30 million.

(xviii) On 20 June 2011, the Bank established a wholly-owned subsidiary of Anyi Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 30 million.

(xix) On 16 June 2011, the Bank established a wholly-owned subsidiary of Yingcheng Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 30 million.

1. CORPORATE INFORMATION AND STRUCTURE (continued)

(xx) On 17 June 2011, the Bank established a wholly-owned subsidiary of Leiyang Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 50 million.

(xxi) On 6 July 2011, the Bank, along with Hainan Airlines Property Holdings (Group) Co., Ltd. jointly established Hainan Baoting Rongxing Village and Township Bank Co., Ltd. ("Baoting Rongxing") with a registered capital of RMB 10 million. The Bank held a 90% stake in the Company, making it the controlling shareholder. In September 2012, the Bank made additional capital injection of RMB 20 million into Baoting Rongxing, increasing its total registered capital to RMB 30 million. The Bank's stake in the company rose to 96.67%, and the Bank is still the controlling shareholder.

(xxii) On 28 May 2012, the Bank, along with Chongqing Arcas Hotel Investment Management Ltd., Chongqing Caizhi Business Management Co., Ltd., jointly established Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 100 million. The Bank holds an 80% stake in the company, making it the controlling shareholder.

(xxiii) On 25 June 2012, the Bank established the wholly-owned subsidiary of Hejian Ronghui Village and Township Bank Co., Ltd. with a registered capital of RMB 30 million.

(xxiv) On 24 May 2012, the Bank established the wholly-owned subsidiary of Youyang Rongxing Village and Township Bank Co., Ltd. with a registered capital of RMB 60 million.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with IFRSs and interpretations promulgated by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2013, together with the relevant transitional provisions, have been early adopted by the Group in preparation of the Financial Information throughout the Relevant Periods.

These financial statements have been prepared under the historical cost convention, except for financial assets held for trading and available-for-sale financial assets (unless the fair value cannot be reliably measured) that have been measured at fair value, as further explained in the respective accounting policies below. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the years ended 31 December 2010, 2011, 2012 and the nine months ended 30 September 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

(a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(b) Exposure, or rights, to variable returns from its involvement with the investee, and

(c) The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual arrangements;

(c) The Group's voting rights and potential voting rights.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

(a) derecognises the assets (including goodwill) and liabilities of the subsidiary;

(b) derecognises the carrying amount of any non-controlling interest;

(c) derecognises the cumulative translation differences recorded in equity;

(d) recognises the fair value of the consideration received;

(e) recognises the fair value of any investment retained;

(f) recognises any resulting surplus or deficit in profit or loss; and

(g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

2.2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements:

IAS 32 Amendments	*Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IFRS 10, IFRS 12 and IAS 27 Amendments	*Investment Entities*[1]
IFRS 9	*Financial Instruments*[2]
IFRIC 21	*Levies*[1]
IAS 39 Amendments	*Novation of Derivatives and Continuation of Hedge Accounting*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments)

These amendments clarified the meaning of "currently has a legally enforceable right to set-off". These amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group is currently assessing the impact of these amendments on its financial position and performance.

IFRS 10, IFRS 12 and IAS 27 (Amendments) – Investment Entities

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9. Consequential amendments were made to IFRS 12 and IAS 27 (Revised) for new disclosure requirements related to investment entities. The Group is considering the impact of the above standards and amendments on both the consolidated and the parent statements.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC Interpretation 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group is considering the impact of the above interpretation on both the consolidated and the parent statements.

2.2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group does not expect that amendment will has material financial impact in future financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in an associate are accounted for under the equity method of accounting. Under the equity method, an investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of the net assets of the associate, less any impairment losses. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statements reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interests in the associate.

The results of the associate are included in the Bank's income statement to the extent of dividends received and receivable. The Bank's investments in an associate are stated at cost less any impairment losses.

The reporting periods of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(2) Foreign currency translation

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

(3) Financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Financial instruments (continued)

Initial recognition of financial instruments

At initial recognition, financial assets are classified into four categories: financial assets at fair value through profit or loss, held-to-maturity financial investments, loans and receivables and available-for-sale financial assets.

At initial recognition, financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities.

A financial asset or financial liability is measured initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Measurement of fair value

The fair value of a financial asset or financial liability traded in active markets is based on its quoted market price.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include making reference to the prices from recent arm's length market transactions between knowledgeable and willing parties, if available, current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets or financial liabilities designated at fair value through profit or loss.

Financial assets or financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if:

(i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(ii) on initial recognition 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; or

(iii) it is a derivative.

Financial assets held for trading mainly include bond investments.

Financial assets or financial liabilities held for trading are measured at fair value after initial recognition. Realised or unrealised income or expenses are recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Financial instruments (continued)

Financial assets or financial liabilities designated at fair value through profit or loss

A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or financial liability or from recognising the gains and losses on them on different bases;

(ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or

(iii) The financial instrument contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it cannot be designated as a financial asset at fair value through profit or loss.

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Gains and losses are recognised in the income statement when the held-to-maturity financial investments are derecognised or impaired, as well as through the amortisation process. All the held-to-maturity financial investments are bond investments.

The Group shall reclassify any remaining held-to-maturity investments as available for sale and shall not classify any financial assets as held to maturity during the current financial year or during the two preceding financial years, if the Group has sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) except for sale or reclassification that:

(i) is so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

(ii) occurs after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

(iii) is attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(3) Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortised cost using the effective interest rate method, less any allowance for impairment losses. Gains and losses are recognised in the income statement when such assets are derecognised or impaired, as well as through the amortisation process. Loans and receivables mainly include loans and advances to customers, receivables and discounted bills.

Discounted bills are granted by the Group to its customers based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income and the interest income of the discounted bills is recognised using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortised using the effective interest rate method and are taken to the income statement as interest income. Changes in fair value of available-for-sale financial assets are recognised as a separate component of other comprehensive income until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in other comprehensive income are transferred to the income statement. Dividend and interest income on available-for-sale financial assets are recorded in the income statement.

In the case of an equity investment classified as available for sale, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, it will be measured at cost less any impairment loss.

Other financial liabilities

Other financial liabilities are carried at amortised cost using the effective interest rate method.

(4) Impairment of financial assets

An assessment on carrying amount of financial assets is made at the end of each reporting period. Impairment is recognised if there is objective evidence of impairment of financial assets, i.e., one or more events that occur after the initial recognition of those assets and have an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, they would probably enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

have not been incurred) discounted at the financial asset's original effective interest rate and shall include the value of any relevant collateral. The original effective interest rate is the rate used to determine the values of financial assets at initial recognition. With respect to floating-rate loans, receivables and held-to-maturity investments, the discount rate could be the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to eliminate the impact of historical conditions that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be attributed objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the assets does not exceed its amortised cost at the reversal date.

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

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on the financial asset, the amount of impairment loss, measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, is recognised in the income statement. In the case of an equity investment, if neither a quoted market price in an active market exists nor its fair value can be reliably measured, the amount of impairment loss is recognised in the income statement. Impairment losses on these assets are not reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(4) Impairment of financial assets (continued)

Available-for-sale financial assets

If there is objective evidence that the financial asset is impaired, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. The Group considers the time period and continuity of the magnitude of the decline to evaluate whether the decline in fair value is prolonged. More significantly the fair value declines relative to the cost, the less the volatility moves, and the longer the decline lasts or the more obvious the continuity of the magnitude of the decline is, the more likely the equity investment impairs. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised as other comprehensive income.

In the case of debt instruments classified as available for sale, if, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impaired loss is reversed through the income statement.

(5) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset; or has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) Derecognition of financial assets and liabilities (continued)

Sales of assets on condition of repurchase

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(6) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(7) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(8) Reverse repurchase and repurchase transactions

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

(9) Property and equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(9) Property and equipment (continued)

purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and annual depreciation rate of each item of property and equipment are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	30 years	5%	3.17%
Office equipment	3-10 years	0 or 5%	9.5%-31.67%
Motor vehicles	5 years	5%	19.00%
Leasehold improvements	Over the shorter of the economic useful lives and remaining lease terms		

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(10) Land use rights

Land use rights are recognised at cost, which is the consideration paid. The rights are amortised using the straight-line basis over the period of the leases.

(11) Repossessed Assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(12) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

(13) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(14) Asset impairment

Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(14) Asset impairment (continued)

of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(15) Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(16) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Statutory defined contribution plans

In accordance with the relevant laws and regulations, employees of the Group participate in various social insurance schemes like basic pension insurance, medical insurance, unemployment insurance and housing fund schemes administered by the local government authorities. The Group calculates and contributes to the local government agencies the above pension and insurance schemes using applicable contribution basis and rates stipulated in the relevant local regulations in the period the employees providing their services to the Group. Contributions to these plans are recognised in the income statement as incurred.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(16) Employee benefits (continued)

Early retirement benefits (continued)

assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the income statement as incurred.

(17) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised rateably over the period in which the service is provided. The risk of loss is borne by those trustors.

(18) Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as available-for-sale financial assets, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in profit or loss.

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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(18) Recognition of income and expense (continued)

Fee and commission income

Fee and commission income is recognised after services have been rendered, and the chargeable amount is reasonably estimated.

The fair value of the award credits granted to the bank card holders is deferred and recognised as fee and commission income when the award credits are redeemed or expire.

Dividends income

Dividends income is recognised when the Group's right to receive payment is established.

Net trading income

Net trading income arising from trading activities include the gains and losses from changes in fair value for financial assets held for trading.

(19) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(19) Income tax (continued)

Deferred income tax (continued)

(ii) In respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(20) Leases

Leases which transfer substantially all the risks and rewards of ownership of the assets to the lessees are classified as finance leases. Leases where substantially all the rewards and risks of the assets remain with the lessor are accounted for as operating leases.

Operating leases

Rental payments applicable to operating leases are charged to the income statement on the straight-line basis over the lease terms.

When the Group is the lessor under operating leases, the assets subject to operating leases are accounted for as the Group's assets. Rental income is recognised as "other operating income, net" in the income statement on the straight-line basis over the lease term.

(21) Related Parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(21) Related Parties (continued)

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(22) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised rateably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to a financial guarantee is taken to the income statement.

(23) 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 Group. 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 cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(24) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

(25) Structured entities

A structured entity is an entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity. Unconsolidated structured entities refer to equity in other entities which have no significant impact to the Group, including but not limited to equity instrument or debt instruments or any other involvements. The Group's unconsolidated structured entities mainly include off balance sheet non-guaranteed wealth management products sponsored by the Group. Note 39.(a).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Designation of held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgement is required. If the Group fails to correctly assess its intention and ability to hold the investments to maturity and the Group sells or reclassifies more than an insignificant amount of held-to-maturity investments before maturity, the Group shall reclassify the whole held-to-maturity investment portfolio as available for sale.

Impairment losses of loans and advances, amounts due from banks and other financial institutions and receivables

The Group determines periodically whether there is any objective evidence that impairment losses have occurred on loans and advances, amounts due from banks and other financial institutions and receivables. If any such evidence exists, the Group assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgement on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Early retirement benefit obligations

The Bank has established liabilities in connection with benefits payable to early retired employees. These amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, inflation rates, and other factors. Actual results that differ from the assumptions are recognised immediately and, therefore, affect recognised expense in the year in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Bank's expense related to its employee early retirement benefit obligations.

5. NET INTEREST INCOME

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Interest income on:					
Loans and advances to customers	3,119,829	4,691,499	6,537,440	4,589,529	5,465,397
– Corporate loans and advances	1,247,201	1,848,695	3,086,756	2,152,234	2,925,752
– Personal loans	1,569,692	2,372,826	2,830,916	2,004,165	2,257,227
– Discounted bills	302,936	469,978	619,768	433,130	282,418
Reverse repurchase agreements	169,031	1,494,360	2,140,515	1,725,451	1,894,796
Available-for-sale financial assets	10,034	233,838	269,272	195,335	308,162
Held-to-maturity financial investments	228,275	354,281	483,866	364,314	399,631
Receivables	106,525	613,887	1,921,011	1,356,962	834,539
Due from central bank	211,756	363,022	490,242	347,513	447,503
Deposits with banks and other financial institutions	182,819	465,903	1,150,824	810,018	976,732
Subtotal	4,028,269	8,216,790	12,993,170	9,389,122	10,326,760
Interest expense on:					
Due to customers	(937,054)	(1,742,846)	(2,967,699)	(2,085,201)	(3,019,530)
Repurchase agreements	(26,160)	(996,673)	(1,400,270)	(1,092,638)	(834,666)
Deposits from banks and other financial institutions	(39,487)	(596,291)	(1,822,705)	(1,358,458)	(1,402,998)
Debt securities issued	(60,000)	(60,000)	(131,202)	(87,572)	(130,267)
Due to central bank	(9,664)	(2,926)	(12,927)	(7,769)	(14,957)
Subtotal	(1,072,365)	(3,398,736)	(6,334,803)	(4,631,638)	(5,402,418)
Net interest income	2,955,904	4,818,054	6,658,367	4,757,484	4,924,342
Included: interest income on impaired loans	5,208	10,424	17,057	15,044	28,291
Interest income from:					
Listed debt instruments	238,309	588,119	753,138	559,649	707,793
Unlisted debt instruments	3,789,960	7,628,671	12,240,032	8,829,473	9,618,967
Subtotal	4,028,269	8,216,790	12,993,170	9,389,122	10,326,760

6. NET FEE AND COMMISSION INCOME

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Fee and commission income:					
Advisory and consulting fees	12,031	100,984	273,765	101,089	316,354
Settlement and clearing fees	45,876	58,506	95,299	68,325	62,757
Agency and custodian fees	87,121	308,340	374,902	295,704	438,758
Including: non-guaranteed wealth management product	18,195	121,787	96,853	79,469	204,531
Bank card fees	7,176	13,872	47,877	31,602	95,738
Others	17,788	21,515	19,594	67,357	36,679
Subtotal	169,992	503,217	811,437	564,077	950,286
Fee and commission expense:					
Settlement and clearing fees	(8,029)	(19,080)	(13,185)	(7,841)	(12,231)
Agency fees	(23,586)	(30,277)	(37,691)	(23,408)	(5,431)
Bank card fees	(17,622)	(23,139)	(44,015)	(27,172)	(41,721)
Others	(4,565)	(18,867)	(37,896)	(34,575)	(19,706)
Subtotal	(53,802)	(91,363)	(132,787)	(92,996)	(79,089)
Net fee and commission income	116,190	411,854	678,650	471,081	871,197

7. NET TRADING INCOME

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Listed in mainland China:					
Debt securities	124,580	282,133	356,579	280,530	150,085

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets held for trading.

8. NET GAIN/(LOSS) ON FINANCIAL INVESTMENTS

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Dividends from available-for-sale equity investments	861	406	507	507	579
Loss on disposal of available-for-sale financial assets, net	(169)	(129,188)	(87,916)	(73,939)	(34,806)
Total	692	(128,782)	(87,409)	(73,432)	(34,227)

9. OTHER OPERATING INCOME, NET

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Net gain on disposal of property and equipment	7,177	4,363	209	–	–
Net gain on sale of repossessed assets	–	–	8,887	–	–
Gain/(loss) from foreign exchange, net	(7,618)	(10,468)	8,271	10,073	(3,510)
Leasing income	5,242	9,045	6,319	3,653	2,396
Government grants and subsidy	28,829	21,928	63,045	20,941	10,014
Penalty and compensation payment	15	235	5	1	130
Others	14,405	5,690	18,283	8,632	3,140
Total	48,050	30,793	105,019	43,300	12,170

10. OPERATING EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Staff costs:					
Salaries, bonuses and allowances	539,311	805,574	1,085,066	728,487	861,686
Social insurance	41,687	62,080	96,622	69,071	87,594
Housing fund	19,951	34,787	53,902	38,209	45,696
Staff benefits	36,514	54,150	79,512	43,201	51,368
Labour union expenditure and education costs	8,800	15,572	20,809	14,638	9,010
Early retirement benefits	6,677	2,306	6,147	4,804	4,963
Subtotal	652,940	974,469	1,342,058	898,410	1,060,317
General and administrative expenses	274,834	404,186	638,034	386,613	371,071
Business tax and surcharges	132,283	253,041	364,068	256,667	360,891
Depreciation and amortisation	100,962	136,218	208,255	151,269	213,565
Leasing expense	87,142	125,150	172,099	126,761	153,373
Auditors' remuneration	618	1,643	4,459	3,051	8,246
Others	152,754	188,117	296,546	168,620	221,132
Total	1,401,533	2,082,824	3,025,519	1,991,391	2,388,595

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax are as follow:

		Year ended 31 December 2010						
Name	Position	Fees	Remuneration paid	Discretionary bonuses	Contributions to defined contribution schemes	Total emoluments before tax	Of which: deferred payment	Actual amount of remuneration paid (pre-tax)
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)	(6)	(7)=(5)-(6)
Guo Zhiwen	Chairman	–	277	1,455	23	1,755	582	1,173
Liu Zhuo	Executive director	–	174	725	14	913	290	623
Chen Danyang	Director	48	–	–	–	48	–	48
Jin Weidong	Director	48	–	–	–	48	–	48
Xia Mei	Director	48	–	–	–	48	–	48
Cao Fu	Director	12	–	–	–	12	–	12
Cai Chunhua	Director	48	–	–	–	48	–	48
Liu Hongyan	Director	48	–	–	–	48	–	48
Qu Wuyi	Director	–	79	–	12	91	–	91
Wang Yuanqing	Independent director	120	–	–	–	120	–	120
Liu Wei	Independent director	120	–	–	–	120	–	120
Tian Xingbin	Chairman of the Board of Supervisors	–	187	900	–	1,087	360	727
Song Zhenlei	Supervisor	24	–	–	–	24	–	24
Chen Liang	Supervisor	24	–	–	–	24	–	24
Wang Yin	Employee supervisor	–	110	259	12	381	–	381
Hui Xiaofeng	External supervisor	84	–	–	–	84	–	84
Qu Zhentao	External supervisor	84	–	–	–	84	–	84

Note: Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred.

During 2010, Gao Shuzhen has been appointed as president. There's no change in other directors, supervisors and other senior executives.

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

		Year ended 31 December 2011						
Name	Position	Fees	Remuneration paid	Discretionary bonuses	Contributions to defined contribution schemes	Total emoluments before tax	Of which deferred payment	Actual amount of remuneration paid (pre-tax)
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)	(6)	(7)=(5)-(6)
Guo Zhiwen	Chairman	–	313	2,181	23	2,517	1,258	1,259
Liu Zhuo	Executive director	–	254	956	20	1,230	386	844
Gao Shuzhen	Executive director	–	274	1,710	22	2,006	953	1,053
Chen Danyang	Director	48	–	–	–	48	–	48
Jin Weidong	Director	48	–	–	–	48	–	48
Xia Mei	Director	48	–	–	–	48	–	48
Cao Fu	Director	3	–	–	–	3	–	3
Cai Chunhua	Director	12	–	–	–	12	–	12
Liu Hongyan	Director	12	–	–	–	12	–	12
Qu Wuyi	Director	–	–	–	–	–	–	–
Wang Yuanqing . . .	Independent director	120	–	–	–	120	–	120
Liu Wei	Independent director	120	–	–	–	120	–	120
Cui Luanyi	Director	36	–	–	–	36	–	36
Ma Shuwei	Director	36	–	–	–	36	–	36
Qin Hongfu	Director	36	–	–	–	36	–	36
Tian Xingbin	Chairman of the Board of Supervisors	–	316	2,011	–	2,327	–	2,327
Song Zhenlei	Supervisor	24	–	–	–	24	–	24
Chen Liang	Supervisor	6	–	–	–	6	–	6
Zhang Chuan	Supervisor	18	–	–	–	18	–	18
Wang Ying	Employee supervisor	–	297	356	20	673	–	673
Chen Yutao	Employee supervisor	–	202	322	14	538	–	538
Wang Jiheng	External supervisor	28	–	–	–	28	–	28
Hui Xiaofeng	External supervisor	28	–	–	–	28	–	28
Qu Zhentao	External supervisor	28	–	–	–	28	–	28

Note: Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred.

(1) At the shareholders' general meeting held on 12 April 2011, Gao Shuzhen, Qin Hongfu, Cui Luanyi and Ma Shuwei have been elected as directors of the Bank, while Qu Wuyi, Cao Fu, Liu Hongyan and Cai Chunhua ceased their appointment as directors of the Bank.

(2) At the shareholders' general meeting held on 12 April 2011, Zhang Chuan and Chen Yutao have been elected as supervisors of the Bank, while Qu Zhentao, Hui Xiaofeng and Chen Liang ceased their appointment as supervisors of the Bank.

(3) At the first extraordinary shareholders' general meeting held on 25 August 2011, Wang Jiheng has been elected as supervisor of the Bank.

(4) During the reporting period, Liu Zhuo has been appointed as the assistant of the President, Lv Tianjun has been appointed as Chief Risk Officer, Zhang Qiguang has been appointed as Chief Financial Officer and Xu Shaoguang has been appointed as Chief Credit Approval Officer.

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

Name	Position	Fees	Remuneration paid	Discretionary bonuses	Contributions to defined contribution schemes	Total emoluments before tax	Of which: deferred payment	Actual amount of remuneration paid (pre-tax)
		Year ended 31 December 2012						
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)	(6)	(7)=(5)-(6)
Guo Zhiwen	Chairman	–	706	2,873	24	3,603	1,252	2,351
Liu Zhuo	Vice Chairman	–	374	1,525	27	1,926	617	1,309
Gao Shuzhen	Executive director	–	567	2,256	24	2,847	989	1,858
Chen Danyang	Director	48	–	–	–	48	–	48
Jin Weidong	Director	13	–	–	–	13	–	13
Xia Mei	Director	13	–	–	–	13	–	13
Zhang Taoxuan	Director	32	–	–	–	32	–	32
Cui Luanyi	Director	48	–	–	–	48	–	48
Ma Shuwei	Director	48	–	–	–	48	–	48
Qin Hongfu	Director	48	–	–	–	48	–	48
Wang Yuanqing	Independent director	120	–	–	–	120	–	120
Liu Wei	Independent director	35	–	–	–	35	–	35
Zhang Shenping	Independent director	80	–	–	–	80	–	80
Ma Yongqiang	Independent director	80	–	–	–	80	–	80
He ping	Independent director	30	–	–	–	30	–	30
Du Qingchun	Independent director	30	–	–	–	30	–	30
Zhang Bin	Chairman of the Board of Supervisors	–	459	1,799	26	2,284	691	1,593
Cheng Yun	Vice Chairman of the Board of Supervisors	–	398	1,579	25	2,002	601	1,401
Tian Xingbin	Former Chairman of the Board of Supervisors (Former)	–	146	–	–	146	–	146
Song Zhenlei	Supervisor	7	–	–	–	7	–	7
Zhang Chuan	Supervisor	7	–	–	–	7	–	7
Zang Shaolin	Supervisor	17	–	–	–	17	–	17
Wang Ying	Employee supervisor	–	322	694	27	1,043	69	974
Chen Yutao	Employee supervisor	–	276	525	15	816	–	816
Wang Jiheng	External supervisor	84	–	–	–	84	–	84
Liu Wei	External supervisor	58	–	–	–	58	–	58

Note: Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive directors and other senior management members are deferred.

(1) Guo Zhiwen, Liu Zhuo, Gao Shuzhen, Wang Yuanqing, Ma Yongqiang, Zhang Shengping, Zhang Taoxuan, Chen Danyang, Cui Luanyi, Ma Shuwei and Qin Hongfu have been elected as the fifth board members of the Bank, while Liu Wei, Jin Weidong and Xia Mei ceased their appointment as directors of the Bank in the shareholders' general meeting for 2011 held on 27 April 2012. Liu Wei, Jin Weidong and Xia Mei ceased to act as the Directors of the Bank.

(2) Zhang Bin, Cheng Yun, Liu Wei, Wang Jiheng, Zang Shaolin, Wang Ying and Chen Yudao have been elected as the fifth supervisory board members, while Tian Xingbin ceased his appointment as Chairman of the Board of Supervisors of the Bank; Song Zhenlei and Zhang Chuan ceased their appointment as the supervisory board members at the shareholders' general meeting for 2011 held on 27 April 2012. Tian Xingbin ceased to act as the Chairman of the Board of Supervisors, and Song Zhenlei and Zhang Chuan ceased to act as the Supervisors of the Bank.

(3) Guo Zhiwen has been elected as Chairman and Liu Zhuo has been elected as Vice Chairman at the fifth board meeting held on 27 April 2012.

(4) Gao Shuzen has been appointed as President of the Bank as proposed by Guo Zhiwen , Li Qiming, Zhan Qiguang, Lv Tianjun have been appointed as vice president of the Bank, Xu Shaoguang has been appointed as Chief Executive Officer of the Bank, and Wang Haibin, Sun Jiawei have been appointed as assistants of the President as proposed by Gao Shuzhen at the fifth board meeting held on 27 April 2012.

(5) The Bank held the first extraordinary shareholders' general meeting for 2012 on 24 September 2012. He Ping and Du Qingchun have been elected as independent directors at the meeting.

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

		Nine months ended 30 September 2012 (Unaudited)						
Name	Position	Fees	Remuneration paid	Discretionary bonuses	Contributions to defined contribution schemes	Total emoluments before tax	Of which: deferred payment	Actual amount of remuneration paid (pre-tax)
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)	(6)	(7)=(5)-(6)
Guo Zhiwen	Chairman	–	529	862	18	1,409	375	1,034
Liu Zhuo	Vice Chairman	–	281	458	20	759	185	574
Gao Shuzhen	Executive director	–	425	677	18	1,120	297	823
Chen Danyang	Director	36	–	–	–	36	–	36
Jin Weidong	Director	13	–	–	–	13	–	13
Xia Mei	Director	13	–	–	–	13	–	13
Zhang Taoxuan	Director	20	–	–	–	20	–	20
Cui Luanyi	Director	36	–	–	–	36	–	36
Ma Shuwei	Director	36	–	–	–	36	–	36
Qin Hongfu	Director	36	–	–	–	36	–	36
Wang Yuanqing	Independent director	90	–	–	–	90	–	90
Zhang Shenping	Independent director	50	–	–	–	50	–	50
Ma Yongqiang	Independent director	50	–	–	–	50	–	50
Liu Wei	Independent director	35	–	–	–	35	–	35
He Ping	Independent director	–	–	–	–	–	–	–
Du Qingchun	Independent director	–	–	–	–	–	–	–
Zhang Bin	Chairman of the Board of Supervisors	–	344	540	19	903	207	696
Cheng Yun	Vice Chairman of the Board of Supervisors	–	298	474	19	791	180	611
Tian Xingbin	Chairman of the Board of Supervisors (Former)	–	146	–	–	146	–	146
Song Zhenlei	Supervisor	7	–	–	–	7	–	7
Zhang Chuan	Supervisor	7	–	–	–	7	–	7
Zang Shaolin	Supervisor	11	–	–	–	11	–	11
Wang Ying	Employee supervisor	–	242	208	21	471	–	471
Chen Yutao	Employee supervisor	–	207	157	11	375	–	375
Wang Jiheng	External supervisor	63	–	–	–	63	–	63
Liu Wei	External supervisor	37	–	–	–	37	–	37

Note: Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive directors and other senior management members are deferred based on the future performance.

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

		Nine months ended 30 September 2013						
Name	Position	Fees	Remuneration paid	Discretionary bonuses	Contributions to defined contribution schemes	Total emoluments before tax	Of which: deferred payment	Actual amount of remuneration paid (pre-tax)
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2)+(3)+(4)	(6)	(7)=(5)-(6)
Guo Zhiwen	Chairman	–	535	1,108	18	1,661	430	1,231
Liu Zhuo	Vice Chairman	–	295	655	18	968	231	737
Gao Shuzhen	Executive director	–	429	1,012	18	1,459	336	1,123
Chen Danyang	Director	36	–	–	–	36	–	36
Zhang Taoxuan	Director	36	–	–	–	36	–	36
Cui Luanyi	Director	36	–	–	–	36	–	36
Ma Shuwei	Director	36	–	–	–	36	–	36
Qin Hongfu	Director	36	–	–	–	36	–	36
Wang Yuanqing	Independent director	90	–	–	–	90	–	90
Zhang Shenping	Independent director	90	–	–	–	90	–	90
Ma Yongqiang	Independent director	90	–	–	–	90	–	90
He ping	Independent director	90	–	–	–	90	–	90
Du Qingchun	Independent director	90	–	–	–	90	–	90
Kong Siu Chee	Independent director	–	–	–	–	–	–	–
Wan Kam To	Independent director	–	–	–	–	–	–	–
Zhang Bin	Chairman of the Board of Supervisors	–	358	711	18	1,087	277	810
Cheng Yun	Vice Chairman of the Board of Supervisors	–	286	371	18	675	241	434
Zang Shaolin	Supervisor	18	–	–	–	18	–	18
Lu Yujuan	Supervisor	–	–	–	–	–	–	–
Wang Ying	Employee supervisor	–	290	217	18	525	–	525
Chen Yutao	Employee supervisor	–	203	150	13	366	–	366
Wang Jiheng	External supervisor	63	–	–	–	63	–	63
Liu Wei	External supervisor	49	–	–	–	49	–	49
Bai Fan	External supervisor	14	–	–	–	14	–	14
Meng Rongfang	External supervisor	–	–	–	–	–	–	–

Note: Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred.

(1) On the first extraordinary general meeting for 2013 held on 23 July 2013, Kong Siu Chee and Wan Kam To were nominated as the Independent directors of the Bank. Wang Yuanqing ceased to act as Independent directors of the Bank. Ma Shuwei ceased to act as Director of the Bank.

(2) On the first extraordinary general meeting for 2013 held on 23 July 2013, the resignation of Liu Wei as the External supervisor was passed and Bai Fan was elected as the External supervisor of the fifth session of the Board of Supervisors.

(3) On the second extraordinary general meeting for 2013 held on 26 September 2013, Meng Rongfang was elected as the External supervisor of the fifth session of the Board of Supervisors; the resignation of Zang Shaolin as the shareholders representative Supervisor was passed and Lu Yujuan was elected as the shareholders representative Supervisor of the fifth session of the Board of Supervisors.

During the nine months ended 30 September 2013, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration. (2012: Nil, 2011: Nil, 2010: Nil)

During the nine months ended 30 September 2013, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or were payable to such persons upon joining the Group or as compensation for loss of office. (2012: Nil, 2011: Nil, 2010: Nil)

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank. Their emoluments were determined based on the prevailing market rates of the region where the Bank is operating. In the years ended 31 December 2010, 2011 and 2012, and the nine months ended 30 September 2012 and 30 September 2013, the five highest paid individuals of the Group comprised one director and one supervisor, three directors and one supervisor, three directors and two supervisors, two directors and two supervisors and three directors and one supervisor of the Bank, respectively, whose emoluments are disclosed in notes 11 and 42(c) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Salaries, allowances and discretionary bonuses	6,176	9,261	12,536	4,899	5,999
Contribution to defined contribution schemes	79	87	126	93	89
Total	6,255	9,348	12,662	4,992	6,088

The number of non-director and non-supervisor whose emoluments fell within the following bands is set out below.

	Number of employees				
	Years ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
RMB500,001 to RMB1,000,000	2	–	–	1	1
RMB1,000,001 to RMB1,500,000	1	1	–	–	–
Total	3	1	–	1	1

During the nine months ended 30 September 2013, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or were payable to such persons upon joining the Group or as compensation for loss of office (2012: Nil; 2011: Nil; 2010: Nil).

13. IMPAIRMENT LOSSES ON ASSETS OTHER THAN LOANS AND ADVANCES TO CUSTOMERS

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Reversal of impairment losses on:					
Placements with banks and other financial institutions	–	(5,466)	–	–	–
Other assets	(11,777)	(46,737)	(1,019)	–	–
	(11,777)	(52,203)	(1,019)	–	–

14. INCOME TAX EXPENSE

(a) Income tax

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Current income tax	438,982	696,628	1,065,402	750,973	827,205
Deferred income tax	(49,280)	(45,609)	(77,951)	(86,176)	(78,526)
	389,702	651,019	987,451	664,797	748,679

(b) Reconciliation between income tax and accounting profit

The income tax of the Group's institutions has been provided at the statutory rate of 25%. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Profit before tax	1,616,916	2,507,444	3,858,910	2,685,903	3,120,000
Tax at the PRC statutory income tax rate	404,229	626,861	964,728	671,476	780,000
Non-deductible expenses (i)	30,054	55,703	64,126	21,430	7,988
Non-taxable income (ii)	(44,845)	(30,841)	(39,174)	(26,228)	(37,503)
Underprovision/(overprovision) in respect of prior years	264	(704)	128	128	(23)
Profits attributable to an associate	–	–	(2,357)	(2,009)	(1,783)
Tax expense at the Group's effective income tax rate	389,702	651,019	987,451	664,797	748,679

Notes: (i) The non-deductible expenses mainly represent non-deductible write-offs.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and micro loans to farmers which are exempted from income tax, under Chinese tax regulations.

15. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the period ended 30 September 2013 includes a profit of RMB 2,262 million (2012: RMB 2,819 million, 2011: RMB 1,842 million, 2010: RMB 1,221 million) which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Dividends on ordinary shares declared and paid: Final dividend for 2012: RMB 0.025 per share** (2011: RMB 0.1 per share*)	–	–	392,375	392,375	171,675
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2012: RMB 0.025 per share** (2011: RMB 0.1 per share*)	–	392,375	171,675	–	–

(*): Based on the 2011 weighted average number of shares at RMB 0.1 per share, distributed in cash

(**): Based on the 2012 weighted average number of shares at RMB 0.025 per share, distributed in cash

17. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Earnings:					
Profit attributable to equity holders of the parent company	1,227,660	1,854,229	2,864,250	2,017,114	2,357,761
Shares:					
Weighted average number of ordinary shares in issue (in thousands) (note a)	4,722,106	5,516,355	7,791,708	7,639,978	8,246,900
Basic and diluted earnings per share (in RMB yuan)	0.26	0.34	0.37	0.26	0.29

17. EARNINGS PER SHARE (continued)

The group had no potential ordinary dilutive shares for current and prior years.

(a) weighted average number of shares in issue

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Share capital at 1 January	2,100,333	2,100,333	6,187,823	6,187,823	7,560,198
Weighted average number of new shares issued in the year	–	725,491	524,808	373,078	–
Weighted average number of shares issued due to rights issue in 2011	1,890,300	1,890,300	–	–	–
Weighted average number of shares issued due to rights issue in 2012	319,826	392,375	392,375	392,375	–
Weighted average number of shares issued due to rights issue in 2013	411,647	407,856	686,702	686,702	686,702
Weighted average number of ordinary shares in issue at the end of recorded period	4,722,106	5,516,355	7,791,708	7,639,978	8,246,900

Basic earnings per share as at 31 December 2010, 2011 and 2012 and 30 September 2013 is computed by dividing the current net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue. As described in note 34. Share Capital, the Bank had right issues in 2011, 2012 and 2013. In the calculation of earnings per share, the Rights Issue was deemed in issue at the earliest accounting period. For the detailed information on new shares issued and rights issue in the above periods, please refer to note 34. Share Capital.

18. CASH AND BALANCES WITH CENTRAL BANK

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Cash on hand	370,969	689,109	815,255	1,069,465
Mandatory reserves with central bank (i)	14,761,007	22,668,910	33,111,756	33,559,413
Surplus reserves with central bank (ii)	8,199,966	7,540,555	17,907,866	5,941,184
Fiscal deposits with the PBOC	81,274	37,157	23,634	159,588
Total	23,413,216	30,935,731	51,858,511	40,729,650

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Cash on hand	362,501	652,622	768,662	1,007,054
Mandatory reserves with central bank (i)	14,688,194	22,302,470	32,312,911	32,603,676
Surplus reserves with central bank (ii)	7,846,683	7,349,355	17,555,992	5,794,516
Fiscal deposits with the PBOC	81,274	37,157	23,634	159,588
Total	22,978,652	30,341,604	50,661,199	39,564,834

(i) The Group is required to place mandatory reserve deposits with the PBOC, mandatory reserve deposits with central bank are not available for use in the Group's daily operations. As at 31 December 2010, 2011 and 2012 and 30 September 2013, the mandatory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.

(ii) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

19. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Nostro accounts:				
Banks operating in Mainland China	9,463,395	15,367,970	16,889,315	27,153,732
Other financial institutions operating in Mainland China	321	685	687	2,364
Banks operating outside Mainland China	64,720	38,388	168,303	573,910
	9,528,436	15,407,043	17,058,305	27,730,006
Less: Allowance for impairment losses	(500)	–	–	–
	9,527,936	15,407,043	17,058,305	27,730,006
Placements with banks and other financial institutions:				
Banks operating in Mainland China	–	500,000	2,100,000	–
Other financial institutions operating in Mainland China	315,466	–	788,500	–
	315,466	500,000	2,888,500	–
Less: Allowance for impairment losses	(5,466)	–	–	–
	310,000	500,000	2,888,500	–
	9,837,936	15,907,043	19,946,805	27,730,006

19. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Nostro accounts:				
Banks operating in Mainland China	10,534,939	14,765,277	16,324,241	28,042,261
Other financial institutions operating in Mainland China	321	685	687	2,364
Banks operating outside Mainland China	64,720	38,388	168,303	573,910
	10,599,980	14,804,350	16,493,231	28,618,535
Less: Allowance for impairment losses	(500)	–	–	–
	10,599,480	14,804,350	16,493,231	28,618,535
Placements with banks and other financial institutions:				
Banks operating in Mainland China	–	500,000	2,100,000	–
Other financial institutions operating in Mainland China	5,466	–	788,500	–
	5,466	500,000	2,888,500	–
Less: Allowance for impairment losses	(5,466)	–	–	–
	–	500,000	2,888,500	–
	10,599,480	15,304,350	19,381,731	28,618,535

Movements of the allowance for impairment losses during the year are as follows:

The Group/Bank	Nostro accounts	Placements with banks and other Financial institutions	Total
At 1 January 2010	898	5,466	6,364
Write off for the year	(398)	–	(398)
At 31 December 2010 and 1 January 2011	500	5,466	5,966
Write off for the year	(500)	(5,466)	(5,966)
At 31 December 2011 and 1 January 2012	–	–	–
At 31 December 2012 and 1 January 2013	–	–	–
At 30 September 2013	–	–	–

20. FINANCIAL ASSETS HELD FOR TRADING

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Debt securities	5,318,631	4,780,814	7,878,959	7,201,596
Debt securities analysed into:				
Listed in Mainland China	5,318,631	4,780,814	7,878,959	7,201,596

21. REVERSE REPURCHASE AGREEMENTS

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Reverse repurchase agreements analysed by counterparty:				
Banks	17,863,464	49,692,917	46,863,276	20,970,686
Other financial institutions	–	280,654	4,882,372	6,812,849
	17,863,464	49,973,571	51,745,648	27,783,535
Reverse repurchase agreements analysed by collateral:				
Securities	4,750,200	26,398,410	25,794,923	11,662,580
Bills	13,074,131	22,736,668	25,912,232	10,023,915
Trust beneficial rights	–	–	–	5,617,000
Loans	39,133	838,493	38,493	480,040
	17,863,464	49,973,571	51,745,648	27,783,535

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Reverse repurchase agreements analysed by counterparty:				
Banks	17,863,464	49,702,833	46,874,494	20,970,686
Other financial institutions	–	280,654	4,608,521	6,412,849
	17,863,464	49,983,487	51,483,015	27,383,535
Reverse repurchase agreements analysed by collateral:				
Securities	4,750,200	26,398,410	25,794,923	11,662,580
Bills	13,074,131	22,746,584	25,649,599	10,023,915
Trust beneficial rights	–	–	–	5,617,000
Loans	39,133	838,493	38,493	80,040
	17,863,464	49,983,487	51,483,015	27,383,535

As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. At 30 September 2013, the Group had received none of these securities (31 December 2012: 998 million, 31 December 2011: 13,342 million, 31 December 2010: Nil). As of 30 September 2013, none of these securities have been repledged under repurchase agreements (31 December 2012: Nil, 31 December 2011: fair value of securities repledged amounted to RMB 7,459 million, 31 December 2010: Nil). The Group had also received notes with a fair value of approximately RMB 10,024 million as of 30 September 2013 (31 December 2012: RMB 25,912 million, 31 December 2011: RMB 22,737 million, 31 December 2010: RMB 13,074 million); Of these securities, securities with a fair value of approximately RMB1,119 million have been repledged under repurchase agreements (31 December 2012: 12,192 million, 31 December 2011: RMB 9,857 million, 31 December 2010: RMB 2,862 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

22. LOANS AND ADVANCES TO CUSTOMERS

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Corporate loans and advances	23,420,800	35,601,076	51,108,045	61,639,439
Personal loans	23,668,165	29,139,664	34,810,052	40,869,392
Discounted bills	6,935,618	3,742,989	1,346,235	2,501,601
	54,024,583	68,483,729	87,264,332	105,010,432
Less: Allowance for impairment	(824,097)	(1,465,579)	(1,966,253)	(2,372,032)
	53,200,486	67,018,150	85,298,079	102,638,400

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Corporate loans and advances	23,297,713	34,782,335	49,127,156	58,695,761
Personal loans	23,212,487	27,874,866	32,314,340	36,975,053
Discounted bills	6,896,356	3,402,569	368,463	1,775,184
	53,406,556	66,059,770	81,809,959	97,445,998
Less: Allowance for impairment	(817,860)	(1,439,045)	(1,877,100)	(2,246,862)
	52,588,696	64,620,725	79,932,859	95,199,136

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

Movements of allowance for impairment losses during the year are as follows:

The Group

	Individually assessed	Collectively assessed	Total
At 1 January 2010	292,446	400,185	692,631
Exchange difference	–	(66)	(66)
Impairment loss:	(48,320)	287,064	238,744
Impairment allowances charged	208,722	287,064	495,786
Reversal of impairment allowances	(257,042)	–	(257,042)
Accreted interest on impaired loans (note 5)	(5,208)	–	(5,208)
Write-offs	(400)	(103,424)	(103,824)
Recoveries of loans and advances previously written off	–	1,820	1,820
As at 31 December 2010 and 1 January 2011	238,518	585,579	824,097
Exchange difference	–	(169)	(169)
Impairment loss:	(62,153)	938,140	875,987
Impairment allowances charged	106,893	938,140	1,045,033
Reversal of impairment allowances	(169,046)	–	(169,046)
Accreted interest on impaired loans (note 5)	(10,424)	–	(10,424)
Write-offs	(500)	(232,180)	(232,680)
Recoveries of loans and advances previously written off	1,865	6,903	8,768
As at 31 December 2011 and 1 January 2012	167,306	1,298,273	1,465,579
Exchange difference	–	(34)	(34)
Impairment loss:	(58,226)	895,451	837,225
Impairment allowances charged	9,580	895,451	905,031
Reversal of impairment allowances	(67,806)	–	(67,806)
Accreted interest on impaired loans (note 5)	(17,057)	–	(17,057)
Write-offs	(270)	(342,445)	(342,715)
Recoveries of loans and advances previously written off	540	22,715	23,255
At 31 December 2012 and 1 January 2013	92,293	1,873,960	1,966,253
Exchange difference	(267)	(19)	(286)
Impairment loss:	60,684	361,418	422,102
Impairment allowances charged	63,684	361,418	425,102
Reversal of impairment allowances	(3,000)	–	(3,000)
Accreted interest on impaired loans (note 5)	(28,291)	–	(28,291)
Write-offs	–	(447)	(447)
Recoveries of loans and advances previously written off	12,671	30	12,701
As at 30 September 2013	137,090	2,234,942	2,372,032

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

Movements of allowance for impairment losses during the year are as follows: (continued)

The Bank

	Individually assessed	Collectively assessed	Total
At 1 January 2010	292,446	398,344	690,790
Exchange difference	–	(66)	(66)
Impairment loss:	(48,320)	282,668	234,348
Impairment allowances charged	208,722	282,668	491,390
Reversal of impairment allowances	(257,042)	–	(257,042)
Accreted interest on impaired loans	(5,208)	–	(5,208)
Write-offs	(400)	(103,424)	(103,824)
Recoveries of loans and advances previously written off	–	1,820	1,820
As at 31 December 2010 and 1 January 2011	238,518	579,342	817,860
Exchange difference	–	(168)	(168)
Impairment loss:	(62,153)	917,842	855,689
Impairment allowances charged	106,893	917,842	1,024,735
Reversal of impairment allowances	(169,046)	–	(169,046)
Accreted interest on impaired loans	(10,424)	–	(10,424)
Write-offs	(500)	(232,180)	(232,680)
Recoveries of loans and advances previously written off	1,865	6,903	8,768
As at 31 December 2011 and 1 January 2012	167,306	1,271,739	1,439,045
Exchange difference	–	(34)	(34)
Impairment loss:	(58,226)	832,346	774,120
Impairment allowances charged	9,580	832,346	841,926
Reversal of impairment allowances	(67,806)	–	(67,806)
Accreted interest on impaired loans	(17,057)	–	(17,057)
Write-offs	(270)	(341,959)	(342,229)
Recoveries of loans and advances previously written off	540	22,715	23,255
At 31 December 2012 and 1 January 2013	92,293	1,784,807	1,877,100
Exchange difference	(267)	(19)	(286)
Impairment loss:	56,938	328,730	385,668
Impairment allowances charged	59,938	328,730	388,668
Reversal of impairment allowances	(3,000)	–	(3,000)
Accreted interest on impaired loans	(28,291)	–	(28,291)
Recoveries of loans and advances previously written off	12,671	–	12,671
As at 30 September 2013	133,344	2,113,518	2,246,862

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Loans and advances:				
Unimpaired loans and advances (i)	53,596,703	68,061,561	86,708,136	104,108,539
Impaired loans and advances to customers (ii)				
Individually assessed	243,783	211,035	110,332	211,478
Collectively assessed	184,097	211,133	445,864	690,415
	54,024,583	68,483,729	87,264,332	105,010,432
Less: Allowance for impairment losses:				
Unimpaired loans and advances (i)	474,361	1,174,129	1,700,497	1,963,738
Impaired loans and advances to customers (ii)				
Individually assessed	238,518	167,306	92,293	137,090
Collectively assessed	111,218	124,144	173,463	271,204
	824,097	1,465,579	1,966,253	2,372,032
Net loans and advances:				
Unimpaired loans and advances (i)	53,122,342	66,887,432	85,007,639	102,144,801
Impaired loans and advances to customers (ii)				
Individually assessed	5,265	43,729	18,039	74,388
Collectively assessed	72,879	86,989	272,401	419,211
	53,200,486	67,018,150	85,298,079	102,638,400
Percentage of impaired loans and advances	0.79%	0.62%	0.64%	0.86%

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Loans and advances:				
Unimpaired loans and advances (i)	52,980,485	65,639,801	81,265,065	96,559,237
Impaired loans and advances to customers (ii)				
Individually assessed	243,783	211,035	110,332	206,298
Collectively assessed	182,288	208,934	434,562	680,463
	53,406,556	66,059,770	81,809,959	97,445,998
Less: Allowance for impairment losses:				
Unimpaired loans and advances (i)	468,576	1,149,235	1,616,832	1,846,710
Impaired loans and advances to customers (ii)				
Individually assessed	238,518	167,306	92,293	133,344
Collectively assessed	110,766	122,504	167,975	266,808
	817,860	1,439,045	1,877,100	2,246,862
Net loans and advances:				
Unimpaired loans and advances (i)	52,511,909	64,490,566	79,648,233	94,712,527
Impaired loans and advances to customers (ii)				
Individually assessed	5,265	43,729	18,039	72,954
Collectively assessed	71,522	86,430	266,587	413,655
	52,588,696	64,620,725	79,932,859	95,199,136
Percentage of impaired loans and advances	0.80%	0.64%	0.67%	0.91%

(i) Unimpaired loans and advances should be collectively assessed for impairment.

(ii) Impaired loans and advances to customers include those with objective evidence of impairment.

23. FINANCIAL INVESTMENTS

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Receivables (a)	4,205,579	13,635,513	22,733,333	18,037,336
Held-to-maturity investments (b)	5,862,040	12,286,784	12,323,533	14,349,966
Available-for-sale financial assets (c)	2,862,959	5,351,163	8,244,304	12,257,691
	12,930,578	31,273,460	43,301,170	44,644,993

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Receivables (a)	3,445,480	13,620,513	22,733,333	18,037,336
Held-to-maturity investments (b)	5,862,040	12,286,784	12,323,533	14,349,966
Available-for-sale financial assets (c)	2,862,959	5,351,163	8,244,304	12,257,691
	12,170,479	31,258,460	43,301,170	44,644,993

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Certificate treasury bonds	1,494,764	992,581	589,346	220,512
Wealth management products issued by other financial institutions (i)	1,560,099	5,257,000	5,819,832	3,403,000
Trust fund plans (ii)	1,150,716	7,385,932	16,324,155	14,413,824
	4,205,579	13,635,513	22,733,333	18,037,336

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Certificate treasury bonds	1,494,764	992,581	589,346	220,512
Wealth management products issued by other financial institutions (i)	800,000	5,242,000	5,819,832	3,403,000
Trust fund plans (ii)	1,150,716	7,385,932	16,324,155	14,413,824
	3,445,480	13,620,513	22,733,333	18,037,336

(i) Wealth management products issued by other financial institutions are fixed term products. These include investments in trust beneficiary rights, trust loans etc.

(ii) The trust fund plans are purchased from trust companies, with no active market quotes, definite period lengths (1-5 years), interest rate is fixed or determinable (6-12%). These include investments in trust loans and trust beneficial rights etc.

23. FINANCIAL INVESTMENTS (continued)

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Debt securities analysed into:				
Listed in Mainland China	5,862,040	12,286,784	12,323,533	14,349,966
Market value of listed debt securities	5,698,919	12,149,483	12,082,138	13,901,436

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Debt securities analysed into:				
Listed in Mainland China	2,838,339	5,326,543	8,219,684	12,213,071
Unlisted:				
Equity investments at cost (i)	24,620	24,620	24,620	24,620
Others	–	–	–	20,000
	2,862,959	5,351,163	8,244,304	12,257,691
Market value of listed debt securities	2,838,339	5,326,543	8,219,684	12,213,071

(i) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

24. INVESTMENTS IN SUBSIDIARIES

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Unlisted Investments, at cost	437,800	867,000	1,142,000	1,142,000

25. INVESTMENTS IN AN ASSOCIATE

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Investment in an associate	–	1,000,000	1,017,014	993,733

25. INVESTMENTS IN AN ASSOCIATE (continued)

Details of the Group's associate are as follows:

Name	Percentage of equity/ voting rights				Place of incorporation/ registration	Principal activities
	2010-12-31	2011-12-31	2012-12-31	2013-09-30		
	%	%	%	%		
Unlisted investments directly held:						
Guangdong Huaxing Bank Company Limited ("Huaxing Bank")	–	16	16	16	Guangdong, PRC	Commercial Banking

Note: Though the Group controls 16% of the voting rights of Huaxing Bank, it is the second largest shareholder of Huaxing Bank and holds positions of a director and assistant governor, and is thus capable to exert significant influence on the operating and financial decisions of the investee. Accordingly, the Group classified it as an associate.

The following tables illustrate the summarised financial information of the Group's associate:

	31 December			30 September
	2010	2011	2012	2013
Assets	N/A	16,599,929	31,691,900	47,789,363
Liabilities	N/A	(11,485,083)	(26,585,563)	(42,828,534)
Net assets	N/A	5,114,846	5,106,337	4,960,829
Proportion of Group's ownership	N/A	16%	16%	16%
Share of the net assets	N/A	818,375	817,014	793,733
Goodwill on acquisition	N/A	200,000	200,000	200,000
Carrying amount of the investment	N/A	1,018,375	1,017,014	993,733

	31 December			30 September
	2010	2011	2012	2013
Revenue	N/A	119,337	573,531	632,484
Continuing operation profit	N/A	8,318	54,885	57,653
Non continuing operation profit/(loss)	N/A	(2)	(7)	1,386
Profit for the year	N/A	7,985	58,931	44,565
Group's share of the profit	N/A	1,278	9,429	7,130
Total comprehensive income	N/A	114,846	(9,358)	(145,447)
Dividends received	N/A	–	–	–

The financial information above was extracted from the financial statements of the associate company.

26. PROPERTY AND EQUIPMENT

The Group

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost:						
At 1 January 2010	694,001	185,811	56,695	215,689	17,789	1,169,985
Additions	207,668	438,681	30,576	121,330	11,032	809,287
CIP transfers	116,485	(116,485)	–	–	–	–
Disposals	(7,148)	–	–	(60)	–	(7,208)
At 31 December 2010 and 1 January 2011	1,011,006	508,007	87,271	336,959	28,821	1,972,064
Additions	176,289	1,566,861	42,632	150,513	21,885	1,958,180
CIP transfers	579,341	(581,733)	–	2,392	–	–
Disposals	(6,286)	–	–	(714)	(4)	(7,004)
At 31 December 2011 and 1 January 2012	1,760,350	1,493,135	129,903	489,150	50,702	3,923,240
Additions	135,222	2,413,145	48,840	173,600	7,381	2,778,188
CIP transfers	245,065	(384,687)	39,956	67,652	–	(32,014)
Disposals	(12,012)	–	(812)	–	(45)	(12,869)
At 31 December 2012 and 1 January 2013	2,128,625	3,521,593	217,887	730,402	58,038	6,656,545
Additions	37,161	541,635	21,773	100,046	4,262	704,877
CIP transfers	160,542	(236,129)	14,504	47,781	–	(13,302)
Disposals	–	–	(4,731)	(4,205)	–	(8,936)
At 30 September 2013	2,326,328	3,827,099	249,433	874,024	62,300	7,339,184
Accumulated depreciation:						
At 1 January 2010	101,547	–	37,478	86,399	5,689	231,113
Depreciation charge for the year	27,265	–	14,702	41,040	4,809	87,816
Disposals	(3,601)	–	–	–	–	(3,601)
At 31 December 2010 and 1 January 2011	125,211	–	52,180	127,439	10,498	315,328
Depreciation charge for the year	37,318	–	16,750	61,298	6,483	121,849
Disposals	(1,926)	–	–	(508)	–	(2,434)
At 31 December 2011 and 1 January 2012	160,603	–	68,930	188,229	16,981	434,743
Depreciation charge for the year	59,190	–	30,464	91,897	9,166	190,717
Disposals	(6,322)	–	(812)	–	(11)	(7,145)
At 31 December 2012 and 1 January 2013	213,471	–	98,582	280,126	26,136	618,315
Depreciation charge for the period	54,037	–	22,930	95,878	7,092	179,937
Disposals	–	–	(1,322)	(299)	–	(1,621)
At 30 September 2013	267,508	–	120,190	375,705	33,228	796,631
Net carrying amount:						
At 31 December 2010	885,795	508,007	35,091	209,520	18,323	1,656,736
At 31 December 2011	1,599,747	1,493,135	60,973	300,921	33,721	3,488,497
At 31 December 2012	1,915,154	3,521,593	119,305	450,276	31,902	6,038,230
At 30 September 2013	2,058,820	3,827,099	129,243	498,319	29,072	6,542,553

26. PROPERTY AND EQUIPMENT (continued)

The Bank

	Properties and buildings	Construction in progress	Leasehold improve-ments	Office equipment	Motor vehicles	Total
Cost:						
At 1 January 2010	693,652	185,812	55,465	214,465	16,426	1,165,820
Additions	207,668	438,680	20,948	117,346	6,744	791,386
CIP transfers	116,485	(116,485)	–	–	–	–
Disposals	(7,148)	–	–	(60)	–	(7,208)
At 31 December 2010 and 1 January 2011	1,010,657	508,007	76,413	331,751	23,170	1,949,998
Additions	153,219	1,563,257	21,059	129,341	12,601	1,879,477
CIP transfers	579,341	(581,733)	–	2,392	–	–
Disposals	(6,287)	–	–	(714)	–	(7,001)
At 31 December 2011 and 1 January 2012	1,736,930	1,489,531	97,472	462,770	35,771	3,822,474
Additions	112,305	2,390,325	33,219	165,140	5,087	2,706,076
CIP transfers	245,065	(384,687)	39,955	67,657	–	(32,010)
Disposals	(12,012)	–	–	–	–	(12,012)
At 31 December 2012 and 1 January 2013	2,082,288	3,495,169	170,646	695,567	40,858	6,484,528
Additions	36,880	536,058	21,774	96,542	2,278	693,532
CIP transfers	134,069	(209,656)	14,504	47,781	–	(13,302)
At 30 September 2013	2,253,237	3,821,571	206,924	839,890	43,136	7,164,758
Accumulated depreciation:						
At 1 January 2010	101,544	–	37,265	86,332	5,633	230,774
Depreciation charge for the year	27,254	–	12,821	40,374	4,040	84,489
Disposals	(3,601)	–	–	–	–	(3,601)
At 31 December 2010 and 1 January 2011	125,197	–	50,086	126,706	9,673	311,662
Depreciation charge for the year	37,062	–	12,714	58,356	4,627	112,759
Disposals	(1,926)	–	–	(508)	–	(2,434)
At 31 December 2011 and 1 January 2012	160,333	–	62,800	184,554	14,300	421,987
Depreciation charge for the year	58,327	–	22,482	85,985	6,017	172,811
Disposals	(6,322)	–	–	–	–	(6,322)
At 31 December 2012 and 1 January 2013	212,338	–	85,282	270,539	20,317	588,476
Depreciation charge for the period	50,080	–	22,939	91,845	4,681	169,545
At 30 September 2013	262,418	–	108,221	362,384	24,998	758,021
Net carrying amount:						
At 31 December 2010	885,460	508,007	26,327	205,045	13,497	1,638,336
At 31 December 2011	1,576,597	1,489,531	34,672	278,216	21,471	3,400,487
At 31 December 2012	1,869,950	3,495,169	85,364	425,028	20,541	5,896,052
At 30 September 2013	1,990,819	3,821,571	98,703	477,506	18,138	6,406,737

26. PROPERTY AND EQUIPMENT (continued)

The carrying value of the Group's and the Bank's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Held in China				
Over 50 years	86,877	152,916	182,732	176,171
10 to 50 years	798,918	1,446,831	1,732,422	1,882,649
	885,795	1,599,747	1,915,154	2,058,820

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Held in China				
Over 50 years	86,877	150,954	180,836	176,169
10 to 50 years	798,583	1,425,643	1,689,114	1,814,650
	885,460	1,576,597	1,869,950	1,990,819

As at 30 September 2013, the process of obtaining the title for the Group's properties and buildings with an aggregate net carrying value of RMB 542 million (31 December 2012: RMB 610 million, 31 December 2011: RMB 634 million, 31 December 2010: RMB 294 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 30 September 2013, the carrying value transferred from construction in progress to other assets of the Group/Bank is RMB 13,302 thousand. (31 December 2012: RMB 32,014 thousand, 31 December 2011: Nil, 31 December 2010: Nil).

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

The Group

	31 December						30 September	
	2010		2011		2012		2013	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:								
Allowance for impairment losses	211,632	52,908	650,120	162,530	921,788	230,447	1,134,368	283,592
Change in fair value of available-for-sale financial assets	37,348	9,337	–	–	32,316	8,079	169,400	42,350
Change in fair value of held for trading financial assets	98,776	24,694	–	–	16,668	4,167	131,952	32,988
Salaries, bonuses, allowances and subsidies payables	175,000	43,750	–	–	17,636	4,409	17,636	4,409
Early retirement benefits	20,324	5,081	17,204	4,301	16,936	4,234	13,744	3,436
Deductible tax losses	64	16	22,196	5,549	27,912	6,978	16,036	4,009
Others	904	226	–	–	–	–	–	–
	544,048	136,012	689,520	172,380	1,033,256	258,314	1,483,136	370,784
Deferred income tax liabilities:								
Change in fair value of available-for-sale financial assets	–	–	(21,100)	(5,275)	–	–	–	–
Change in fair value of held for trading financial assets	–	–	(384)	(96)	–	–	–	–
	–	–	(21,484)	(5,371)	–	–	–	–
Net deferred income tax	544,048	136,012	668,036	167,009	1,033,256	258,314	1,483,136	370,784

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

(a) Analysed by nature (continued)

The Bank

	31 December						30 September	
	2010		2011		2012		2013	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:								
Allowance for impairment losses	211,524	52,881	646,244	161,561	890,604	222,651	1,088,088	272,022
Change in fair value of available-for-sale financial assets	37,348	9,337	–	–	32,316	8,079	169,400	42,350
Change in fair value of held for trading financial assets	98,776	24,694	–	–	16,668	4,167	131,952	32,988
Salaries, bonuses, allowances and subsidies payables	175,000	43,750	–	–	15,068	3,767	15,068	3,767
Early retirement benefits	20,324	5,081	17,204	4,301	16,936	4,234	13,744	3,436
	542,972	135,743	663,448	165,862	971,592	242,898	1,418,252	354,563
Deferred income tax liabilities:								
Change in fair value of available-for-sale financial assets	–	–	(21,100)	(5,275)	–	–	–	–
Change in fair value of held for trading financial assets	–	–	(384)	(96)	–	–	–	–
	–	–	(21,484)	(5,371)	–	–	–	–
Net deferred income tax	542,972	135,743	641,964	160,491	971,592	242,898	1,418,252	354,563

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred income tax

The Group

2010

	At 1 January 2010	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	At 31 December 2010
Deferred income tax assets:				
Allowance for impairment losses	52,289	619	–	52,908
Change in fair value of available-for-sale financial assets	785	–	8,552	9,337
Change in fair value of held-for-trading financial assets	3,259	21,435	–	24,694
Salaries, bonuses, allowances and subsidies payables	17,000	26,750	–	43,750
Early retirement benefits	4,847	234	–	5,081
Deductible tax losses	–	16	–	16
Others	–	226	–	226
Total	78,180	49,280	8,552	136,012

2011

	At 1 January 2011	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2011
Deferred income tax assets:				
Allowance for impairment losses	52,908	109,622	–	162,530
Change in fair value of available-for-sale financial assets	9,337	–	(9,337)	–
Change in fair value of held-for-trading financial assets	24,694	(24,694)	–	–
Salaries, bonuses, allowances and subsidies payables	43,750	(43,750)	–	–
Early retirement benefits	5,081	(780)	–	4,301
Deductible tax losses	16	5,533	–	5,549
Others	226	(226)	–	–
Subtotal	136,012	45,705	(9,337)	172,380
Deferred income tax liabilities				
Change in fair value of available-for-sale financial assets	–	–	(5,275)	(5,275)
Change in fair value of held-for-trading Financial assets	–	(96)	–	(96)
Subtotal	–	(96)	(5,275)	(5,371)
Net deferred income tax	136,012	45,609	(14,612)	167,009

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred income tax (continued)

The Group (continued)

2012

	At 1 January 2012	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	At 31 December 2012
Deferred income tax assets:				
Allowance for impairment losses	162,530	67,917	–	230,447
Change in fair value of available-for-sale financial assets	–	–	8,079	8,079
Change in fair value of held-for-trading financial assets	–	4,167	–	4,167
Salaries, bonuses, allowances and subsidies payables	–	4,409	–	4,409
Early retirement benefits	4,301	(67)	–	4,234
Deductible tax losses	5,549	1,429	–	6,978
Subtotal	172,380	77,855	8,079	258,314
Deferred income tax liabilities				
Change in fair value of available-for-sale financial assets	(5,275)	–	5,275	–
Change in fair value of held-for-trading financial assets	(96)	96	–	–
Subtotal	(5,371)	96	5,275	–
Net deferred income tax	167,009	77,951	13,354	258,314

30 September 2013

	At 1 January 2013	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	At 30 September 2013
Deferred income tax assets:				
Allowance for impairment losses	230,447	50,176	–	280,623
Change in fair value of available-for-sale financial assets	8,079	–	34,271	42,350
Change in fair value of held-for-trading financial assets	4,167	28,821	–	32,988
Salaries, bonuses, allowances and subsidies payables	4,409	–	–	4,409
Early retirement benefits	4,234	(798)	–	3,436
Deductible tax losses	6,978	–	–	6,978
Total	258,314	78,199	34,271	370,784

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred income tax (continued)

The Bank

2010

	At 1 January 2010	Total gains recorded in profit or loss	Total gains recorded in other comprehensive income	At 31 December 2010
Deferred income tax assets:				
Allowance for impairment losses	52,289	592	–	52,881
Change in fair value of available-for-sale financial assets	785	–	8,552	9,337
Change in fair value of held-for-trading financial assets	3,259	21,435	–	24,694
Salaries, bonuses, allowances and subsidies payables	17,000	26,750	–	43,750
Early retirement benefits	4,847	234	–	5,081
Total	78,180	49,011	8,552	135,743

2011

	At 1 January 2011	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2011
Deferred income tax assets:				
Allowance for impairment losses	52,881	108,680	–	161,561
Change in fair value of available-for-sale financial assets	9,337	–	(9,337)	–
Change in fair value of held-for-trading financial assets	24,694	(24,694)	–	–
Salaries, bonuses, allowances and subsidies payables	43,750	(43,750)	–	–
Early retirement benefits	5,081	(780)	–	4,301
Subtotal	135,743	39,456	(9,337)	165,862
Deferred income tax liabilities				
Change in fair value of available-for-sale financial assets	–	–	(5,275)	(5,275)
Financial assets held-for-trading	–	(96)	–	(96)
Subtotal	–	(96)	(5,275)	(5,371)
Net deferred income tax	135,743	39,360	(14,612)	160,491

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

(b) Movements of deferred income tax (continued)

The Bank (continued)

2012

	At 1 January 2012	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	At 31 December 2012
Deferred income tax assets:				
Allowance for impairment losses	161,561	61,090	–	222,651
Change in fair value of available-for-sale financial assets	–	–	8,079	8,079
Change in fair value of held-for-trading financial assets	–	4,167	–	4,167
Salaries, bonuses, allowances and subsidies payables	–	3,767	–	3,767
Early retirement benefits	4,301	(67)	–	4,234
	165,862	68,957	8,079	242,898
Deferred income tax liabilities				
Change in fair value of available-for-sale financial assets	(5,275)	–	5,275	–
Change in fair value of held-for-trading financial assets	(96)	96	–	–
Subtotal	(5,371)	96	5,275	–
Net deferred income tax	160,491	69,053	13,354	242,898

30 September 2013

	At 1 January 2013	Total gains/(losses) recorded in profit or loss	Total gains recorded in other comprehensive income	At 30 September 2013
Deferred income tax assets:				
Allowance for impairment losses	222,651	49,371	–	272,022
Change in fair value of available-for-sale financial assets	8,079	–	34,271	42,350
Change in fair value of held-for-trading financial assets	4,167	28,821	–	32,988
Salaries, bonuses, allowances and subsidies payables	3,767	–	–	3,767
Early retirement benefits	4,234	(798)	–	3,436
Total	242,898	77,394	34,271	354,563

The Group and the Bank did not have significant unrecognised deferred income tax assets and liabilities at the end of the accounting period.

28. OTHER ASSETS

The Group

	31 December 2010	31 December 2011	31 December 2012	30 September 2013
Interest receivable (a)	817,405	1,788,243	2,075,605	1,981,793
Land use rights (b)	–	–	28,857	28,125
Advance payments	364,541	179,319	278,561	418,051
Settlement and clearing accounts	3,977	3,996	196,052	333,690
Repossessed assets (c)	113,515	94,957	74,072	74,072
Intangible assets (d)	29,333	35,604	42,820	37,493
Prepaid investment funds with Village and Township Banks	110,000	–	–	–
Others	38,105	14,965	51,455	151,651
	1,476,876	2,117,084	2,747,422	3,024,875

The Bank

	31 December 2010	31 December 2011	31 December 2012	30 September 2013
Interest receivable (a)	804,289	1,766,726	2,034,047	1,938,819
Land use rights (b)	–	–	28,857	28,125
Advance payments	361,174	173,750	269,641	408,826
Settlement and clearing accounts	3,977	3,696	195,141	330,490
Repossessed assets (c)	113,515	94,957	74,072	74,072
Intangible assets	29,273	35,401	41,345	36,023
Prepaid investment funds with Village and Township Banks	110,000	–	–	–
Others	38,041	13,475	50,415	139,789
	1,460,269	2,088,005	2,693,518	2,956,144

(a) Interest receivable

The Group

	31 December 2010	31 December 2011	31 December 2012	30 September 2013
Banks and other financial institution	36,019	128,407	105,693	153,757
Reverse repurchase agreements	53,445	292,184	201,886	118,702
Loans and advances to customers	496,728	703,343	874,804	977,670
Bond and other investments	231,213	664,309	893,222	731,664
	817,405	1,788,243	2,075,605	1,981,793

The Bank

	31 December 2010	31 December 2011	31 December 2012	30 September 2013
Banks and other financial institution	34,424	129,298	106,795	163,845
Reverse repurchase agreements	53,445	292,184	200,924	118,702
Loans and advances to customers	485,207	680,995	833,106	959,068
Bond and other investments	231,213	664,249	893,222	697,204
	804,289	1,766,726	2,034,047	1,938,819

As of 31 December 2010, 2011 and 2012 and 30 September 2013, all interest receivables are due within one year.

28. OTHER ASSETS (continued)

(b) Land use rights

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Located in Mainland China				
10-50 years	–	–	28,857	28,125

The original maturities of the leases are medium-term.

(c) Repossessed assets

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Land use rights and buildings	143,325	97,337	74,072	74,072
Others	8,817	–	–	–
Subtotal	152,142	97,337	74,072	74,072
Less: Allowance for impairment losses	(38,627)	(2,380)	–	–
	113,515	94,957	74,072	74,072

(d) Intangible assets

Intangible assets consist primarily of computer software, which is amortised within five years.

29. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Deposits:				
Banks operating in Mainland China	2,404,228	13,424,993	32,860,356	35,954,158
Other financial institutions operating in Mainland China	178,736	1,572,767	1,456,756	904,019
Banks operating outside Mainland China	8,925	5,911	1,621	9,368
	2,591,889	15,003,671	34,318,733	36,867,545
Placements:				
Banks operating in Mainland China	2,300	2,834,993	2,194,470	291,314
Other financial institutions operating in Mainland China	40	40	40	40
Banks operating outside Mainland China	–	212,422	10,305	49,184
	2,340	3,047,455	2,204,815	340,538
	2,594,229	18,051,126	36,523,548	37,208,083

29. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Deposits:				
Banks operating in Mainland China	2,829,309	14,112,363	33,567,484	36,401,959
Other financial institutions operating in Mainland China	178,736	1,572,767	1,456,756	904,019
Banks operating outside Mainland China	8,925	5,911	1,621	9,368
	3,016,970	15,691,041	35,025,861	37,315,346
Placements:				
Banks operating in Mainland China	2,300	2,834,993	2,194,470	886,114
Other financial institutions operating in Mainland China	40	40	40	40
Banks operating outside Mainland China	–	212,422	10,305	49,184
	2,340	3,047,455	2,204,815	935,338
	3,019,310	18,738,496	37,230,676	38,250,684

Interest due to banks and other financial institutions are calculated based on contract interest rates.

30. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchase of bonds and bills.

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Repurchase agreements analysed by counterparty:				
Banks	2,871,727	25,903,764	22,832,655	5,895,237
Other financial institutions	–	2,068,760	–	394,550
	2,871,727	27,972,524	22,832,655	6,289,787
Repurchase agreements analysed by collateral:				
Bonds	–	16,427,630	8,863,100	4,552,050
Bills	2,871,727	11,544,894	13,969,555	1,737,737
	2,871,727	27,972,524	22,832,655	6,289,787

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Repurchase agreements analysed by counterparty:				
Banks	2,871,727	25,903,764	22,676,761	5,895,237
Other financial institutions	–	2,068,760	–	394,550
	2,871,727	27,972,524	22,676,761	6,289,787
Repurchase agreements analysed by collateral:				
Bonds	–	16,427,630	8,863,100	4,552,050
Bills	2,871,727	11,544,894	13,813,661	1,737,737
	2,871,727	27,972,524	22,676,761	6,289,787

31. DUE TO CUSTOMERS

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Demand deposits:				
Corporate customers	58,850,263	70,284,381	69,981,487	62,369,792
Personal customers	14,505,008	19,292,735	27,107,158	24,399,298
	73,355,271	89,577,116	97,088,645	86,769,090
Time deposits:				
Corporate customers	21,741,001	33,414,838	61,058,338	71,766,003
Personal customers	17,795,355	22,970,472	28,495,401	32,594,898
	39,536,356	56,385,310	89,553,739	104,360,901
	112,891,627	145,962,426	186,642,384	191,129,991

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Demand deposits:				
Corporate customers	58,306,095	68,520,925	67,043,072	59,483,792
Personal customers	14,394,165	18,884,490	26,532,368	23,833,540
	72,700,260	87,405,415	93,575,440	83,317,332
Time deposits:				
Corporate customers	21,577,292	32,979,085	59,328,662	69,533,698
Personal customers	17,657,205	22,382,830	27,529,061	31,161,212
	39,234,497	55,361,915	86,857,723	100,694,910
	111,934,757	142,767,330	180,433,163	184,012,242

32. DEBT SECURITIES ISSUED

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Subordinated bonds issued (a)	1,000,000	1,000,000	1,000,000	1,000,000
Financial bonds issued (b)	–	–	2,500,000	2,500,000
	1,000,000	1,000,000	3,500,000	3,500,000

(a) Subordinated bonds

As approved by the PBOC and the CBRC, the Bank issued callable subordinated bonds in 2009. These subordinated bonds were traded in the bond market among banks. The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds during the period (2012, 2011, 2010: No). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price (RMB)	Coupon rate	Value date	Maturity date	Issue amount (RMB)	Notes
09 Harbin Bank subordinated bonds	7 Dec 2009	100	6.00%	9 Dec 2009	9 Dec 2019	1,000 million	(i)

(i) The Bank has the option to redeem all or part of the bonds at face value on 9 December 2014. If the Bank does not exercise this option, the annual coupon rate will increase by 300 basis points ("bps") thereafter.

32. DEBT SECURITIES ISSUED (continued)

(b) Financial bonds

As approved by the PBOC and the CBRC, the Bank issued financial bonds in 2012. These financial bonds were traded in the inter-bank bond market. The Bank has not had any defaults of principal or interest or other breaches with respect to the financial bonds during the period (2012: No). The relevant information on these subordinated bonds is set out below:

Name	Issue date	Issue price (RMB)	Coupon rate	Value date	Maturity date	Issue amount (RMB)
12 Harbin Bank financial bonds	15 May 2012	100	4.55%	16 May 2012	16 May 2017	2,500 million

33. OTHER LIABILITIES

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Interest payable (a)	396,880	1,014,419	1,601,192	2,245,649
Wealth management products payable	145,927	27,074	363,156	168,671
Settlement and clearing accounts	34,494	94,596	149,605	228,794
Account payable from agency services	188,984	61,369	25,110	68,368
Salaries, bonuses, allowances and subsidies payables (b)	204,028	238,728	336,137	291,301
Sundry tax payables	55,546	105,491	137,661	137,163
Deferred revenue (c)	429	1,940	39,892	113,793
Dividends payable	19,588	19,497	34,030	46,309
Accrued expenses	7,344	1,635	599	1,064
Others	158,605	204,164	61,193	193,827
	1,211,825	1,768,913	2,748,575	3,494,939

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Interest payable (a)	391,026	1,005,338	1,575,374	2,215,310
Wealth management products payable	145,927	27,074	363,156	168,671
Settlement and clearing accounts	34,494	94,042	148,846	227,975
Account payable from agency services	188,984	56,369	25,110	68,094
Salaries, bonuses, allowances and subsidies payables (b)	203,585	237,511	332,044	284,362
Sundry tax payables	54,836	103,580	133,893	132,240
Deferred revenue (c)	429	1,940	39,892	113,793
Dividends payable	19,588	19,497	34,030	46,309
Accrued expenses	7,344	1,635	599	1,064
Others	157,365	197,204	56,605	184,381
	1,203,578	1,744,190	2,709,549	3,442,199

33. OTHER LIABILITIES (continued)

(a) Interest payable

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Deposits of banks and other financial institutions	892	133,137	234,130	318,500
Borrowings from banks	–	–	118	20
Due to customers	379,132	660,364	1,152,296	1,778,746
Repurchase agreements	13,075	217,137	139,665	56,883
Bonds payable	3,781	3,781	74,983	91,500
	396,880	1,014,419	1,601,192	2,245,649

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Deposits of banks and other financial institutions	–	134,120	234,738	328,390
Borrowings from banks	–	–	118	20
Due to customers	374,170	650,376	1,126,297	1,738,517
Repurchase agreements	13,075	217,061	139,238	56,883
Bonds payable	3,781	3,781	74,983	91,500
	391,026	1,005,338	1,575,374	2,215,310

(b) Salaries, bonuses, allowances and subsidies payable

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Salaries, bonuses and allowances	175,000	200,016	289,606	229,439
Social insurance	4,763	4,060	4,377	15,699
Housing fund	1,551	3,809	2,607	11,401
Employee benefits	48	177	–	308
Labour union expenditure and education costs	2,341	13,460	22,609	20,709
Early retirement benefits	20,325	17,206	16,938	13,745
	204,028	238,728	336,137	291,301

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Salaries, bonuses and allowances	175,000	200,001	287,037	227,379
Social insurance	4,448	3,649	4,124	13,857
Housing fund	1,549	3,709	2,603	10,162
Employee benefits	48	177	–	308
Labour union expenditure and education costs	2,215	12,769	21,342	18,911
Early retirement benefits	20,325	17,206	16,938	13,745
	203,585	237,511	332,044	284,362

33. OTHER LIABILITIES (continued)

(c) Deferred revenue

Deferred revenue consists mainly of advisory fees, government grants related to assets and reverse repurchase agreements, deferred revenue will be recognised in the next few years in accordance with the corresponding amortisation expense that is charged to the income statement.

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Advisory fees	–	–	36,016	42,967
Asset-related government grants	429	1,940	3,876	1,867
Reverse repurchase agreements	–	–	–	68,959
	429	1,940	39,892	113,793

34. SHARE CAPITAL

	The Bank							
	31 December						30 September	
	2010		2011		2012		2013	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
	(thousands)		(thousands)		(thousands)		(thousands)	
Opening balance	2,100,333	2,100,333	2,100,333	2,100,333	6,187,823	6,187,823	7,560,198	7,560,198
Shares issued	–	–	2,197,190	2,197,190	980,000	980,000	–	–
Retained profits converted into share capital	–	–	1,890,300	1,890,300	392,375	392,375	686,702	686,702
Ending balance	2,100,333	2,100,333	6,187,823	6,187,823	7,560,198	7,560,198	8,246,900	8,246,900

(a) In April 2011, the Bank transferred RMB 1,890,300 thousands retained profits into share capital by distributing bonus shares at the ratio of 9 shares for every 10 shares held, RSM China Certified Public Accountants (LLP) verified the capital injection, and issued the capital verification report (RSM Hei Yanzi 2011.No.33) on 14 June 2011.

(b) In April 2011, the Bank made an allotment of 1,197,190 thousand shares to all the stockholders publicly at the ratio of 3 shares for every 10 shares held at RMB 2 per share. RSM China Certified Public Accountants (LLP) verified the capital injection, and issued the capital verification report (RSM Hei Yanzi 2011.No.37) on 14 June 2011.

(c) In August 2011, 1,000,000 thousand ordinary shares with a par value of RMB 1 were issued at RMB 2.05 per share. The premium arising from the issuance of new shares amounting to RMB1,050,000 thousand was recorded in capital reserve accounts. RSM China Certified Public Accountants (LLP) verified the capital injection, and issued the capital verification report (RSM Hei Yanzi 2011.No.13) on 2 December 2011.

(d) In April 2012, the Bank transferred RMB392,375 thousand of undistributed profit into capital, resulting in an increase of 392,375 thousand shares in the share capital of the Bank. RSM China Certified Public Accountants (LLP) verified the capital injection, and issued the capital verification report (RSM Hei Yanzi 2012. No.30) on 28 June 2012.

34. SHARE CAPITAL (continued)

(e) In March 2012, 980,000 thousand ordinary shares with a par value of RMB 1 were issued at RMB 3 per share to new shareholders. The premium arising from the issuance of new shares amounting to RMB1,960,000 thousand was recorded in capital reserve accounts. RSM China Certified Public Accountants (LLP) verified the capital injection, and issued the capital verification report (RSM Hei Yanzi 2012.No.20) on 5 May 2012.

(f) In May 2013, the Bank transferred RMB686,702 thousand of undistributed profit into capital, resulting in an increase of 686,702 thousand shares in the share capital of the Bank. RSM China Certified Public Accountants (LLP) verified the capital injection, and issued the capital verification report (RSM Hei Yanzi 2013. No.11) on 8 June 2013.

35. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 27 March 2013, an appropriation of 10% of the profit for the year determined under the generally accepted accounting principles of PRC ("PRC GAAP") to the statutory surplus reserve, in the amount of RMB 281.87 million (2011: RMB 184.228 million; 2010: RMB 122.066 million) was approved.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(c) General reserve

From 1 July 2012, the Bank is required by the MOF to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year ending balance of its risk assets (2012: no less than 1%; 2011: no less than 1%; 2010: no less than 1%).

35. RESERVES (continued)

(c) General reserve (continued)

For the year ended 31 December 2010, 2011, 2012 and the nine months ended 30 September 2013, the Bank made appropriation to the general reserve amounting to RMB 163,990 thousand, RMB 128,659 thousand, RMB 233,857 thousand and RMB 1,284,534 thousand respectively.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of an associate other than the items listed above.

(f) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the PRC GAAP. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

35. RESERVES (continued)

(f) Distributable profits (continued)

The movements in reserves and retained profits of the Bank during the years/period are set out below.

	Reserves						
	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Other reserves	Total	Retained profits
Balance at 1 January 2010	15,189	281,522	401,891	(2,355)	–	696,247	1,044,919
Profit for the year	–	–	–	–	–	–	1,220,659
Change in fair value of available-for-sale investments	–	–	–	(25,656)	–	(25,656)	–
Appropriation to surplus reserves (i)	–	122,066	–	–	–	122,066	(122,066)
Appropriation to general reserve	–	–	163,990	–	–	163,990	(163,990)
Balances at 31 December 2010 and 1 January 2011	15,189	403,588	565,881	(28,011)	–	956,647	1,979,522
Profit for the year	–	–	–	–	–	–	1,842,281
Change in fair value of available-for-sale investments	–	–	–	43,837	–	43,837	–
Retained profits converted into share capital	–	–	–	–	–	–	(1,890,300)
Share Premium	2,247,190	–	–	–	–	2,247,190	–
Appropriation to surplus reserves (i)	–	184,228	–	–	–	184,228	(184,228)
Appropriation to general reserve	–	–	128,659	–	–	128,659	(128,659)
Balances at 31 December 2011 and 1 January 2012	2,262,379	587,816	694,540	15,826	–	3,560,561	1,618,616
Profit for the year	–	–	–	–	–	–	2,818,698
Change in fair value of available-for-sale investments	–	–	–	(40,063)	–	(40,063)	–
Other reserves	–	–	–	–	7,585	7,585	–
Retained profits converted into share capital	–	–	–	–	–	–	(392,375)
Share premium	1,960,000	–	–	–	–	1,960,000	–
Dividend-2011 final (note 16)	–	–	–	–	–	–	(392,375)
Appropriation to surplus reserves (i)	–	281,870	–	–	–	281,870	(281,870)
Appropriation to general reserve	–	–	233,857	–	–	233,857	(233,857)
Balance as at 31 December 2012 and 1 January 2013	4,222,379	869,686	928,397	(24,237)	7,585	6,003,810	3,136,837
Profit for the period	–	–	–	–	–	–	2,262,413
Change in fair value of available-for-sale investments	–	–	–	(102,813)	–	(102,813)	–
Other reserves	–	–	–	–	(30,412)	(30,412)	–
Retained profits converted into share capital	–	–	–	–	–	–	(686,702)
Dividend-2012 final (note 16)	–	–	–	–	–	–	(171,675)
Appropriation to general reserve	–	–	1,284,534	–	–	1,284,534	(1,284,534)
Balances at 30 September 2013	4,222,379	869,686	2,212,931	(127,050)	(22,827)	7,155,119	3,256,339

36. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Available-for-sale financial assets:				
Changes in fair value recorded in other comprehensive income/(loss)	(34,208)	40,919	(79,848)	(139,690)
Less: Transfer to the income statement arising from disposal	–	17,530	26,431	2,605
Income tax effect	8,552	(14,612)	13,354	34,271
	(25,656)	43,837	(40,063)	(102,814)
Share of other comprehensive income of an associate	–	–	7,585	(30,412)
	(25,656)	43,837	(32,478)	(133,226)

37. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated cash flow statement, cash and cash equivalents include an original maturity of less than three months as follows.

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Cash on hand (note 18)	370,969	689,109	815,255	1,069,465
Balances with central bank (note 18)	8,199,966	7,540,555	17,907,866	5,941,184
Due from banks and other financial institutions	7,409,326	8,636,491	11,791,685	12,308,568
Reverse repurchase agreements	12,617,590	36,226,000	33,579,472	13,800,553
	28,597,851	53,092,155	64,094,278	33,119,770

During the reporting period, investing and financing activities of the Group and the Bank that did not involve cash receipts and payments only included the conversion of retained profits into share capital. Details of the retained profits converted into share capital are disclosed in note 35(f).

38. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

At the end of the reporting period, the Group and the Bank had capital commitments as follows:

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Authorised, but not contracted	–	–	33,172	–
Contracted, but not provided	493,804	960,571	1,350,523	1,690,053
	493,804	960,571	1,383,695	1,690,053

38. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(a) Capital commitments (continued)

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Authorised, but not contracted	–	–	33,000	–
Contracted, but not provided	493,804	960,571	1,343,836	1,686,832
	493,804	960,571	1,376,836	1,686,832

(b) Operating lease commitments

Operating lease commitments – Lessee

At the end of the reporting period, the Group and the Bank lease certain of its office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Within one year	39,061	72,551	105,408	131,897
After one year but not more than five years	97,690	204,122	286,614	322,419
After five years	48,252	83,060	121,186	141,981
	185,003	359,733	513,208	596,297

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Within one year	38,384	58,867	88,526	123,934
After one year but not more than five years	95,538	164,905	238,322	304,109
After five years	48,252	75,064	103,490	141,787
	182,174	298,836	430,338	569,830

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

38. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(c) Credit commitments (continued)

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Bank acceptances	15,247,749	24,713,930	46,845,488	44,190,277
Guarantees issued	151,173	398,244	235,876	1,368,318
Sight letters of credit	86,863	224,848	1,267,653	1,986,116
Undrawn credit card limit	351,184	597,127	1,040,325	1,293,798
	15,836,969	25,934,149	49,389,342	48,838,509

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Bank acceptances	15,247,749	24,713,930	46,794,702	43,884,287
Guarantees issued	151,173	398,244	212,134	53,030
Sight letters of credit	86,863	224,848	1,267,653	1,986,116
Undrawn credit card limit	351,184	597,127	1,040,325	1,293,798
	15,836,969	25,934,149	49,314,814	47,217,231

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Financial guarantees and credit related commitments	4,350,819	11,358,105	18,346,757	20,331,022

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Financial guarantees and credit related commitments	4,350,819	11,358,105	18,290,214	19,645,957

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 31 December 2010, 2011, 2012 and 30 September 2013, there were no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

38. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(f) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, in which the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 September 2013, the Bank had underwritten and sold bonds with an accumulated amount of RMB 1,645 million (31 December 2012: RMB 1,852 million; 31 December 2011: RMB 1,872 million, 31 December 2010: RMB 2,124 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(g) Risk fund rescue obligation

The Bank has been a member of the Asia Financial Cooperation Association ("AFCA") since 31 December 2012, who has established a risk fund divided into shares. The price per share equaled to RMB 100 million as at the fund establishment date. The Bank subscribed for 2 shares with 10% cash and 90% cooperative obligation. This means the Bank has the obligation of providing support to the AFCA members through certain methods such as placement, within the limit of RMB 180 million.

39. WEALTH MANAGEMENT AND CUSTODY

(a) Wealth management

The Bank sponsored Lilac RMB wealth management products to individual and institutional investors, the funds are mainly used in the interbank market for securities investments, trust loans, rights and other equity earnings. The balances of non-guaranteed wealth management products are as follows:

	The Group/Bank			
	31 December			30 September
	2010	2011	2012	2013
Entrusted funding	21,252,560	9,242,930	36,495,500	28,939,110
Entrusted investments	21,252,560	9,242,930	36,495,500	28,939,110

During the reporting period, the gains from the off-balance sheet non-guaranteed wealth management products of the Bank mainly include fee and financial advisory service fees. For the specific amounts, please see note 6 Net Fee and Commission Fee Income. The gains from the off-balance sheet non-guaranteed wealth management products of the Bank are the same with the Bank's maximum exposure to loss from its gains in such business.

(b) Designated funds and loans

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Designated funds	1,344,966	1,645,978	7,163,843	8,917,505
Designated loans	1,344,966	1,645,978	7,163,843	8,917,505

39. WEALTH MANAGEMENT AND CUSTODY (continued)

(b) Designated funds and loans (continued)

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Designated funds	1,344,966	1,645,978	7,093,843	8,836,245
Designated loans	1,344,966	1,645,978	7,093,843	8,836,245

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

40. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as security for liabilities or contingent liabilities, mainly arising from repurchase agreements and negotiated deposits. As at 30 September 2013, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB 8,288 million (31 December 2012: RMB 26,036 million; 31 December 2011: RMB 29,236 million; 31 December 2010: RMB 2,872 million).

41. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "Net Fee and Commission Income" set out in note 6 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

42. RELATED PARTY DISCLOSURES

(a) Significant related party disclosures

(i) Shareholders of the Bank with 5% or above ownership

	Share Percentage in the Bank			
	31 December			30 September
Name	2010	2011	2012	2013
	%	%	%	%
Harbin Economic Development and Investment Company	33.70	33.70	29.33	29.48
Harbin Kechuang Xingye Investment Company Limited	9.98	9.98	8.69	8.73
Heilongjiang Keruan Software Technology Company Limited	9.98	9.98	8.68	8.73
Heilongjiang Xin Yongsheng Trading Company Limited	8.87	8.87	7.72	7.76
Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	7.93	7.93	6.90	6.94
Heilongjiang Tuokai Trading Company Limited	7.24	7.24	6.30	6.34

42. RELATED PARTY DISCLOSURES (continued)

(a) Significant related party disclosures (continued)

(ii) Subsidiaries of the Bank

Details of the subsidiaries of the Bank are set out in note 1 of section II Corporate Information and Structure.

(b) Related party transactions

(i) Transactions between the Bank and major shareholders

	31 December			30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Balances at end of the year/period:					
Deposits	771	110	385	614	935
Other liabilities	97,347	97,347	–	–	–
Transactions during the year/period:					
Interest expense on deposits	68	44	243	141	25
Interest rate ranges during the year/ period are as follows:	%	%	%	%	%
Deposits	0.35	0.35-0.50	0.35-0.50	0.35-0.50	0.35-0.50

(ii) Transactions between the Bank and subsidiaries

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	31 December			30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Balances at end of the year/period:					
Loans	5,111	8,388	7,882	8,220	7,498
Deposits	3,927	6,568	10,262	7,766	11,125
Transactions during the year/ period:					
Interest income on loans	406	392	448	325	516
Interest expense on deposits	43	72	48	36	51
Interest rate ranges during the year/period are as follows:	%	%	%	%	%
Loans	4.25-6.53	4.48-8.96	4.56-9.17	4.56-9.17	4.56-9.17
Deposits	0.36-5.00	0.50-5.00	0.39-4.75	0.39-4.75	0.39-4.75

42. RELATED PARTY DISCLOSURES (continued)

(c) Key management personnel (continued)

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
				(Unaudited)	
Emoluments and other short term employed benefits	9,258	16,927	22,671	10,229	12,215

43. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into four different operating segments as below:

Corporate banking

The corporate banking covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other relating to trading business.

Personal banking

The personal banking covers the provision of financial products and services to individual customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Treasury operations

The treasury operations covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Others

This represents business other than corporate banking, personal banking and treasury banking, whose assets, liabilities, income and expenses can not directly attributable or can not be allocated to a segment on a reasonable basis.

Inter-segment transfer price is calculated in accordance with the sources and funding period, matching the interest rates announced by the PBOC and the interbank market rates. Expenses are allocated between segments based on benefits.

43. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2010					
External net interest income	914,580	1,208,196	833,128	–	2,955,904
Internal net interest income/(expense)	555,715	106,906	(662,621)	–	–
Net fee and commission income	39,831	(6,084)	82,443	–	116,190
Other income/(expense), net (i)	(7,618)	–	124,411	56,529	173,322
Operating income	1,502,508	1,309,018	377,361	56,529	3,245,416
Operating expenses	(680,224)	(532,202)	(157,845)	(31,262)	(1,401,533)
Impairment losses on:					
Loans and advances to customers	(10,727)	(228,017)	–	–	(238,744)
Others	–	–	–	11,777	11,777
Operating profit	811,557	548,799	219,516	37,044	1,616,916
Share of profits of an associate	–	–	–	–	–
Profit before tax	811,557	548,799	219,516	37,044	1,616,916
Income tax expense					(389,702)
Profit for the year					1,227,214
Other segment information:					
Depreciation and amortisation	48,796	38,178	12,710	1,278	100,962
Capital expenditure	397,710	311,165	103,590	10,419	822,884
As at 31 December 2010					
Segment assets	47,650,735	30,769,184	46,880,052	533,964	125,833,935
Segment liabilities	82,365,252	32,590,425	5,502,751	236,774	120,695,202
Other segment information:					
Credit commitments	15,485,785	351,184	–	–	15,836,969

(i) Includes net trading income, net income (losses) from financial investments and other net operating income.

43. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2011					
External net interest income	1,127,371	1,761,281	1,929,402	–	4,818,054
Internal net interest income/ (expense)	843,283	193,458	(1,036,741)	–	–
Net fee and commission income	40,126	(7,153)	378,881	–	411,854
Other income/(expense), net (i)	(10,469)	–	153,986	40,627	184,144
Operating income	2,000,311	1,947,586	1,425,528	40,627	5,414,052
Operating expenses	(809,705)	(647,317)	(612,745)	(13,057)	(2,082,824)
Impairment losses on:					
Loans and advances to customers	(233,413)	(642,574)	–	–	(875,987)
Others	–	–	5,466	46,737	52,203
Operating profit	957,193	657,695	818,249	74,307	2,507,444
Share of profits of an associate	–	–	–	–	–
Profit before tax	957,193	657,695	818,249	74,307	2,507,444
Income tax expense					(651,019)
Profit for the year					1,856,425
Other segment information:					
Depreciation and amortisation	49,936	39,922	45,732	628	136,218
Capital expenditure	656,522	524,854	601,240	8,257	1,790,873
As at 31 December 2011					
Segment assets	61,222,844	38,167,318	106,045,846	1,225,351	206,661,359
Segment liabilities	105,543,675	42,665,453	46,651,661	270,195	195,130,984
Other segment information:					
Credit commitments	25,337,022	597,127	–	–	25,934,149

(i) Includes net trading income, net income (losses) from financial investments and other net operating income.

43. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Year ended 31 December 2012					
External net interest income	1,499,386	1,939,153	3,219,828	–	6,658,367
Internal net interest income/ (expense)	1,003,467	286,024	(1,289,491)	–	–
Net fee and commission income	65,542	3,539	609,569	–	678,650
Other income, net (i)	17,158	–	268,664	88,367	374,189
Operating income	2,585,553	2,228,716	2,808,570	88,367	7,711,206
Operating expenses	(1,239,034)	(615,841)	(1,141,492)	(29,152)	(3,025,519)
Impairment losses on:					
Loans and advances to customers	(333,484)	(503,741)	–	–	(837,225)
Others	1,999	–	–	(980)	1,019
Operating profit	1,015,034	1,109,134	1,667,078	58,235	3,849,481
Share of profits of an associate	–	–	–	9,429	9,429
Profit before tax	1,015,034	1,109,134	1,667,078	67,664	3,858,910
Income tax expense					(987,451)
Profit for the year					2,871,459
Other segment information:					
Depreciation and amortisation	70,702	46,431	89,687	1,435	208,255
Capital expenditure	952,502	625,520	1,208,271	19,329	2,805,622
As at 31 December 2012					
Segment assets	87,740,237	49,828,440	131,117,864	1,403,611	270,090,152
Segment liabilities	136,037,077	56,218,371	60,518,261	379,462	253,153,171
Other segment information:					
Credit commitments	48,349,017	1,040,325	–	–	49,389,342

(i) Includes net trading income, net income (losses) from financial investments and other net operating income.

43. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Nine months ended 30 September 2012 (Unaudited)					
External net interest income	817,059	1,599,696	2,340,729	–	4,757,484
Internal net interest income/(expense)	838,420	207,582	(1,046,002)	–	–
Net fee and commission income	56,761	1,511	412,809	–	471,081
Other income, net (i)	10,072	–	199,641	40,685	250,398
Operating income	1,722,312	1,808,789	1,907,177	40,685	5,478,963
Operating expenses	(345,464)	(885,994)	(745,299)	(14,634)	(1,991,391)
Impairment losses on:					
Loans and advances to customers	(386,449)	(423,256)	–	–	(809,705)
Operating profit	990,399	499,539	1,161,878	26,051	2,677,867
Share of profits of an associate	–	–	–	8,036	8,036
Profit before tax	990,399	499,539	1,161,878	34,087	2,685,903
Income tax expense					(664,797)
Profit for the period					2,021,106
Other segment information:					
Depreciation and amortisation	46,102	39,210	65,226	731	151,269
Capital expenditure	497,646	423,254	704,095	7,896	1,632,891
As at 30 September 2012					
Segment assets	117,140,381	11,563,000	134,154,785	1,948,599	264,806,765
Segment liabilities	121,013,793	49,619,417	77,494,980	589,698	248,717,888
Other segment information:					
Credit commitments	48,479,749	1,293,798	–	–	49,773,547

(i) Includes net trading income, net income (losses) from financial investments and other net operating income.

43. SEGMENT INFORMATION (continued)

(a) Operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
Nine months ended 30 September 2013					
External net interest income	902,685	1,412,914	2,608,743	–	4,924,342
Internal net interest income/ (expense)	939,168	279,476	(1,218,644)	–	–
Net fee and commission income	196,395	68,996	605,806	–	871,197
Other income, net (i)	(3,510)	–	115,856	15,682	128,028
Operating income	2,034,738	1,761,386	2,111,761	15,682	5,923,567
Operating expenses	(987,646)	(601,758)	(788,339)	(10,852)	(2,388,595)
Impairment losses on:					
Loans and advances to customers	(201,457)	(220,645)	–	–	(422,102)
Operating profit	845,635	938,983	1,323,422	4,830	3,112,870
Share of profits of an associate	–	–	–	7,130	7,130
Profit before tax	845,635	938,983	1,323,422	11,960	3,120,000
Income tax expense					(748,679)
Profit for the period					2,371,321
Other segment information:					
Depreciation and amortisation	80,671	49,152	83,307	435	213,565
Capital expenditure	202,554	123,413	209,173	1,092	536,232
As at 30 September 2013					
Segment assets	90,561,195	57,157,283	112,030,167	1,911,480	261,660,125
Segment liabilities	139,532,283	57,610,562	44,840,228	668,647	242,651,720
Other segment information:					
Credit commitments	47,544,711	1,293,798	180,000	–	49,018,509

(i) Includes trading income, net income from financial investments and other net operating income.

(b) Geographical information

The Group operates principally in Mainland China.

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Heilongjiang Province:	Including Head Office, Harbin, Shuangyashan, Jixi, Hegang, Suihua, Daqing, Qitaihe, Mudanjiang, Jiamusi, Qiqiharas well as Village and Township Banks operating within Heilongjiang.
Northeastern China:	Including Dalian, Shenyang, as well as Village and Township Banks operating in Northeastern China excluding the ones in Heilongjiang.
Southwestern China:	Chengdu, Chongqing, as well as Village and Township Banks operating in Southwest China and mainly located in Sichuan and Chongqing.
Northern China:	Tianjin, as well as Village and Township Banks operating in Northern China and mainly located in Beijing and Tianjing.
Other regions:	Village and Township Banks operating in regions other than those listed above.

43. SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
Year ended 31 December 2010						
External net interest income	2,506,793	231,756	60,042	151,206	6,107	2,955,904
Internal net interest income/(expense)	30,027	(6,822)	(9,210)	(9,339)	(4,656)	–
Net fee and commission income	80,580	21,668	8,328	5,618	(4)	116,190
Other income, net (i)	161,921	168	241	228	10,764	173,322
Operating income	2,779,321	246,770	59,401	147,713	12,211	3,245,416
Operating expenses	(1,149,902)	(127,592)	(42,458)	(66,753)	(14,828)	(1,401,533)
Impairment losses on:						
Loans and advances to customers	(159,357)	(39,413)	(26,360)	(11,891)	(1,723)	(238,744)
Others	11,777	–	–	–	–	11,777
Operating profit	1,481,839	79,765	(9,417)	69,069	(4,340)	1,616,916
Share of profits of an associate	–	–	–	–	–	–
Profit before tax	1,481,839	79,765	(9,417)	69,069	(4,340)	1,616,916
Income tax expense						(389,702)
Profit for the year						1,227,214
Other segment information:						
Depreciation and amortisation	42,900	12,382	910	6,688	38,082	100,962
Capital expenditure	697,090	64,299	17,397	39,821	4,277	822,884
As at 31 December 2010						
Segment assets	92,693,789	12,099,087	13,313,993	6,416,331	1,310,735	125,833,935
Segment liabilities	87,975,613	12,068,769	13,253,993	6,316,053	1,080,774	120,695,202
Other segment information:						
Credit commitments	5,702,490	6,684,695	1,232,088	2,212,233	5,463	15,836,969

(i) Includes trading income, net income from financial investments and other net operating income.

43. SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
Year ended 31 December 2011						
External net interest income	3,682,849	468,309	359,079	251,171	56,646	4,818,054
Internal net interest income/(expense)	182,373	(99,414)	(117,991)	52,757	(17,725)	–
Net fee and commission income	197,014	40,586	107,596	66,705	(47)	411,854
Other income, net (i)	162,250	14,849	3,383	22	3,640	184,144
Operating income	4,224,486	424,330	352,067	370,655	42,514	5,414,052
Operating expenses	(1,548,066)	(221,839)	(163,659)	(107,312)	(41,948)	(2,082,824)
Impairment losses on:						
Loans and advances to customers	(738,030)	(45,052)	(50,674)	(36,095)	(6,136)	(875,987)
Others	52,203	–	–	–	–	52,203
Operating profit	1,990,593	157,439	137,734	227,248	(5,570)	2,507,444
Share of profits of an associate	–	–	–	–	–	–
Profit before tax	1,990,593	157,439	137,734	227,248	(5,570)	2,507,444
Income tax expense						(651,019)
Profit for the year						1,856,425
Other segment information:						
Depreciation and amortisation	96,464	20,706	6,022	7,400	5,626	136,218
Capital expenditure	1,337,060	173,245	155,487	105,155	19,926	1,790,873
As at 31 December 2011						
Segment assets	136,516,566	18,379,809	36,995,801	12,339,968	2,429,215	206,661,359
Segment liabilities	126,058,186	18,345,553	36,699,508	12,226,686	1,801,051	195,130,984
Other segment information:						
Credit commitments	3,887,609	9,023,792	6,811,892	6,201,568	9,288	25,934,149

(i) Includes trading income, net income from financial investments and other net operating income

43. SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
Year ended 31 December 2012						
External net interest income	4,884,057	703,068	584,051	360,557	126,634	6,658,367
Internal net interest income/(expense)	(527,585)	103,315	300,944	125,951	(2,625)	–
Net fee and commission income	407,312	43,383	166,710	61,247	(2)	678,650
Other income, net (i)	256,183	22,482	70,987	11,877	12,660	374,189
Operating income	5,019,967	872,248	1,122,692	559,632	136,667	7,711,206
Operating expenses	(2,099,369)	(322,655)	(346,950)	(168,033)	(88,512)	(3,025,519)
Impairment losses on:						
Loans and advances to customers	(497,267)	(99,705)	(158,392)	(54,388)	(27,473)	(837,225)
Others	1,019	–	–	–	–	1,019
Operating profit	2,424,350	449,888	617,350	337,211	20,682	3,849,481
Share of profits of an associate	9,429	–	–	–	–	9,429
Profit before tax	2,433,779	449,888	617,350	337,211	20,682	3,858,910
Income tax expense						(987,451)
Profit for the year						2,871,459
Other segment information:						
Depreciation and amortisation	127,287	22,214	36,046	9,540	13,168	208,255
Capital expenditure	2,019,366	279,425	298,617	157,597	50,617	2,805,622
As at 31 December 2012						
Segment assets	171,368,038	33,639,009	43,401,202	17,085,713	4,596,190	270,090,152
Segment liabilities	155,684,967	33,552,542	43,038,612	16,939,328	3,937,722	253,153,171
Other segment information:						
Credit commitments	12,525,614	9,403,905	18,502,424	8,866,689	90,710	49,389,342

(i) Includes trading income, net income from financial investments and other net operating income.

43. SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
Nine months ended 30 September 2012 (Unaudited)						
External net interest income	3,865,109	422,967	205,078	167,998	96,332	4,757,484
Internal net interest income/(expense)	(368,300)	73,159	214,004	88,254	(7,117)	–
Net fee and commission income	256,120	25,436	149,197	40,368	(40)	471,081
Other income, net (i)	179,302	19,615	43,402	5,734	2,345	250,398
Operating income	3,932,231	541,177	611,681	302,354	91,520	5,478,963
Operating expenses	(1,365,391)	(218,537)	(236,548)	(109,479)	(61,436)	(1,991,391)
Impairment losses on:						
Loans and advances to customers	(519,689)	(129,043)	(104,203)	(38,699)	(18,071)	(809,705)
Operating profit	2,047,151	193,597	270,930	154,176	12,013	2,677,867
Share of profits of an associate	8,036	–	–	–	–	8,036
Profit before tax	2,055,187	193,597	270,930	154,176	12,013	2,685,903
Income tax expense						(664,797)
Profit for the period						2,021,106
Other segment information:						
Depreciation and amortisation	91,345	16,056	27,911	7,590	8,367	151,269
Capital expenditure	1,178,409	161,261	178,427	88,397	26,397	1,632,891
As at 30 September 2012						
Segment assets	185,511,377	32,167,436	35,289,372	8,794,662	3,043,918	264,806,765
Segment liabilities	150,739,356	35,776,056	46,194,332	13,611,877	2,396,267	248,717,888
Other segment information:						
Credit commitments	2,855,913	16,674,070	18,854,332	9,915,141	1,474,091	49,773,547

(i) Includes trading income, net income from financial investments and other net operating income.

43. SEGMENT INFORMATION (continued)

(b) Geographical information (continued)

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
Nine months ended 30 September 2013						
External net interest income	3,662,194	406,414	518,736	177,736	159,262	4,924,342
Internal net interest income/(expense)	(402,741)	156,888	110,737	149,458	(14,342)	–
Net fee and commission income	567,844	73,308	178,178	47,178	4,689	871,197
Other income, net (i)	13,022	19,464	89,327	2,479	3,736	128,028
Operating income	3,840,319	656,074	896,978	376,851	153,345	5,923,567
Operating expenses	(1,603,135)	(261,728)	(321,001)	(122,598)	(80,133)	(2,388,595)
Impairment losses on:						
Loans and advances to customers	(197,869)	(59,864)	(88,265)	(58,000)	(18,104)	(422,102)
Operating profit	2,039,315	334,482	487,712	196,253	55,108	3,112,870
Share of profits of an associate	7,130	–	–	–	–	7,130
Profit before tax	2,046,445	334,482	487,712	196,253	55,108	3,120,000
Income tax expense						(748,679)
Profit for the period						2,371,321
Other segment information:						
Depreciation and amortisation	136,099	21,341	35,210	10,500	10,415	213,565
Capital expenditure	348,379	59,347	80,953	34,069	13,484	536,232
As at 30 September 2013						
Segment assets	177,626,562	26,150,314	42,830,127	9,779,464	5,273,658	261,660,125
Segment liabilities	142,997,803	37,957,504	43,295,947	13,829,229	4,571,237	242,651,720
Other segment information:						
Credit commitments	4,306,624	16,700,933	16,864,831	9,775,094	1,371,027	49,018,509

(i) Includes trading income, net income from financial investments and other net operating income.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors (the "Board") has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Assets and Liabilities Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The group has also assigned departments monitoring financial risks within the Group, including the Risk Management Department to monitor credit risk and operational risk as well as the Asset and Liability Management department together with the Risk Management Department to monitor market and liquidity risks. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk, liquidity risk and operational risk and reporting directly to the Chief Risk Officer

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. Credit risk affecting the group is primarily due to loans, debt instruments, guarantees, commitment as well as other risks both on and off the balance sheet.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- Stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

In addition to the credit risk exposures on credit-related assets and amounts due from or lending to banks and other financial institutions, credit risk also arises in other areas. In addition, the Group also makes available to its customers' guarantees which may require the Group to make payments on their behalf. Such payments are collected from customers based on the terms of the agreements signed. They expose the Group to similar risks as loans and these are mitigated by the same control processes and policies.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Risk Concentration

Credit risk is often greater when counterparties are concentrated in one single industry, or geographic location or have comparable economic characteristics.

Impairment Assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed loans

All corporate loans and discounted bills are individually reviewed for objective evidence of impairment and classified based on a five-tier classification system. Corporate loans and discounted bills that are classified as substandard, doubtful or loss are assessed individually for impairment.

If there is objective evidence that an impairment loss on a loan or advance has been incurred on an individual basis, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the income statement. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, discrete event that caused the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Collectively assessed loans

Loans that are assessed for impairment losses on a collective basis include the following:

- Homogeneous groups of loans, including all personal loans; and
- All loans for which no impairment can be identified individual, either due to the absence of any loss events or due to an inability to measure reliably the impact of potential loss events on future cash flows.

Objective evidence of impairment losses on a collective basis consists of observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans since the initial recognition of those loans, including:

- Adverse changes in the payment status of borrowers in the group of loans; and
- National or local economic conditions that correlate with defaults on assets in the portfolio of loans.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Impairment Assessment (continued)

Collectively assessed loans (continued)

The collective impairment loss is assessed after taking into account:

- Historical loss experience in portfolios of similar risk characteristics; and
- The current economic and credit environment and, whether these, in management's experience, indicate that the actual level of incurred but not yet identified losses is likely to be greater or less than that suggested by historical experience.

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. Fair value of collateral is shown in note 21.

Corporate loans are mainly collateralised by properties or other assets. As at 30 September 2013, the carrying value of corporate loans covered by collateral amounted to RMB 31,412 million (31 December 2012: RMB 28,477 million; 31 December 2011: RMB 17,457 million; 31 December 2010: RMB 12,846 million).

Personal loans are mainly collateralised by residential properties. As at 30 September 2013, the carrying value of personal loans covered by collateral amounted to RMB 20,078 million (31 December 2012: RMB 18,095 million; 31 December 2011: RMB 14,313 million; 31 December 2010: RMB 11,601 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept the collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flow, instead of the value of collateral. The necessity of a collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair value of collateral of past due but not impaired loans and impaired loans are disclosed in note 44(a)(iii).

The credit business management department monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group and of the Bank without taking account of any collateral and other credit enhancements is set out below:

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Balances with central bank	23,042,247	30,246,622	51,043,256	39,660,185
Due from banks and other financial institutions	9,837,936	15,907,043	19,946,805	27,730,006
Financial assets held for trading	5,318,631	4,780,814	7,878,959	7,201,596
Reverse repurchase agreements	17,863,464	49,973,571	51,745,648	27,783,535
Loans and advances to customers	53,200,486	67,018,150	85,298,079	102,638,400
Financial investments				
– Receivables	4,205,579	13,635,513	22,733,333	18,037,336
– Held-to-maturity investments	5,862,040	12,286,784	12,323,533	14,349,966
– Available-for-sale financial assets	2,838,339	5,326,543	8,219,684	12,233,071
Others	969,487	1,807,204	2,323,112	2,467,134
	123,138,209	200,982,244	261,512,409	252,101,229
Credit commitments	15,836,969	25,934,149	49,389,342	49,018,509
Total maximum credit risk exposure	138,975,178	226,916,393	310,901,751	301,119,738

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Balances with central bank	22,616,151	29,688,982	49,892,537	38,557,780
Due from banks and other financial institutions	10,599,480	15,304,350	19,381,731	28,618,535
Financial assets held for trading	5,318,631	4,780,814	7,878,959	7,201,596
Reverse repurchase agreements	17,863,464	49,983,487	51,483,015	27,383,535
Loans and advances to customers	52,588,696	64,620,725	79,932,859	95,199,136
Financial investments				
– Receivables	3,445,480	13,620,513	22,733,333	18,037,336
– Held-to-maturity investments	5,862,040	12,286,784	12,323,533	14,349,966
– Available-for-sale financial assets	2,838,339	5,326,543	8,219,684	12,233,071
Others	956,307	1,783,897	2,279,603	2,409,098
	122,088,588	197,396,095	254,125,254	243,990,053
Credit commitments	15,836,969	25,934,149	49,314,814	47,397,231
Total maximum credit risk exposure	137,925,557	223,330,244	303,440,068	291,387,284

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Risk concentrations

By Industry Distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 44(a)(iv) to the financial statements. The composition of the Group's and of the Bank's gross loans and advances to customers by industry is analysed as follows:

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Agriculture, forestry, animal husbandry and fishing	590,227	955,176	2,277,869	3,130,578
Mining	97,500	111,500	880,110	893,136
Manufacturing	5,433,099	7,653,516	10,793,878	13,384,437
Production and supply of electricity, gas and water	634,000	1,730,670	1,460,876	1,929,476
Construction	1,850,840	1,312,750	3,269,563	5,540,763
Transportation, storage and postal services	665,171	1,362,874	966,251	1,914,505
Information transmission, computer services and software	292,550	512,450	636,707	540,196
Commercial trade	6,831,644	15,533,278	18,512,749	22,199,149
Lodging and catering	445,725	766,300	880,463	1,033,038
Finance	10,000	5,000	671,726	424,000
Real estate	469,800	907,889	2,443,899	1,782,581
Leasing and commercial services	2,175,870	1,518,878	2,562,806	3,980,497
Scientific research, technological Services and geological prospecting	63,000	140,700	138,920	200,940
Water, environment and public utility management and investment industry	2,871,989	2,253,210	3,059,600	2,767,830
Resident services and other services	235,035	208,275	1,013,897	1,057,043
Education	560,850	332,810	518,250	386,960
Health, social security and social welfare	133,500	248,800	379,600	280,400
Culture, sports and entertainment	60,000	47,000	140,500	188,845
Public administration and social organisations	–	–	500,381	5,065
Subtotal for corporate loans and advances	23,420,800	35,601,076	51,108,045	61,639,439
Personal Loans:				
Personal business	8,443,543	11,539,967	13,731,128	14,966,824
Personal consumption	7,363,215	8,909,577	11,203,313	14,294,421
Loans to farmers	7,861,407	8,690,120	9,875,611	11,608,147
Subtotal for personal loans	23,668,165	29,139,664	34,810,052	40,869,392
Discounted bills	6,935,618	3,742,989	1,346,235	2,501,601
Total for loans and advances to customers	54,024,583	68,483,729	87,264,332	105,010,432

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(ii) Risk concentrations (continued)

By Industry Distribution (continued)

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Agriculture, forestry, animal husbandry and fishing	588,200	877,316	1,986,600	2,770,234
Mining	97,500	111,500	872,610	870,541
Manufacturing	5,382,499	7,324,451	10,939,422	12,389,670
Production and supply of electricity, gas, and water	634,000	1,700,700	1,424,176	1,916,676
Construction	1,850,840	1,297,150	3,062,504	5,246,441
Transportation, storage and postal services	665,171	1,308,334	926,518	1,856,027
Information transmission, computer services and software	272,550	490,450	606,741	506,296
Commercial trade	6,789,984	15,312,943	17,897,126	21,364,280
Lodging and catering	445,725	756,300	859,347	987,338
Finance	10,000	5,000	5,000	404,000
Real estate	469,800	904,889	2,429,999	1,775,281
Leasing and commercial services	2,173,070	1,480,741	2,469,239	3,852,307
Scientific research, technological services and geological prospecting	63,000	140,700	138,920	200,940
Water, environment and public utility management and investment industry	2,868,989	2,253,210	3,035,600	2,765,030
Resident services and other services	232,035	202,841	981,523	987,480
Education	560,850	332,810	490,850	361,660
Health, social security and social welfare	133,500	244,000	370,600	278,400
Culture, sports and entertainment	60,000	39,000	130,000	162,595
Public administration and social organisations	–	–	500,381	565
Subtotal for corporate loans and advances	23,297,713	34,782,335	49,127,156	58,695,761
Personal loans:				
Personal business	8,400,535	10,886,956	12,350,550	13,078,667
Personal consumption	7,298,021	8,707,990	10,946,369	13,831,390
Loan to farmers	7,513,931	8,279,920	9,017,421	10,064,996
Subtotal for personal loans	23,212,487	27,874,866	32,314,340	36,975,053
Discounted bills	6,896,356	3,402,569	368,463	1,775,184
Total for loans and advances to customers	53,406,556	66,059,770	81,809,959	97,445,998

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	The Group			
	31 December			30 September
	2010	2011	2012	2013
Neither past due nor impaired	53,145,747	67,546,722	86,508,016	103,529,830
Past due but not impaired	450,956	514,839	200,120	578,708
Impaired	427,880	422,168	556,196	901,894
	54,024,583	68,483,729	87,264,332	105,010,432
Less: Allowance for impairment losses				
Collectively assessed	(585,579)	(1,298,273)	(1,873,960)	(2,234,942)
Individually assessed	(238,518)	(167,306)	(92,293)	(137,090)
	(824,097)	(1,465,579)	(1,966,253)	(2,372,032)
	53,200,486	67,018,150	85,298,079	102,638,400

	The Bank			
	31 December			30 September
	2010	2011	2012	2013
Neither past due nor impaired	52,530,983	65,127,147	81,067,162	96,005,185
Past due but not impaired	449,502	512,654	197,903	554,052
Impaired	426,071	419,969	544,894	886,761
	53,406,556	66,059,770	81,809,959	97,445,998
Less: Allowance for impairment losses				
Collectively assessed	(579,342)	(1,271,739)	(1,784,807)	(2,113,518)
Individually assessed	(238,518)	(167,306)	(92,293)	(133,344)
	(817,860)	(1,439,045)	(1,877,100)	(2,246,862)
	52,588,696	64,620,725	79,932,859	95,199,136

Neither past due nor impaired

Management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the reporting period.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the end of the reporting period:

The Group

	31 December 2010			31 December 2011		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
Unsecured loan	2,337,956	26	2,337,982	3,339,500	820	3,340,320
Guaranteed Loan	19,411,197	206,398	19,617,595	28,753,060	721,000	29,474,060
Loan secured by mortgages	19,994,186	161,736	20,155,922	22,860,387	69,875	22,930,262
Pledged loans	11,034,248	–	11,034,248	11,802,080	–	11,802,080
	52,777,587	368,160	53,145,747	66,755,027	791,695	67,546,722

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers (continued)

Neither past due nor impaired (continued)

The Group (continued)

	31 December 2012			30 September 2013		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
Unsecured loans	4,474,890	428	4,475,318	3,789,145	38,421	3,827,566
Guaranteed loans	34,758,476	230,005	34,988,481	45,159,635	582,869	45,742,504
Loans secured by mortgages	31,458,459	280,561	31,739,020	40,129,940	329,209	40,459,149
Pledged loans	15,234,197	71,000	15,305,197	13,492,111	8,500	13,500,611
	85,926,022	581,994	86,508,016	102,570,831	958,999	103,529,830

The Bank

	31 December 2010			31 December 2011		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
Unsecured loans	2,306,361	26	2,306,387	3,266,363	27	3,266,390
Guaranteed loans	19,026,086	206,398	19,232,484	27,674,310	721,000	28,395,310
Loans secured by mortgages	19,843,264	161,736	20,005,000	22,128,705	69,876	22,198,581
Pledged loans	10,987,112	–	10,987,112	11,266,866	–	11,266,866
	52,162,823	368,160	52,530,983	64,336,244	790,903	65,127,147

	31 December 2012			30 September 2013		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
Unsecured loans	4,379,849	309	4,380,158	3,704,556	38,421	3,742,977
Guaranteed loans	32,271,831	227,881	32,499,712	41,085,268	582,869	41,668,137
Loans secured by mortgages	29,915,729	280,561	30,196,290	37,754,601	329,139	38,083,740
Pledged loans	13,920,002	71,000	13,991,002	12,501,831	8,500	12,510,331
	80,487,411	579,751	81,067,162	95,046,256	958,929	96,005,185

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers (continued)

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group and the Bank that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

The Group

	31 December 2010			31 December 2011		
	Corporate Loans and advances	Personal loans	Total	Corporate Loans and advances	Personal loans	Total
Past due for:						
Less than one month	48,406	71,858	120,264	44,770	16,393	61,163
One to two months	51,500	17,127	68,627	182,230	8,213	190,443
Two to three months	11,999	7,396	19,395	–	9,096	9,096
Over three months	14,919	227,751	242,670	–	254,137	254,137
	126,824	324,132	450,956	227,000	287,839	514,839
Fair value of collateral held	63,756	65,484	129,240	22,700	31,293	53,993

	31 December 2012			30 September 2013		
	Corporate Loans and advances	Personal loans	Total	Corporate Loans and advances	Personal loans	Total
Past due for:						
Less than one month	3,700	35,325	39,025	254,499	55,649	310,148
One to two months	19,914	14,331	34,245	35,790	15,170	50,960
Two to three months	30,000	8,728	38,728	30,802	11,065	41,867
Over three months	59,669	28,453	88,122	28,899	146,834	175,733
	113,283	86,837	200,120	349,990	228,718	578,708
Fair value of collateral held	30,984	59,641	90,625	322,782	117,913	440,695

The Bank

	31 December 2010			31 December 2011		
	Corporate Loans and advances	Personal loans	Total	Corporate Loans and advances	Personal loans	Total
Past due for:						
Less than one month	48,406	71,858	120,264	44,770	16,393	61,163
One to two months	51,500	17,127	68,627	182,230	8,213	190,443
Two to three months	11,999	5,942	17,941	–	7,164	7,164
Over three months	14,919	227,751	242,670	–	253,884	253,884
	126,824	322,678	449,502	227,000	285,654	512,654
Fair value of collateral held	63,227	63,407	126,634	22,700	28,171	50,871

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iii) Loans and advances to customers (continued)

Past due but not impaired (continued)

The Bank (continued)

	31 December 2012			30 September 2013		
	Corporate Loans and advances	Personal loans	Total	Corporate Loans and advances	Personal loans	Total
Past due for:						
Less than one month	3,300	35,016	38,316	244,728	52,536	297,264
One to two months	19,914	13,561	33,475	32,500	14,524	47,024
Two to three months	30,000	8,438	38,438	30,802	10,653	41,455
Over three months	59,669	28,005	87,674	27,281	141,028	168,309
	112,883	85,020	197,903	335,311	218,741	554,052
Fair value of collateral held	30,984	57,046	88,030	315,482	74,193	389,675

Impaired

Impaired loans and advances are defined as those loans and advances have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair values of collateral that the Group and the Bank hold relating to loans individually determined to be impaired as at 30 September 2013 amounted to RMB160.736 million (31 December 2012 RMB12.940 million; 31 December 2011 RMB27.631 million; 31 December 2010 RMB3.854 million). The collateral mainly consists of land, buildings, equipment and also others.

(iv) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities by types of issuers and investments:

The Group

31 December 2010	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and central bank	1,494,764	1,360,359	386,872	1,413,773	4,655,768
Policy banks	–	2,542,568	2,447,867	3,904,858	8,895,293
Banks and other financial institutions	1,560,099	–	–	–	1,560,099
Corporate entities	1,150,716	1,959,113	3,600	–	3,113,429
Total	4,205,579	5,862,040	2,838,339	5,318,631	18,224,589

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iv) Debt securities (continued)

The Group (continued)

31 December 2011	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and central bank	992,581	1,260,427	–	499,166	2,752,174
Policy banks	–	9,067,934	3,776,882	2,838,352	15,683,168
Banks and other financial institutions	5,257,000	–	–	–	5,257,000
Corporate entities	7,385,932	1,958,423	1,549,661	1,443,296	12,337,312
Total	13,635,513	12,286,784	5,326,543	4,780,814	36,029,654

31 December 2012	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and central bank	589,346	1,060,386	49,900	1,417,653	3,117,285
Policy banks	–	8,922,329	5,876,747	4,188,832	18,987,908
Banks and other financial institutions	5,819,832	–	–	–	5,819,832
Corporate entities	16,324,155	2,340,818	2,293,037	2,272,474	23,230,484
Total	22,733,333	12,323,533	8,219,684	7,878,959	51,155,509

30 September 2013	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and central bank	220,512	1,041,177	701,369	1,235,769	3,198,827
Policy banks	–	9,806,075	8,212,121	4,118,407	22,136,603
Banks and other financial institutions	3,403,000	329,000	–	–	3,732,000
Corporate entities	14,413,824	3,173,714	3,299,581	1,847,420	22,734,539
Total	18,037,336	14,349,966	12,213,071	7,201,596	51,801,969

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iv) Debt securities (continued)

The Bank

31 December 2010	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and central bank	1,494,764	1,360,359	386,872	1,413,773	4,655,768
Policy banks	–	2,542,568	2,447,867	3,904,858	8,895,293
Banks and other financial institutions	800,000	–	–	–	800,000
Corporate entities	1,150,716	1,959,113	3,600	–	3,113,429
Total	3,445,480	5,862,040	2,838,339	5,318,631	17,464,490

31 December 2011	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and central bank	992,581	1,260,427	–	499,166	2,752,174
Policy banks	–	9,067,934	3,776,882	2,838,352	15,683,168
Banks and other financial institutions	5,242,000	–	–	–	5,242,000
Corporate entities	7,385,932	1,958,423	1,549,661	1,443,296	12,337,312
Total	13,620,513	12,286,784	5,326,543	4,780,814	36,014,654

31 December 2012	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and central bank	589,346	1,060,386	49,900	1,417,653	3,117,285
Policy banks	–	8,922,329	5,876,747	4,188,832	18,987,908
Banks and other financial institutions	5,819,832	–	–	–	5,819,832
Corporate entities	16,324,155	2,340,818	2,293,037	2,272,474	23,230,484
Total	22,733,333	12,323,533	8,219,684	7,878,959	51,155,509

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

(iv) Debt securities (continued)

The Bank (continued)

30 September 2013	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Governments and central bank	220,512	1,041,177	701,369	1,235,769	3,198,827
Policy banks	–	9,806,075	8,212,121	4,118,407	22,136,603
Banks and other financial institutions	3,403,000	329,000	–	–	3,732,000
Corporate entities	14,413,824	3,173,714	3,299,581	1,847,420	22,734,539
Total	18,037,336	14,349,966	12,213,071	7,201,596	51,801,969

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

The Group and the Bank's expected remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

The Group

31 December 2010	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:									
Cash and balances with central bank	–	8,570,935	–	–	–	–	–	14,842,281	23,413,216
Due from banks and other financial institutions	–	2,736,464	2,512,150	2,567,711	2,021,611	–	–	–	9,837,936
Financial assets held for trading	–	–	988,652	–	99,588	1,451,653	2,778,738	–	5,318,631
Reverse repurchase agreements	–	–	8,281,408	8,451,380	1,091,543	39,133	–	–	17,863,464
Loans and advances to customers	500,270	–	2,901,999	8,012,586	23,748,461	8,369,979	9,667,191	–	53,200,486
Financial investments	–	–	–	810,100	1,041,860	6,254,319	4,799,679	24,620	12,930,578
Other assets (including deferred income tax assets)	8,957	11,749	3,903	552,271	665,040	261,540	109,428	1,656,736	3,269,624
Total assets	509,227	11,319,148	14,688,112	20,394,048	28,668,103	16,376,624	17,355,036	16,523,637	125,833,935
Liabilities									
Due to banks and other financial institutions	–	34,718	1,221,772	953,873	383,866	–	–	–	2,594,229
Repurchase agreements	–	121	–	2,375,923	495,683	–	–	–	2,871,727
Due to customers	–	76,322,864	4,513,518	10,354,291	19,342,481	2,358,473	–	–	112,891,627
Debt securities issued	–	–	–	–	–	1,000,000	–	–	1,000,000
Others liabilities	–	208,138	112,252	195,911	656,640	156,088	8,590	–	1,337,619
Total liabilities	–	76,565,841	5,847,542	13,879,998	20,878,670	3,514,561	8,590	–	120,695,202
Net liquidity gap	509,227	(65,246,693)	8,840,570	6,514,050	7,789,433	12,862,063	17,346,446	16,523,637	5,138,733

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (continued)

The Group (continued)

31 December 2011	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:									
Cash and balances with central bank	–	8,229,664	–	–	–	–	–	22,706,067	30,935,731
Due from banks and other financial institutions	–	3,392,314	696,567	6,799,473	5,018,689	–	–	–	15,907,043
Financial assets held for trading	–	–	–	129,543	758,998	2,697,069	1,195,204	–	4,780,814
Reverse repurchase agreements	–	–	29,841,914	10,380,355	9,751,302	–	–	–	49,973,571
Loans and advances to customers	671,080	–	4,492,577	11,140,225	30,357,474	9,171,406	11,185,388	–	67,018,150
Financial investments	–	–	–	117,729	7,173,128	13,972,486	9,985,497	24,620	31,273,460
Investments in an associate	–	–	–	–	–	–	–	1,000,000	1,000,000
Other assets (including deferred income tax assets)	6,266	3,011	1,474	986,713	861,424	353,446	71,759	3,488,497	5,772,590
Total assets	677,346	11,624,989	35,032,532	29,554,038	53,921,015	26,194,407	22,437,848	27,219,184	206,661,359
Liabilities:								–	
Due to central bank	–	–	144,946	–	29,818	–	–	–	174,764
Due to banks and other financial institutions	–	399,774	862,043	7,209,193	9,380,116	200,000	–	–	18,051,126
Repurchase agreements	–	121	1,009,509	26,962,894	–	–	–	–	27,972,524
Due to customers	–	91,921,877	7,979,926	13,380,960	26,756,555	5,923,108	–	–	145,962,426
Debt securities issued		–	–	–	–	1,000,000	–	–	1,000,000
Other liabilities	–	368,411	224,307	339,546	837,478	192,816	7,586	–	1,970,144
Total liabilities	–	92,690,183	10,220,731	47,892,593	37,003,967	7,315,924	7,586	–	195,130,984
Net liquidity gap	677,346	(81,065,194)	24,811,801	(18,338,555)	16,917,048	18,878,483	22,430,262	27,219,184	11,530,375

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (continued)

The Group (continued)

31 December 2012	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:									
Cash and balances with central bank	–	18,723,121	–	–	–	–	–	33,135,390	51,858,511
Due from banks and other financial institutions	–	2,723,531	2,388,000	9,412,764	5,043,610	378,900	–	–	19,946,805
Financial assets held for trading	–	–	–	405,852	709,398	4,898,372	1,865,337	–	7,878,959
Reverse repurchase agreements	–	–	29,630,226	12,049,982	10,065,440	–	–	–	51,745,648
Loans and advances to customers	404,764	–	3,815,579	14,010,005	40,325,670	13,641,008	13,101,053	–	85,298,079
Financial investments	–	–	663,459	3,708,056	11,030,265	19,963,807	7,910,963	24,620	43,301,170
Investments in an associate	–	–	–	–	–	–	–	1,017,014	1,017,014
Other assets (including deferred income tax assets)	22,609	210,453	202,193	780,418	1,169,596	333,575	28,578	6,296,544	9,043,966
Total assets	427,373	21,657,105	36,699,457	40,367,077	68,343,979	39,215,662	22,905,931	40,473,568	270,090,152
Liabilities:									
Due to central bank	–	–	116,904	103,625	374,332	–	–	–	594,861
Due to banks and other financial institutions	–	1,771,465	2,537,838	9,565,758	22,048,487	600,000	–	–	36,523,548
Repurchase agreements	–	121	12,204,287	8,138,991	2,489,256	–	–	–	22,832,655
Due to customers	–	101,121,840	8,532,037	17,835,874	49,297,386	9,855,247	–	–	186,642,384
Debt securities issued	–	–	–	–	–	3,500,000	–	–	3,500,000
Other liabilities	–	877,072	578,915	674,051	691,031	238,507	147	–	3,059,723
Total liabilities	–	103,770,498	23,969,981	36,318,299	74,900,492	14,193,754	147	–	253,153,171
Net liquidity gap	427,373	(82,113,393)	12,729,476	4,048,778	(6,556,513)	25,021,908	22,905,784	40,473,568	16,936,981

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (continued)

The Group (continued)

30 September 2013	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:									
Cash and balances with central bank	–	7,010,649	–	–	–	–	–	33,719,001	40,729,650
Due from banks and other financial institutions	–	3,313,646	5,610,000	4,174,914	10,081,446	4,550,000	–	–	27,730,006
Financial assets held for trading	–	–	79,956	170,045	307,197	5,042,382	1,602,016	–	7,201,596
Reverse repurchase agreements	–	–	12,640,910	4,781,177	5,211,448	5,150,000	–	–	27,783,535
Loans and advances to customers	923,150	–	6,134,120	11,924,428	57,340,509	11,841,107	14,475,086	–	102,638,400
Financial investments	–	–	163,328	2,021,758	10,998,497	23,797,512	7,619,278	44,620	44,644,993
Investments in an associate	–	–	–	–	–	–	–	993,733	993,733
Other assets (including deferred income tax assets)	–	371,173	14,064	14,674	82,834	70,850	182,617	9,202,000	9,938,212
Total assets	923,150	10,695,468	24,642,378	23,086,996	84,021,931	50,451,851	23,878,997	43,959,354	261,660,125
Liabilities:									
Due to central bank	–	10,000	40,440	165,798	172,770	10,000	356,988	–	755,996
Due to banks and other financial institutions	–	314,521	5,582,664	5,768,589	16,992,309	6,050,000	2,500,000	–	37,208,083
Repurchase agreements	–	–	736,518	5,553,269	–	–	–	–	6,289,787
Due to customers	–	91,535,770	11,678,534	23,431,869	45,850,156	18,633,662	–	–	191,129,991
Debt securities issued	–	–	–	–	–	3,500,000	–	–	3,500,000
Other liabilities	–	1,785,898	824,082	895,299	225,634	36,798	152	–	3,767,863
Total liabilities	–	93,646,189	18,862,238	35,814,824	63,240,869	28,230,460	2,857,140	–	242,651,720
Net liquidity gap	923,150	(82,950,721)	5,780,140	(12,727,828)	20,781,062	22,221,391	21,021,857	43,959,354	19,008,405

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (continued)

The Bank

31 December 2010	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:									
Cash and balances with central bank	–	8,209,184	–	–	–	–	–	14,769,468	22,978,652
Due from banks and other financial institutions	–	4,472,769	2,030,100	2,075,000	2,021,611	–	–	–	10,599,480
Financial assets held for trading	–	–	988,652	–	99,588	1,451,653	2,778,738	–	5,318,631
Reverse repurchase agreements	–	–	8,281,408	8,451,380	1,091,543	39,133	–	–	17,863,464
Loans and advances to customers	497,429	–	2,883,271	7,970,971	23,581,314	8,016,519	9,639,192	–	52,588,696
Financial investments	–	–	–	50,000	1,041,860	6,254,320	4,799,679	24,620	12,170,479
Investments in subsidiaries	–	–	–	–	–	–	–	437,800	437,800
Other assets (including deferred income tax assets)	8,955	11,749	3,817	540,048	660,804	254,172	116,467	1,638,336	3,234,348
Total assets	506,384	12,693,702	14,187,248	19,087,399	28,496,720	16,015,797	17,334,076	16,870,224	125,191,550
Liabilities			–	–					
Due to banks and other financial institutions	–	569,799	1,160,000	905,645	383,866	–	–	–	3,019,310
Repurchase agreements	–	121	–	2,375,923	495,683	–	–	–	2,871,727
Due to customers	–	75,764,261	4,438,221	10,181,555	19,260,672	2,290,048	–	–	111,934,757
Debt securities issued	–	–	–	–	–	1,000,000	–	–	1,000,000
Other liabilities	–	202,199	109,912	196,458	656,356	155,739	8,590	–	1,329,254
Total liabilities	–	76,536,380	5,708,133	13,659,581	20,796,577	3,445,787	8,590	–	120,155,048
Net liquidity gap	506,384	(63,842,678)	8,479,115	5,427,818	7,700,143	12,570,010	17,325,486	16,870,224	5,036,502

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (continued)

The Bank (continued)

31 December 2011	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:									
Cash and balances with central bank	–	8,001,977	–	–	–	–	–	22,339,627	30,341,604
Due from banks and other financial institutions	–	3,699,789	815,179	5,770,693	5,018,689	–	–	–	15,304,350
Financial assets held for trading	–	–	–	129,543	758,998	2,697,069	1,195,204	–	4,780,814
Reverse repurchase agreements	–	–	29,841,914	10,390,271	9,751,302	–	–	–	49,983,487
Loans and advances to customers	667,456	–	4,397,473	10,819,365	28,999,596	8,611,332	11,125,503	–	64,620,725
Financial investments	–	–	–	117,729	7,158,128	13,972,486	9,985,497	24,620	31,258,460
Investments in an associate and subsidiaries	–	–	–	–	–	–	–	1,867,000	1,867,000
Other assets (including deferred income tax assets)	6,266	3,658	1,444	966,317	849,515	325,605	95,691	3,400,487	5,648,983
Total assets	673,722	11,705,424	35,056,010	28,193,918	52,536,228	25,606,492	22,401,895	27,631,734	203,805,423
Liabilities:									
Due to central bank	–	–	19,733	–	–	–	–	–	19,733
Due to banks and other financial institutions	–	1,532,144	812,043	6,864,193	9,330,116	200,000	–	–	18,738,496
Repurchase agreements	–	121	1,009,509	26,962,894	–	–	–	–	27,972,524
Due to customers	–	89,744,115	7,791,782	13,065,475	26,287,582	5,878,376	–	–	142,767,330
Debt securities issued	–	–	–	–	–	1,000,000	–	–	1,000,000
Other liabilities	–	349,980	218,506	339,194	832,680	192,397	7,583	–	1,940,340
Total liabilities	–	91,626,360	9,851,573	47,231,756	36,450,378	7,270,773	7,583	–	192,438,423
Net liquidity gap	673,722	(79,920,936)	25,204,437	(19,037,838)	16,085,850	18,335,719	22,394,312	27,631,734	11,367,000

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (continued)

The Bank (continued)

31 December 2012	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:									
Cash and balances with central bank	–	18,324,654	–	–	–	–	–	32,336,545	50,661,199
Due from banks and other financial institutions	–	2,185,920	3,001,000	8,816,651	4,999,260	378,900	–	–	19,381,731
Financial assets held for trading	–	–	–	405,852	709,398	4,898,372	1,865,337	–	7,878,959
Reverse repurchase agreements	–	–	29,630,226	12,100,294	9,752,495	–	–	–	51,483,015
Loans and advances to customers	395,537	–	–	16,518,559	37,314,254	12,724,884	12,979,625	–	79,932,859
Financial investments	–	–	663,459	3,708,055	11,030,265	19,963,808	7,910,963	24,620	43,301,170
Investments in an associate and subsidiaries	–	–	–	–	–	–	–	2,159,014	2,159,014
Other assets (including deferred income tax assets)	22,210	205,601	195,011	752,698	1,159,598	542,388	58,910	5,896,052	8,832,468
Total assets	417,747	20,716,175	33,489,696	42,302,109	64,965,270	38,508,352	22,814,835	40,416,231	263,630,415
Liabilities:									
Due to central bank	–	–	33,752	29,918	19,943	–	–	–	83,613
Due to banks and other financial institutions	–	2,613,593	2,529,451	9,534,145	21,953,487	600,000	–	–	37,230,676
Repurchase agreements	–	121	12,204,287	8,182,219	2,290,134	–	–	–	22,676,761
Due to customers	–	97,560,892	8,129,082	16,993,512	48,109,667	9,640,010	–	–	180,433,163
Debt securities issued	–	–	–	–	–	3,500,000	–	–	3,500,000
Other liabilities	–	848,473	565,037	676,661	681,675	233,365	146	–	3,005,357
Total liabilities	–	101,023,079	23,461,609	35,416,455	73,054,906	13,973,375	146	–	246,929,570
Net liquidity gap	417,747	(80,306,904)	10,028,087	6,885,654	(8,089,636)	24,534,977	22,814,689	40,416,231	16,700,845

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below: (continued)

The Bank (continued)

30 September 2013	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Assets:									
Cash and balances with central bank	–	6,801,570	–	–	–	–	–	32,763,264	39,564,834
Due from banks and other financial institutions	–	2,130,905	5,610,000	2,035,410	14,292,220	4,550,000	–	–	28,618,535
Financial assets held for trading	–	–	79,956	170,045	307,197	5,042,382	1,602,016	–	7,201,596
Reverse repurchase agreements		–	12,640,910	4,781,177	4,811,448	5,150,000	–	–	27,383,535
Loans and advances to customers	892,690	–	16,541,744	–	52,625,616	10,792,278	14,346,808	–	95,199,136
Financial investments		–	163,328	2,021,758	10,998,497	23,797,512	7,619,278	44,620	44,644,993
Investments in an associate and subsidiaries		–	–	–	–	–	–	2,135,733	2,135,733
Other assets (including deferred income tax assets)	23,764	730,540	545,423	569,115	647,030	96,664	330,944	6,773,964	9,717,444
Total assets	916,454	9,663,015	35,581,361	9,577,505	83,682,008	49,428,836	23,899,046	41,717,581	254,465,806
Liabilities:									
Due to central bank	–	–	9,495	38,929	–	–	–	–	48,424
Due to banks and other financial institutions	–	1,407,038	5,643,527	5,831,480	16,818,639	6,050,000	2,500,000	–	38,250,684
Repurchase agreements	–	–	736,518	5,553,269	–	–	–	–	6,289,787
Due to customers	–	86,148,800	11,254,717	22,581,520	44,859,794	19,167,411	–	–	184,012,242
Debt securities issued	–	–	–	–	–	3,500,000	–	–	3,500,000
Other liabilities	–	841,110	510,300	570,741	1,072,179	705,332	6,649	–	3,706,311
Total liabilities	–	88,396,948	18,154,557	34,575,939	62,750,612	29,422,743	2,506,649	–	235,807,448
Net liquidity gap	916,454	(78,733,933)	17,426,804	(24,998,434)	20,931,396	20,006,093	21,392,397	41,717,581	18,658,358

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarize the maturity profile of the Group's and of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group and the Bank's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

The Group

31 December 2010	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	–	8,570,935	–	–	–	–	–	14,842,281	23,413,216
Due from banks and other financial institutions (*)	–	2,736,464	10,879,519	11,115,767	3,160,070	39,133	–	–	27,930,953
Financial assets held for trading	–	–	1,009,992	24,537	204,242	2,223,727	3,066,119	–	6,528,617
Loans and advances to customers (**)	321,135	–	3,039,600	8,392,511	25,488,709	11,126,898	12,670,952	512,651	61,552,456
Financial investments	–	–	14	877,933	1,282,065	7,311,928	5,819,503	24,620	15,316,063
Other financial assets	–	–	–	–	33,929	8,089	–	–	42,018
Total financial assets	321,135	11,307,399	14,929,125	20,410,748	30,169,015	20,709,775	21,556,574	15,379,552	134,783,323
Financial liabilities:									
Due to banks and other financial institutions (***)	–	94,839	1,241,470	3,349,924	904,593	–	–	–	5,590,826
Due to customers	–	76,371,051	4,554,911	10,449,250	19,725,223	2,670,970	–	–	113,771,405
Debt securities issued	–	–	–	–	60,000	1,180,000	–	–	1,240,000
Other financial liabilities	–	10,211	–	–	396,501	121,298	–	–	528,010
Total financial liabilities	–	76,476,101	5,796,381	13,799,174	21,086,317	3,972,268	–	–	121,130,241

(*) Includes reverse repurchase agreements

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

The Group (continued)

31 December 2011	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	–	8,229,664	–	–	–	–	–	22,706,067	30,935,731
Due from banks and other financial institutions (*)	–	3,392,314	31,646,792	17,605,579	15,247,503	–	–	–	67,892,188
Financial assets held for trading	–	–	7,983	149,576	916,924	3,173,271	1,307,105	–	5,554,859
Loans and advances to customers (**)	222,316	–	4,642,539	11,512,086	31,518,587	13,913,478	16,353,875	617,591	78,780,472
Financial investments	–	–	175,206	303,814	8,436,616	16,672,433	11,216,478	24,620	36,829,167
Other financial assets	–	5	–	–	10,001	8,955	–	–	18,961
Total financial assets	222,316	11,621,983	36,472,520	29,571,055	56,129,631	33,768,137	28,877,458	23,348,278	220,011,378
Financial liabilities:									
Due to central bank	–	–	144,946	–	29,818	–	–	–	174,764
Due to banks and other financial institutions (***)	–	399,895	1,910,257	34,801,760	9,634,238	227,237	–	–	46,973,387
Due to customers	–	91,963,525	8,069,843	13,531,735	27,382,923	7,130,593	–	–	148,078,619
Debt securities issued	–	–	–	–	60,000	1,120,000	–	–	1,180,000
Other financial liabilities	–	32,586	–	–	311,508	43,109	–	–	387,203
Total financial liabilities	–	92,396,006	10,125,046	48,333,495	37,418,487	8,520,939	–	–	196,793,973

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

The Group (continued)

31 December 2012	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	–	18,723,121	–	–	–	–	–	33,135,390	51,858,511
Due from banks and other financial institutions (*)	–	2,723,531	32,198,708	21,741,153	15,377,679	378,900	–	–	72,419,971
Financial assets held for trading	–	–	14,990	492,296	936,414	5,734,335	2,092,129	–	9,270,164
Loans and advances to customers (**)	62,781	–	4,032,874	14,807,867	43,605,756	19,208,090	18,736,627	611,338	101,065,333
Financial investments	–	–	795,761	4,340,268	12,629,274	23,063,179	8,880,864	24,620	49,733,966
Other financial assets	–	197,678	–	–	41,899	7,930	–	–	247,507
Total financial assets	62,781	21,644,330	37,042,333	41,381,584	72,591,022	48,392,434	29,709,620	33,771,348	284,595,452
Financial liabilities:									
Due to central bank	–	–	116,904	103,625	374,332	–	–	–	594,861
Due to banks and other financial institutions (***)	–	1,771,586	15,007,406	18,039,788	25,379,678	666,000	–	–	60,864,458
Due to customers	–	101,137,731	8,631,276	18,043,329	50,449,320	12,007,675	–	–	190,269,331
Debt securities issued	–	–	–	–	173,750	4,015,000	–	–	4,188,750
Other financial liabilities	–	173,813	163,199	199,958	56,281	5,819	–	–	599,070
Total financial liabilities	–	103,083,130	23,918,785	36,386,700	76,433,361	16,694,494	–	–	256,516,470

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

The Group (continued)

30 September 2013	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	–	7,010,649	–	–	–	–	–	33,719,001	40,729,650
Due from banks and other financial institutions (*)	–	2,130,904	18,381,584	9,458,970	25,650,522	9,841,412	5,410,550	–	70,873,942
Financial assets held for trading	–	–	89,818	226,517	543,560	5,801,138	1,844,418	–	8,505,451
Loans and advances to customers (**)	495,922	–	6,774,476	13,100,261	60,496,461	17,578,810	20,672,226	632,250	119,750,406
Financial investments	–	–	218,261	2,433,210	12,851,841	27,242,842	8,776,432	44,620	51,567,206
Other financial assets	–	6,882	–	358,838	143,567	7,830	1,310	–	518,427
Total financial assets	495,922	9,148,435	25,464,139	25,577,796	99,685,951	60,472,032	36,704,936	34,395,871	291,945,082
Financial liabilities:									
Due to central bank	–	12,653	40,440	165,798	267,097	12,653	451,679	–	950,320
Due to banks and other financial institutions (***)	607,199	5,736,333	6,596,811	11,361,804	17,798,330	8,927,255	–	–	51,027,732
Due to customers	–	95,541,526	12,958,355	30,253,575	47,856,634	19,449,102	–	–	206,059,192
Debt securities issued	–	–	–	–	–	3,793,750	–	–	3,793,750
Other financial liabilities	–	5,974	41,393	8,346	663,662	21,665	24	–	741,064
Total financial liabilities	607,199	101,296,486	19,636,999	41,789,523	66,585,723	32,204,425	451,703	–	262,572,058

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

The Bank

31 December 2010	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	–	8,209,184	–	–	–	–	–	14,769,468	22,978,652
Due from banks and other financial institutions (*)	–	4,472,769	10,352,489	11,642,797	3,160,070	39,133	–	–	29,667,258
Financial assets held for trading	–	–	1,009,992	24,537	204,242	2,223,727	3,066,119	–	6,528,617
Loans and advances to customers (**)	318,091	–	3,039,600	8,392,511	25,309,628	10,748,200	12,640,954	512,651	60,961,635
Financial investments	–	–	14	877,933	1,282,065	7,311,928	5,819,503	24,620	15,316,063
Other financial assets	–	–	–	–	33,929	8,089	–	–	42,018
Total financial assets	318,091	12,681,953	14,402,095	20,937,778	29,989,934	20,331,077	21,526,576	15,306,739	135,494,243
Financial liabilities:									
Due to banks and other financial institutions (***)	–	569,920	1,180,439	3,302,455	904,593	–	–	–	5,957,407
Due to customers	–	75,812,447	4,554,911	10,449,250	19,643,415	2,602,546	–	–	113,062,569
Debt securities issued	–	–	–	–	60,000	1,180,000	–	–	1,240,000
Other financial liabilities	–	10,211	–	–	395,260	121,298	–	–	526,769
Total financial liabilities	–	76,392,578	5,735,350	13,751,705	21,003,268	3,903,844	–	–	120,786,745

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

The Bank (continued)

31 December 2011	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	–	8,001,977	–	–	–	–	–	22,339,627	30,341,604
Due from banks and other financial institutions (*)	–	3,699,789	31,646,792	17,605,579	15,247,503	–	–	–	68,199,663
Financial assets held for trading	–	–	7,983	149,576	916,924	3,173,271	1,307,105	–	5,554,859
Loans and advances to customers (**)	218,411	–	4,642,539	11,512,086	30,055,338	13,309,942	16,289,343	617,591	76,645,250
Financial investments	–	–	175,206	303,814	8,421,616	16,672,433	11,216,478	24,620	36,814,167
Other financial assets	–	5	–	–	8,211	8,955	–	–	17,171
Total financial assets	218,411	11,701,771	36,472,520	29,571,055	54,649,592	33,164,601	28,812,926	22,981,838	217,572,714
Financial liabilities:									
Due to central bank	–	–	19,733	–	–	–	–	–	19,733
Due to banks and other financial institutions (***)	–	1,532,265	1,860,394	34,459,228	9,584,238	227,237	–	–	47,663,363
Due to customers	–	89,785,763	8,069,843	13,531,735	26,913,949	7,085,861	–	–	145,387,151
Debt securities issued	–	–	–	–	60,000	1,120,000	–	–	1,180,000
Other financial liabilities	–	32,586	–	–	298,994	43,109	–	–	374,689
Total financial liabilities	–	91,350,614	9,949,970	47,990,963	36,857,181	8,476,207	–	–	194,624,936

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

The Bank (continued)

31 December 2012	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	–	18,324,654	–	–	–	–	–	32,336,545	50,661,199
Due from banks and other financial institutions (*)	–	2,185,921	32,725,228	21,214,633	15,020,384	378,900	–	–	71,525,066
Financial assets held for trading	–	–	14,990	492,296	936,414	5,734,335	2,092,129	–	9,270,164
Loans and advances to customers (**)	52,698	–	4,032,874	14,807,867	40,351,620	18,218,126	18,605,412	611,338	96,679,935
Financial investments	–	–	795,761	4,340,268	12,495,461	23,034,180	8,880,864	24,620	49,571,154
Other financial assets	–	197,678	–	–	39,948	7,930	–	–	245,556
Total financial assets	52,698	20,708,253	37,568,853	40,855,064	68,843,827	47,373,471	29,578,405	32,972,503	277,953,074
Financial liabilities:									
Due to central bank	–	–	33,752	29,918	19,943	–	–	–	83,613
Due to banks and other financial institutions (***)	–	2,613,714	14,999,270	18,051,760	25,205,842	666,000	–	–	61,536,586
Due to customers	–	97,576,782	8,631,276	18,043,329	49,261,602	11,792,437	–	–	185,305,426
Debt securities issued	–	–	–	–	173,750	4,015,000	–	–	4,188,750
Other financial liabilities	–	173,813	163,199	199,958	50,930	5,819	–	–	593,719
Total financial liabilities	–	100,364,309	23,827,497	36,324,965	74,712,067	16,479,256	–	–	251,708,094

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

The Bank (continued)

30 September 2013	Overdue	Repayable on demand	Less than One month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	–	6,801,570	–	–	–	–	–	32,763,264	39,564,834
Due from banks and other financial institutions (*)	–	2,130,904	18,381,584	6,875,003	25,650,522	9,841,412	5,410,550	–	68,289,975
Financial assets held for trading	–	–	89,818	226,517	543,560	5,801,138	1,844,418	–	8,505,451
Loans and advances to customers (**)	481,852	–	17,109,379	1,104,608	55,546,022	16,359,939	20,478,051	613,716	111,693,567
Financial investments	–	–	218,261	2,433,210	12,451,841	27,242,842	8,776,432	44,620	51,167,206
Other financial assets	–	–	–	356,777	141,996	7,830	1,310	–	507,913
Total financial assets	481,852	8,932,474	35,799,042	10,996,115	94,333,941	59,253,161	36,510,761	33,421,600	279,728,946
Financial liabilities:									
Due to central bank	–	–	9,500	39,000	–	–	–	–	48,500
Due to banks and other financial institutions (***)	1,055,001	5,736,542	6,498,194	11,595,578	17,798,330	8,927,255	–	–	51,610,900
Due to customers	–	92,241,306	12,510,744	29,208,548	46,203,558	18,777,286	–	–	198,941,442
Debt securities issued	–	–	–	–	–	3,793,750	–	–	3,793,750
Other financial liabilities	–	5,602	40,715	8,166	132,536	20,028	24	–	207,071
Total financial liabilities	1,055,001	97,983,450	19,059,153	40,851,292	64,134,424	31,518,319	24	–	254,601,663

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

The Group

	Repayable on demand	Less than One months	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2010								
Credit commitments	2,342	2,823,249	4,747,704	8,253,253	10,421	–	–	15,836,969
31 December 2011								
Credit commitments	48,125	3,761,011	7,802,077	14,314,422	8,514	–	–	25,934,149
31 December 2012								
Credit commitments	42,802	26,629,488	7,447,880	15,261,792	7,380	–	–	49,389,342
30 September 2013								
Credit commitments	1,293,798	8,750,844	18,068,270	20,289,221	436,376	–	180,000	49,018,509

The Bank

	Repayable on demand	Less than One months	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2010								
Credit commitments	2,342	2,823,249	4,747,704	8,253,253	10,421	–	–	15,836,969
31 December 2011								
Credit commitments	48,125	3,761,011	7,802,077	14,314,422	8,514	–	–	25,934,149
31 December 2012								
Credit commitments	42,802	26,601,513	7,440,394	15,222,725	7,380	–	–	49,314,814
30 September 2013								
Credit commitments	1,293,798	8,664,296	17,834,605	19,422,246	2,286	–	180,000	47,397,231

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group's market risk contains interest rate risk and currency risk.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank uses different management methods to control market risk comprising of trading book and banking book risks respectively.

(i) Currency risk

The Group conducts it businesses mainly in RMB, with certain transactions denominated in USD, JPY, Ruble ("RUB") and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

The Group sets trading limits, stop loss limits and exposure limits to foreign exchange transactions for manage foreign exchange risk and to keep currency risk within limits. Base on the guidelines provided by Risk Management Committee, laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimise the possibility of mismatch through more reasonable allocation of foreign currency source and deployment.

The Group/Bank

	Effect on profit before tax				
	Change in rate	31 December			30 September
Currency		**2010**	**2011**	**2012**	**2013**
USD	-1%	(2,585)	(2,660)	(4,512)	(9,272)
JPY	-1%	(6)	(69)	(58)	(36)
RUB	-1%	(13)	(135)	(169)	(415)

While the table above indicates the effect on profit before tax of 1% depreciation of USD, JPY and RUB, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows:

The Group

31 December 2010	RMB	USD (equivalent to RMB)	JPY (equivalent to RMB)	RUB (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:						
Cash and balances with central bank	23,401,353	5,875	4,266	958	764	23,413,216
Due from banks and other financial institutions	9,599,946	222,878	676	442	13,994	9,837,936
Financial assets held for trading	5,318,631	–	–	–	–	5,318,631
Reverse repurchase agreements	17,863,464	–	–	–	–	17,863,464
Loans and advances to customers	52,953,293	247,193	–	–	–	53,200,486
Financial investments	12,930,578	–	–	–	–	12,930,578
Property and equipment	1,656,736	–	–	–	–	1,656,736
Deferred income tax	136,012	–	–	–	–	136,012
Others	1,476,639	237	–	–	–	1,476,876
Total assets	125,336,652	476,183	4,942	1,400	14,758	125,833,935
Liabilities:						
Due to banks and other financial institutions	2,498,457	93,306	–	–	2,466	2,594,229
Repurchase agreements	2,871,727	–	–	–	–	2,871,727
Due to customers	112,752,190	124,087	4,332	65	10,953	112,891,627
Income tax payable	125,794	–	–	–	–	125,794
Debt securities issued	1,000,000	–	–	–	–	1,000,000
Others	1,211,531	259	–	–	35	1,211,825
Total liabilities	120,459,699	217,652	4,332	65	13,454	120,695,202
Net position	4,876,953	258,531	610	1,335	1,304	5,138,733
Credit commitments	15,750,106	80,050	6,432	–	381	15,836,969

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows: (continued)

The Group (continued)

31 December 2011	RMB	USD	JPY	RUB	Others	Total
		(equivalent to RMB)	(equivalent to RMB)	(equivalent to RMB)	(equivalent to RMB)	
Assets:						
Cash and balances with central bank	30,903,102	13,896	12,689	4,413	1,631	30,935,731
Due from banks and other financial institutions	15,594,251	289,699	3,479	9,211	10,403	15,907,043
Financial assets held for trading	4,780,814	–	–	–	–	4,780,814
Reverse repurchase agreements	49,973,571	–	–	–	–	49,973,571
Loans and advances to customers	66,503,763	514,387	–	–	–	67,018,150
Financial investments	31,273,460	–	–	–	–	31,273,460
Investments in an associate	1,000,000	–	–	–	–	1,000,000
Property and equipment	3,488,497	–	–	–	–	3,488,497
Deferred income tax	166,713	296	–	–	–	167,009
Others	2,112,537	4,547	–	–	–	2,117,084
Total assets	205,796,708	822,825	16,168	13,624	12,034	206,661,359
Liabilities:						
Due to central bank	174,764	–	–		–	174,764
Due to banks and other financial institutions	17,660,341	390,785	–	–	–	18,051,126
Repurchase agreements	27,972,524	–	–	–	–	27,972,524
Due to customers	145,778,441	165,361	9,244	115	9,265	145,962,426
Income tax payable	201,231	–	–	–	–	201,231
Debt securities issued	1,000,000	–	–	–	–	1,000,000
Others	1,768,237	643	–	–	33	1,768,913
Total liabilities	194,555,538	556,789	9,244	115	9,298	195,130,984
Net position	11,241,170	266,036	6,924	13,509	2,736	11,530,375
Credit commitments	25,708,359	221,367	3,608	–	815	25,934,149

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows: (continued)

The Group (continued)

31 December 2012	RMB	USD (equivalent to RMB)	JPY (equivalent to RMB)	RUB (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:						
Cash and balances with central bank	51,808,132	9,720	13,105	25,393	2,161	51,858,511
Due from banks and other financial institutions	19,735,795	192,330	14,256	2,006	2,418	19,946,805
Financial assets held for trading	7,878,959	–	–	–	–	7,878,959
Reverse repurchase agreements	51,745,648	–	–	–	–	51,745,648
Loans and advances to customers	84,142,234	1,153,699	90	–	2,056	85,298,079
Financial investments	43,301,170	–	–	–	–	43,301,170
Investments in an associate	1,017,014	–	–	–	–	1,017,014
Property and equipment	6,038,230	–	–	–	–	6,038,230
Deferred income tax	257,289	1,024	–	–	1	258,314
Others	2,741,966	5,450	4	–	2	2,747,422
Total assets	268,666,437	1,362,223	27,455	27,399	6,638	270,090,152
Liabilities:						
Due to central bank	594,861	–	–	–	–	594,861
Due to banks and other financial institutions	36,112,335	396,672	–	10,323	4,218	36,523,548
Repurchase agreements	22,832,655	–	–	–	–	22,832,655
Due to customers	186,103,921	514,172	21,686	131	2,474	186,642,384
Income tax payable	311,148	–	–	–	–	311,148
Debt securities issued	3,500,000	–	–	–	–	3,500,000
Others	2,748,452	90	–	25	8	2,748,575
Total liabilities	252,203,372	910,934	21,686	10,479	6,700	253,153,171
Net position	16,463,065	451,289	5,769	16,920	(62)	16,936,981
Credit commitments	48,999,616	386,053	587	–	3,086	49,389,342

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows: (continued)

The Group (continued)

30 September 2013	RMB	USD (equivalent to RMB)	JPY (equivalent to RMB)	RUB (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:						
Cash and balances with central bank	40,643,172	41,054	21,943	21,798	1,683	40,729,650
Due from banks and other financial institutions	27,113,096	543,560	38,206	23,720	11,424	27,730,006
Financial assets held for trading	7,201,596	–	–	–	–	7,201,596
Reverse repurchase agreements	27,783,535	–	–	–	–	27,783,535
Loans and advances to customers	101,740,014	898,386	–	–	–	102,638,400
Financial investments	44,644,993	–	–	–	–	44,644,993
Investments in an associate	993,733	–	–	–	–	993,733
Property and equipment	6,542,553	–	–	–	–	6,542,553
Deferred income tax	370,784	–	–	–	–	370,784
Others	3,024,875	–	–	–	–	3,024,875
Total assets	260,058,351	1,483,000	60,149	45,518	13,107	261,660,125
Liabilities:						
Due to central bank	755,996	–	–	–	–	755,996
Due to banks and other financial institutions	37,165,582	42,456	–	–	45	37,208,083
Repurchase agreements	6,289,787	–	–	–	–	6,289,787
Due to customers	190,565,922	501,788	56,583	1,848	3,850	191,129,991
Income tax payable	272,924	–	–	–	–	272,924
Debt securities issued	3,500,000	–	–	–	–	3,500,000
Others	3,479,905	11,508	–	2,174	1,352	3,494,939
Total liabilities	242,030,116	555,752	56,583	4,022	5,247	242,651,720
Net position	18,028,235	927,248	3,566	41,496	7,860	19,008,405
Credit commitments	48,613,328	404,281	–	–	900	49,018,509

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows: (continued)

The Bank

31 December 2010	RMB	USD	JPY	RUB	Others	Total
		(equivalent to RMB)	(equivalent to RMB)	(equivalent to RMB)	(equivalent to RMB)	
Assets:						
Cash and balances with central bank	22,966,789	5,875	4,266	958	764	22,978,652
Due from banks and other financial institutions	10,361,490	222,878	676	442	13,994	10,599,480
Financial assets held for trading	5,318,631	–	–	–	–	5,318,631
Reverse repurchase agreements	17,863,464	–	–	–	–	17,863,464
Loans and advances to customers	52,341,503	247,193	–	–	–	52,588,696
Financial investments	12,170,479	–	–	–	–	12,170,479
Investments in subsidiaries	437,800	–	–	–	–	437,800
Property and equipment	1,638,336	–	–	–	–	1,638,336
Deferred income tax	135,743	–	–	–	–	135,743
Others	1,460,269	–	–	–	–	1,460,269
Total assets	124,694,504	475,946	4,942	1,400	14,758	125,191,550
Liabilities:						
Due to banks and other financial institutions	2,923,538	93,306	–	–	2,466	3,019,310
Repurchase agreements	2,871,727	–	–	–	–	2,871,727
Due to customers	111,795,320	124,087	4,332	65	10,953	111,934,757
Income tax payable	125,676	–	–	–	–	125,676
Debt securities issued	1,000,000	–	–	–	–	1,000,000
Others	1,203,571	7	–	–	–	1,203,578
Total liabilities	119,919,832	217,400	4,332	65	13,419	120,155,048
Net position	4,774,672	258,546	610	1,335	1,339	5,036,502
Credit commitments	15,750,106	80,050	6,432	–	381	15,836,969

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows: (continued)

The Bank (continued)

31 December 2011	RMB	USD (equivalent to RMB)	JPY (equivalent to RMB)	RUB (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:						
Cash and balances with central bank	30,308,975	13,896	12,689	4,413	1,631	30,341,604
Due from banks and other financial institutions	14,991,558	289,699	3,479	9,211	10,403	15,304,350
Financial assets held for trading	4,780,814	–	–	–	–	4,780,814
Reverse repurchase agreements	49,983,487	–	–	–	–	49,983,487
Loans and advances to customers	64,106,338	514,387	–	–	–	64,620,725
Financial investments	31,258,460	–	–	–	–	31,258,460
Investments in subsidiaries and an associate	1,867,000	–	–	–	–	1,867,000
Property and equipment	3,400,487	–	–	–	–	3,400,487
Deferred income tax	160,195	296	–	–	–	160,491
Others	2,083,458	4,547	–	–	–	2,088,005
Total assets	202,940,772	822,825	16,168	13,624	12,034	203,805,423
Liabilities:						
Due to central bank	19,733	–	–	–	–	19,733
Due to banks and other financial institutions	18,347,711	390,785	–	–	–	18,738,496
Repurchase agreements	27,972,524	–	–	–	–	27,972,524
Due to customers	142,583,345	165,361	9,244	115	9,265	142,767,330
Income tax payable	196,150	–	–	–	–	196,150
Debt securities issued	1,000,000	–	–	–	–	1,000,000
Others	1,743,514	643	–	–	33	1,744,190
Total liabilities	191,862,977	556,789	9,244	115	9,298	192,438,423
Net position	11,077,795	266,036	6,924	13,509	2,736	11,367,000
Credit commitments	25,708,359	221,367	3,608	–	815	25,934,149

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows: (continued)

The Bank (continued)

31 December 2012	RMB	USD (equivalent to RMB)	JPY (equivalent to RMB)	RUB (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:						
Cash and balances with central bank	50,610,820	9,720	13,105	25,393	2,161	50,661,199
Due from banks and other financial institutions	19,170,722	192,330	14,255	2,006	2,418	19,381,731
Financial assets held for trading	7,878,959	–	–	–	–	7,878,959
Reverse repurchase agreements	51,483,015	–	–	–	–	51,483,015
Loans and advances to customers	78,777,014	1,153,699	90	–	2,056	79,932,859
Financial investments	43,301,170	–	–	–	–	43,301,170
Investments in subsidiaries and an associate	2,159,014	–	–	–	–	2,159,014
Property and equipment	5,896,052	–	–	–	–	5,896,052
Deferred income tax	241,873	1,024	–	–	1	242,898
Others	2,688,062	5,450	4	–	2	2,693,518
Total assets	262,206,701	1,362,223	27,454	27,399	6,638	263,630,415
Liabilities:						
Due to central bank	83,613	–	–	–	–	83,613
Due to banks and other financial institutions	36,819,463	396,672	–	10,323	4,218	37,230,676
Repurchase agreements	22,676,761	–	–	–	–	22,676,761
Due to customers	179,894,700	514,172	21,686	131	2,474	180,433,163
Income tax payable	295,808	–	–	–	–	295,808
Debt securities issued	3,500,000	–	–	–	–	3,500,000
Others	2,709,426	90	–	25	8	2,709,549
Total liabilities	245,979,771	910,934	21,686	10,479	6,700	246,929,570
Net position	16,226,930	451,289	5,768	16,920	(62)	16,700,845
Credit commitments	48,936,019	375,122	587	–	3,086	49,314,814

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

A breakdown of the assets and liabilities analysed by currency is as follows: (continued)

The Bank (continued)

30 September 2013	RMB	USD (equivalent to RMB)	JPY (equivalent to RMB)	RUB (equivalent to RMB)	Others (equivalent to RMB)	Total
Assets:						
Cash and balances with central bank	39,478,356	41,054	21,943	21,798	1,683	39,564,834
Due from banks and other financial institutions	28,001,624	543,560	38,207	23,720	11,424	28,618,535
Financial assets held for trading	7,201,596	–	–	–	–	7,201,596
Reverse repurchase agreements	27,383,535	–	–	–	–	27,383,535
Loans and advances to customers	94,300,750	898,386	–	–	–	95,199,136
Financial investments	44,644,993	–	–	–	–	44,644,993
Investments in subsidiaries and an associate	2,135,733	–	–	–	–	2,135,733
Property and equipment	6,406,737	–	–	–	–	6,406,737
Deferred income tax	354,563	–	–	–	–	354,563
Others	2,956,144	–	–	–	–	2,956,144
Total assets	252,864,031	1,483,000	60,150	45,518	13,107	254,465,806
Liabilities:						
Due to central bank	48,424	–	–	–	–	48,424
Due to banks and other financial institutions	38,208,183	42,456	–	–	45	38,250,684
Repurchase agreements	6,289,787	–	–	–	–	6,289,787
Due to customers	183,448,174	501,788	56,583	1,847	3,850	184,012,242
Income tax payable	264,112	–	–	–	–	264,112
Debt securities issued	3,500,000	–	–	–	–	3,500,000
Others	3,427,165	11,508	–	2,174	1,352	3,442,199
Total liabilities	235,185,845	555,752	56,583	4,021	5,247	235,807,448
Net position	17,678,186	927,248	3,567	41,497	7,860	18,658,358
Credit commitments	46,992,050	404,281	–	–	900	47,397,231

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk

The Group's bank account interest rate risk mainly arises from the mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes RMB interest rate policy which includes a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Bank's net interest income and equity.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year. The sensitivity of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate available-for-sale financial assets held at year end.

Interest rate risk of the Group's trading book, mainly exists in transactions, including those of bonds. For the management of interest rate risk, the Group uses explicit criteria for the classification of financial assets in the trading account, revaluating the market value of trading account assets daily, sets trading limits, stop-loss limits and risk limitation for the purpose of limit management. The Group also monitors and controls this by frequency.

The Group

	Effect on net interest income				Effect on equity			
	31 December			30 September	31 December			30 September
Change in basis points	2010	2011	2012	2013	2010	2011	2012	2013
+100 basis points . . .	(153,081)	(108,781)	(80,611)	(188,498)	(47,193)	(101,073)	(153,869)	(181,651)
-100 basis points	153,081	108,781	80,611	188,498	49,984	107,202	162,276	192,667

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Bank

	Effect on net interest income				Effect on equity			
	31 December			30 September	31 December			30 September
Change in basis points	**2010**	**2011**	**2012**	**2013**	**2010**	**2011**	**2012**	**2013**
+100 basis points . . .	(155,202)	(109,384)	(85,890)	(186,731)	(47,193)	(101,073)	(153,869)	(181,651)
-100 basis points	155,202	109,384	85,890	186,731	49,984	107,202	162,276	192,667

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's and the Bank's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:

The Group

31 December 2010	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	23,042,247	–	–	–	370,969	23,413,216
Due from banks and other financial institutions	7,814,325	2,021,611	–	2,000	–	9,837,936
Financial assets held for trading	2,231,462	930,959	1,249,193	907,017	–	5,318,631
Reverse repurchase agreements	16,732,788	1,091,543	39,133	–	–	17,863,464
Loans and advances to customers	31,176,402	11,342,545	5,010,841	5,127,140	543,558	53,200,486
Financial investments	1,704,942	1,041,145	5,885,480	4,209,341	89,670	12,930,578
Property and equipment	–	–	–	–	1,656,736	1,656,736
Deferred income tax	–	–	–	–	136,012	136,012
Others	–	–	–	–	1,476,876	1,476,876
Total assets	82,702,166	16,427,803	12,184,647	10,245,498	4,273,821	125,833,935
Liabilities:						
Due to banks and other financial institutions	2,208,023	383,866	–	–	2,340	2,594,229
Repurchase agreements	2,375,923	495,683	–	–	121	2,871,727
Due to customers	91,242,312	19,047,393	2,363,542	532	237,848	112,891,627
Income tax payable	–	–	–	–	125,794	125,794
Debt securities issued	–	–	1,000,000	–	–	1,000,000
Others	–	–	–	–	1,211,825	1,211,825
Total liabilities	95,826,258	19,926,942	3,363,542	532	1,577,928	120,695,202
Total interest sensitivity gap	(13,124,092)	(3,499,139)	8,821,105	10,244,966	N/A	N/A

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities: (continued)

The Group (continued)

31 December 2011	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	30,246,622	–	–	–	689,109	30,935,731
Due from banks and other financial institutions	10,887,669	5,019,374	–	–	–	15,907,043
Financial assets held for trading	505,735	1,085,059	2,321,022	868,998	–	4,780,814
Reverse repurchase agreements	36,240,848	13,732,723	–	–	–	49,973,571
Loans and advances to customers	42,302,780	14,464,808	5,149,120	4,163,946	937,496	67,018,150
Financial investments	3,904,727	8,938,065	11,340,199	7,002,132	88,337	31,273,460
Investments in an associate	–	–	–	–	1,000,000	1,000,000
Property and equipment	–	–	–	–	3,488,497	3,488,497
Deferred income tax	–	–	–	–	167,009	167,009
Others	–	–	–	–	2,117,084	2,117,084
Total assets	124,088,381	43,240,029	18,810,341	12,035,076	8,487,532	206,661,359
Liabilities:						
Due to central bank	144,946	29,818	–	–	–	174,764
Due to banks and other financial institutions	8,468,670	9,380,116	200,000	–	2,340	18,051,126
Repurchase agreements	27,972,403	–	–	–	121	27,972,524
Due to customers	97,033,920	37,003,271	11,545,639	–	379,596	145,962,426
Income tax payable	–	–	–	–	201,231	201,231
Debt securities issued	–	–	1,000,000	–	–	1,000,000
Others	–	–	–	–	1,768,913	1,768,913
Total liabilities	133,619,939	46,413,205	12,745,639	–	2,352,201	195,130,984
Total interest sensitivity gap	(9,531,558)	(3,173,176)	6,064,702	12,035,076	N/A	N/A

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities: (continued)

The Group (continued)

31 December 2012	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	51,043,256	–	–	–	815,255	51,858,511
Due from banks and other financial institutions	14,564,295	5,382,510	–	–	–	19,946,805
Financial assets held for trading	1,072,247	1,028,443	4,228,259	1,550,010	–	7,878,959
Reverse repurchase agreements	41,680,208	10,065,440	–	–	–	51,745,648
Loans and advances to customers	26,494,513	54,940,285	2,964,189	495,856	403,236	85,298,079
Financial investments	14,820,277	9,614,559	13,464,246	5,343,738	58,350	43,301,170
Investments in an associate	–	–	–	–	1,017,014	1,017,014
Property and equipment	–	–	–	–	6,038,230	6,038,230
Deferred income tax	–	–	–	–	258,314	258,314
Others	–	121	793	–	2,746,508	2,747,422
Total assets	149,674,796	81,031,358	20,657,487	7,389,604	11,336,907	270,090,152
Liabilities:						
Due to central bank	207,528	367,333	20,000	–	–	594,861
Due to banks and other financial institutions	13,882,721	17,473,487	5,165,000	–	2,340	36,523,548
Repurchase agreements	20,343,278	2,489,256	–	–	121	22,832,655
Due to customers	127,205,848	48,426,415	9,883,598	6,098	1,120,425	186,642,384
Income tax payable	–	–	–	–	311,148	311,148
Debt securities issued	–	–	3,500,000	–	–	3,500,000
Others	–	–	–	–	2,748,575	2,748,575
Total liabilities	161,639,375	68,756,491	18,568,598	6,098	4,182,609	253,153,171
Total interest sensitivity gap	(11,964,579)	12,274,867	2,088,889	7,383,506	N/A	N/A

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities: (continued)

The Group (continued)

30 September 2013	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	39,660,185	–	–	–	1,069,465	40,729,650
Due from banks and other financial institutions	8,712,986	14,467,020	4,550,000		–	27,730,006
Financial assets held for trading	714,481	816,980	4,329,644	1,340,491	–	7,201,596
Reverse repurchase agreements	17,422,087	5,211,448	5,150,000	–	–	27,783,535
Loans and advances to customers	26,437,799	73,726,055	1,296,941	129,097	1,048,508	102,638,400
Financial investments	13,153,517	7,222,472	10,820,266	13,433,242	15,496	44,644,993
Investments in an associate	–	–	–	–	993,733	993,733
Property and equipment	–	–	–	–	6,542,553	6,542,553
Deferred income tax	–	–	–	–	370,784	370,784
Others	–	–	–	–	3,024,875	3,024,875
Total assets	106,101,055	101,443,975	26,146,851	14,902,830	13,065,414	261,660,125
Liabilities:						
Due to central bank	755,996	–	–	–	–	755,996
Due to banks and other financial institutions	12,136,843	16,521,240	6,050,000	2,500,000	–	37,208,083
Repurchase agreements	6,289,787	–	–	–	–	6,289,787
Due to customers	124,374,616	46,239,001	19,453,630	–	1,062,744	191,129,991
Income tax payable	–	–		–	272,924	272,924
Debt securities issued	–	–	3,500,000	–	–	3,500,000
Others	–	–	–	–	3,494,939	3,494,939
Total liabilities	143,557,242	62,760,241	29,003,630	2,500,000	4,830,607	242,651,720
Total interest sensitivity gap	(37,456,187)	38,683,734	(2,856,779)	12,402,830	N/A	N/A

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities:

The Bank

31 December 2010	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	22,616,151	–	–	–	362,501	22,978,652
Due from banks and other financial institutions	8,575,869	2,021,611	–	2,000	–	10,599,480
Financial assets held for trading	2,231,462	930,959	1,249,193	907,017	–	5,318,631
Reverse repurchase agreements	16,732,788	1,091,543	39,133	–	–	17,863,464
Loans and advances to customers	31,046,430	10,863,569	5,010,841	5,127,140	540,716	52,588,696
Financial investments	944,843	1,041,145	5,885,479	4,209,341	89,671	12,170,479
Investments in subsidiaries	–	–	–	–	437,800	437,800
Property and equipment	–	–	–	–	1,638,336	1,638,336
Deferred income tax	–	–	–	–	135,743	135,743
Others	–	–	–	–	1,460,269	1,460,269
Total assets	82,147,543	15,948,827	12,184,646	10,245,498	4,665,036	125,191,550
Liabilities:						
Due to banks and other financial institutions	2,633,104	383,866	–	–	2,340	3,019,310
Repurchase agreements	2,375,923	495,683	–	–	121	2,871,727
Due to customers	90,435,675	18,965,584	2,295,118	532	237,848	111,934,757
Income tax payable	–	–	–	–	125,676	125,676
Debt securities issued	–	–	1,000,000	–	–	1,000,000
Others	–	–	–	–	1,203,578	1,203,578
Total liabilities	95,444,702	19,845,133	3,295,118	532	1,569,563	120,155,048
Total interest sensitivity gap	(13,297,159)	(3,896,306)	8,889,528	10,244,966	N/A	N/A

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities: (continued)

The Bank (continued)

31 December 2011	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	29,688,982	–	–	–	652,622	30,341,604
Due from banks and other financial institutions	10,284,976	5,019,374	–	–	–	15,304,350
Financial assets held for trading	505,735	1,085,059	2,321,022	868,998	–	4,780,814
Reverse repurchase agreements	36,250,764	13,732,723	–	–	–	49,983,487
Loans and advances to customers	41,910,215	12,463,571	5,149,120	4,163,946	933,873	64,620,725
Financial investments	3,904,727	8,923,065	11,340,199	7,002,132	88,337	31,258,460
Investments in subsidiaries and an associate	–	–	–	–	1,867,000	1,867,000
Property and equipment	–	–	–	–	3,400,487	3,400,487
Deferred income tax	–	–	–	–	160,491	160,491
Others	–	–	–	–	2,088,005	2,088,005
Total assets	122,545,399	41,223,792	18,810,341	12,035,076	9,190,815	203,805,423
Liabilities:						
Due to central bank	19,733	–	–	–	–	19,733
Due to banks and other financial institutions	9,206,040	9,330,116	200,000	–	2,340	18,738,496
Repurchase agreements	27,972,403	–	–	–	121	27,972,524
Due to customers	94,352,530	36,534,297	11,500,907	–	379,596	142,767,330
Income tax payable	–	–	–	–	196,150	196,150
Debt securities issued	–	–	1,000,000	–	–	1,000,000
Others	–	–	–	–	1,744,190	1,744,190
Total liabilities	131,550,706	45,864,413	12,700,907	–	2,322,397	192,438,423
Total interest sensitivity gap	(9,005,307)	(4,640,621)	6,109,434	12,035,076	N/A	N/A

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities: (continued)

The Bank (continued)

31 December 2012	**Less than three months**	**Three months to one year**	**One to five years**	**More than five years**	**Non-interest-bearing**	**Total**
Assets:						
Cash and balances with central bank	49,892,537	–	–	–	768,662	50,661,199
Due from banks and other financial institutions	14,003,571	5,378,160	–	–	–	19,381,731
Financial assets held for trading	1,072,247	1,028,443	4,228,259	1,550,010	–	7,878,959
Reverse repurchase agreements	41,730,520	9,752,495	–	–	–	51,483,015
Loans and advances to customers	25,132,367	51,699,114	2,330,077	375,764	395,537	79,932,859
Financial investments	14,820,276	9,614,559	13,464,247	5,343,738	58,350	43,301,170
Investments in subsidiaries and an associate	–	–	–	–	2,159,014	2,159,014
Property and equipment	–	–	–	–	5,896,052	5,896,052
Deferred income tax	–	–	–	–	242,898	242,898
Others	–	–	–	–	2,693,518	2,693,518
Total assets	146,651,518	77,472,771	20,022,583	7,269,512	12,214,031	263,630,415
Liabilities:						
Due to central bank	63,670	19,943	–	–	–	83,613
Due to banks and other financial institutions	14,674,849	17,423,487	5,130,000	–	2,340	37,230,676
Repurchase agreements	20,386,506	2,290,134	–	–	121	22,676,761
Due to customers	123,280,811	47,252,086	9,644,617	771	254,878	180,433,163
Income tax payable	–	–	–	–	295,808	295,808
Debt securities issued	–	–	3,500,000	–	–	3,500,000
Others	–	–	–	–	2,709,549	2,709,549
Total liabilities	158,405,836	66,985,650	18,274,617	771	3,262,696	246,929,570
Total interest sensitivity gap	(11,754,318)	10,487,121	1,747,966	7,268,741	N/A	N/A

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Bank's assets and liabilities: (continued)

The Bank (continued)

30 September 2013	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central bank	38,557,780	–	–	–	1,007,054	39,564,834
Due from banks and other financial institutions	9,776,315	14,292,220	4,550,000	–	–	28,618,535
Financial assets held for trading	714,481	816,980	4,329,644	1,340,491	–	7,201,596
Reverse repurchase agreements	17,422,087	4,811,448	5,150,000	–	–	27,383,535
Loans and advances to customers	21,712,007	71,168,401	1,296,941	129,097	892,690	95,199,136
Financial investments	13,153,517	7,222,472	10,820,266	13,433,242	15,496	44,644,993
Investments in subsidiaries and an associate	–	–	–	–	2,135,733	2,135,733
Property and equipment	–	–	–	–	6,406,737	6,406,737
Deferred income tax	–	–	–	–	354,563	354,563
Others	–	–	–	–	2,956,144	2,956,144
Total assets	101,336,187	98,311,521	26,146,851	14,902,830	13,768,417	254,465,806
Liabilities:						
Due to central bank	48,424	–	–	–	–	48,424
Due to banks and other financial institutions	12,882,044	16,818,640	6,050,000	2,500,000	–	38,250,684
Repurchase agreements	6,289,787	–	–	–	–	6,289,787
Due to customers	118,922,293	44,859,794	19,167,411	–	1,062,744	184,012,242
Income tax payable	–	–	–	–	264,112	264,112
Debt securities issued	–	–	3,500,000	–	–	3,500,000
Others	–	–	–	–	3,442,199	3,442,199
Total liabilities	138,142,548	61,678,434	28,717,411	2,500,000	4,769,055	235,807,448
Total interest sensitivity gap	(36,806,361)	36,633,087	(2,570,560)	12,402,830	N/A	N/A

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Capital management

The Group's objectives on capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and
- To maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long term subordinated bonds, convertible bonds and hybrid instruments.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBRC. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

The CBRC requires each bank to maintain the capital adequacy ratio and core capital adequacy ratio not below the minimum of 8% and 4%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking supervisors. There are certain differences in the capital adequacy requirements of different countries.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk capital adjustment is calculated using the standardised approach.

The Group computes the capital adequacy ratio and core capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and related regulations promulgated by the CBRC. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

From 2013 onwards, the Group started to implement "The Trail Measures for Capital Management of Commercial Banks" and continue to improve the disclosure information on an ongoing basis.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Capital management (continued)

The Group calculates the capital adequacy ratios in accordance with "Regulations Governing Capital Adequacy of Commercial Banks" and relevant requirements promulgated by the CBRC.

The Group	31 December			30 September
	2010	2011	2012	2013
Core capital adequacy ratio	9.04%	11.37%	11.94%	12.04%
Capital adequacy ratio	11.75%	12.61%	12.97%	13.04%
Components of capital base				
Core capital:				
Share capital	2,100,333	6,187,823	7,560,198	8,246,900
Qualified part of capital reserve (i)	12,111	2,261,668	4,204,734	4,069,757
Surplus reserve and general reserves (i)	969,469	1,289,524	1,820,011	3,140,024
Qualified part of retained earnings (i)	1,986,199	1,237,313	3,007,410	3,358,457
None-controlling interests	95,554	144,750	172,241	192,555
Total core capital	5,163,666	11,121,078	16,764,594	19,007,693
Supplementary capital:				
General provisions for loan impairment (ii)	545,712	654,386	897,481	1,042,840
Long term subordinated bonds	1,000,000	1,000,000	1,000,000	1,000,000
Other supplementary capital	–	10,743	–	–
Total supplementary capital	1,545,712	1,665,129	1,897,481	2,042,840
Total capital base before deductions	6,709,378	12,786,207	18,662,075	21,050,533
Deductions:				
Unconsolidated equity investments (iii)	–	(1,000,000)	(1,000,000)	(1,000,000)
Business enterprise equity investments (iii)	(400)	(400)	(400)	(400)
Net capital base	6,708,978	11,785,807	17,661,675	20,050,133
Net core capital base	5,163,466	10,620,878	16,264,394	18,507,493
Risk weighted assets				
On-balance sheet	52,769,219	82,081,985	117,843,282	128,721,191
Off-balance sheet	4,350,819	11,358,105	18,346,757	20,331,022
Total risk-weighted assets	57,120,038	93,440,090	136,190,039	149,052,213
Market risk capital	–	–	–	374,018

(i) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, reserves include the valid portion of capital reserve and retained profits, surplus reserve and general reserve.

(ii) Pursuant to the Notice on Specifying the Calculating Method of General Provisions for Loan Impairment issued by the CBRC, the general provisions for loan impairment included in supplementary capital should not exceed 1% of the total loan balance since the second quarter of 2010.

(iii) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, 100% and 50% of costs of investment in unconsolidated equity investments were deducted when calculating the net capital base and net core capital base, respectively.

44. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Capital management (continued)

Since 1 January 2013, the Group began to disclose the capital adequacy ratio in accordance with the "Trial Measures for Capital Management of Commercial Banks" and will continue to promote the content of this disclosure. the CBRC requires that a commercial bank maintains its core tier 1 capital adequacy ratio above 5%, the tier 1 capital adequacy ratio above 6% and the capital adequacy ratio above 8%.

	30 September 2013
Core capital	
Qualified part of share capital	8,246,900
Qualified part of capital reserve	4,069,757
Surplus reserve and general reserve	3,140,024
Retained earnings	3,358,457
Qualified part of non-controlling interests	192,555
Core tier 1 Capital deductibles items:	
Full deductibles items	(41,502)
Net core tier 1 capital	18,966,191
Net other tier 1 capital	–
Net tier 1 capital	18,966,191
Net tier 2 capital	2,580,732
Net capital	21,546,923
On-balance sheet risk-weighted assets	128,211,626
Off-balance sheet risk-weighted assets	19,743,678
Credit risk-weighted assets	147,955,304
Market risk-weighted assets	4,675,224
Operational risk-weighted assets	10,129,272
Total risk-weighted assets	162,759,800
Core tier 1 capital adequacy ratio	11.65%
Tier 1 capital adequacy ratio	11.65%
Capital adequacy ratio	13.24%

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

45. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

The Group

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets held for trading				
Debt securities	–	5,318,631	–	5,318,631
Available-for-sale financial assets				
Debt securities	–	2,838,339	–	2,838,339
	–	8,156,970	–	8,156,970
Financial assets disclosed at fair value				
Receivables	–	–	4,109,741	4,109,741
Held-to-maturity investments	–	–	5,698,919	5,698,919
	–	–	9,808,660	9,808,660
Financial liabilities disclosed at fair value				
Subordinated bonds	–	–	981,248	981,248

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets held for trading				
Debt securities	–	4,780,814	–	4,780,814
Available-for-sale financial assets				
Debt securities	–	5,326,543	–	5,326,543
	–	10,107,357	–	10,107,357
Financial assets disclosed at fair value				
Receivables	–	–	13,583,721	13,583,721
Held-to-maturity investments	–	–	12,149,483	12,149,483
	–	–	25,733,204	25,733,204
Financial liabilities disclosed at fair value				
Subordinated bonds	–	–	958,085	958,085

45. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy (continued):

The Group (continued)

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets held for trading				
Debt securities	–	7,878,959	–	7,878,959
Available-for-sale financial assets				
Debt securities	–	8,219,684	–	8,219,684
	–	16,098,643	–	16,098,643
Financial assets disclosed at fair value				
Receivables	–	–	22,686,667	22,686,667
Held-to-maturity investments	–	–	12,082,138	12,082,138
	–	–	34,768,805	34,768,805
Financial liabilities disclosed at fair value				
Subordinated bonds	–	–	1,010,817	1,010,817
Financial bonds	–	–	2,430,005	2,430,005
	–	–	3,440,822	3,440,822

30 September 2013	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets held for trading				
Debt securities	–	7,201,596	–	7,201,596
Available-for-sale financial assets				
Debt securities	–	12,213,071	–	12,213,071
Funds	–	20,000	–	20,000
	–	12,233,071	–	12,233,071
	–	19,434,667	–	19,434,667
Financial assets disclosed at fair value				
Receivables	–	–	18,023,144	18,023,144
Held-to-maturity investments	–	–	13,901,436	13,901,436
	–	–	31,924,580	31,924,580
Financial assets disclosed at fair value				
Subordinated bonds	–	–	1,001,439	1,001,439
Financial bonds	–	–	2,439,183	2,439,183
	–	–	3,440,622	3,440,622

45. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy (continued):

The Bank

31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets held for trading				
Debt securities	–	5,318,631	–	5,318,631
Available-for-sale financial assets				
Debt securities	–	2,838,339	–	2,838,339
	–	8,156,970	–	8,156,970
Financial assets disclosed at fair value				
Receivables	–	–	3,349,641	3,349,641
Held-to-maturity investments	–	–	5,698,919	5,698,919
	–	–	9,048,560	9,048,560
Financial assets disclosed at fair value				
Subordinated bonds	–	–	981,248	981,248

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets held for trading				
Debt securities	–	4,780,814	–	4,780,814
Available-for-sale financial assets				
Debt securities	–	5,326,543	–	5,326,543
	–	10,107,357	–	10,107,357
Financial assets disclosed at fair value				
Receivables	–	–	13,568,721	13,568,721
Held-to-maturity investments	–	–	12,149,483	12,149,483
	–	–	25,718,204	25,718,204
Financial assets disclosed at fair value				
Subordinated bonds	–	–	958,085	958,085

45. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy (continued):

The Bank (continued)

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets held for trading				
Debt securities	–	7,878,959	–	7,878,959
Available-for-sale financial assets				
Debt securities	–	8,219,684	–	8,219,684
	–	16,098,643	–	16,098,643
Financial assets disclosed at fair value				
Receivables	–	–	22,686,667	22,686,667
Held-to-maturity investments	–	–	12,082,138	12,082,138
	–	–	34,768,805	34,768,805
Financial assets disclosed at fair value				
Subordinated bonds	–	–	1,010,817	1,010,817
Financial bonds	–	–	2,430,005	2,430,005
	–	–	3,440,822	3,440,822

30 September 2013	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets held for trading				
Debt securities	–	7,201,596	–	7,201,596
Available-for-sale financial assets				
Debt securities	–	12,213,071	–	12,213,071
Funds	–	20,000	–	20,000
	–	12,233,071	–	12,233,071
	–	19,434,667	–	19,434,667
Financial assets disclosed at fair value				
Receivables	–	–	18,023,144	18,023,144
Held-to-maturity investments	–	–	13,901,436	13,901,436
	–	–	31,924,580	31,924,580
Financial assets disclosed at fair value				
Subordinated bonds	–	–	1,001,439	1,001,439
Financial bonds	–	–	2,439,183	2,439,183
	–	–	3,440,622	3,440,622

45. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

Financial assets held for trading and available-for-sale financial assets are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available then fair values are estimated on the basis of discounted cash flows or pricing models. For debt securities, the fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The receivables are not quoted in an active market. In the absence of any other relevant observable market, the fair values of receivables are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments, subordinated bonds and financial bonds are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group and the Bank's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Balances with central bank	Due to banks and other financial institutions
Due from banks and other financial institutions	Repurchase agreements
Reverse repurchase agreements	Due to customers
Loans and advances to customers	Other financial liabilities
Other financial assets	

46. SIGNIFICANT EVENTS

On 19 April 2013 and 10 May 2013, the draft resolution for the issuance of qualified tier II capital instruments was approved at the 10th meeting of the Bank's 5th board of directors and the annual general meeting of 2012 fiscal year. On 10 September 2013, the resolution on relevant deliberations over the issuance of qualified tier II capital instruments was approved at the 14th meeting of the Bank's 5th board of directors. The Bank is authorised to issue fixed-interest-rate capital bonds not exceeding RMB 4 billion with a term of less than 5 years, and the funds raised net of issuance expense will be used under the applicable law and with the approval of the authorities to fortify the tier II capital base of the Bank.

On 10 September 2013 and 26 September 2013, at the 14th meeting of the Bank's 5th board of directors and the 2nd extraordinary general meeting of 2013 fiscal year, the resolution for issuance of the special financial bonds for rural loans was approved. The Bank is authorised to issue special financial bonds not exceeding RMB10 billion with a term of less than 5 years the funds raised will be specially used for rural loans.

47. SUBSEQUENT EVENT

Propose to set up a new subsidiary:

To diversify the Bank's business operations, the Bank applied to the CBRC to set up a financial leasing company and have received preliminary approval Yin Jian Fu 2014 No. 35 from the CBRC on 15 January 2014. The Bank should complete the preparatory work for the setting up of such financial leasing company within six months of obtaining the approval from CBRC. As at the date of this accountants' report, such preparation work is still at the initial stage.

III SUBSEQUENT FINANCIAL STATEMENTS

The Bank, the Group together with any subsidiaries of the Group, have no audited financial statements as at any period after 30 September 2013. Save as disclosed in this report, no dividend distribution has been declared or made by the Group in respect of any period subsequent 30 September 2013.

Yours faithfully

Ernst & Young
Certified Public Accountants
Hong Kong