

2013

2013 ANNUAL REPORT



重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

Annual Report

CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

* *The Bank holds a financial license number B0335H250000001 approved by China Banking Regulatory Commission and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business license with a registration number 500000000001239. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

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Financial Summary

The financial information of the Group set forth in this annual report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards (“IFRSs”) and expressed in RMB million unless otherwise stated.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2013	2012	Comparison between 2013 and 2012	2011	2010	2009
Operating results			Rate of Changes (%)			
Net interest income	15,703.2	13,092.2	19.94	10,505.0	7,501.8	5,474.5
Net fee and commission income	679.7	435.7	56.00	635.4	285.8	136.7
Operating income	16,315.8	13,653.3	19.50	11,118.3	7,744.6	5,676.8
Operating expenses	(7,207.8)	(6,074.8)	18.65	(4,774.4)	(3,910.1)	(3,190.7)
(Impairment) reversals of impairment on assets	(1,181.3)	(511.4)	130.99	(848.0)	45.2	(123.0)
Profit before tax	7,916.7	7,067.8	12.01	5,496.9	3,986.1	2,484.5
Net profit	6,015.1	5,377.7	11.85	4,248.0	3,061.2	1,888.3
Net profit attributable to equity holders of the Bank	5,991.0	5,361.5	11.74	4,246.5	3,064.2	1,888.3
Based on per share (RMB)			Changes			
Net assets per share attributable to equity holders of the Bank	3.90	3.43	0.47	3.00	3.26	1.58
Basic earnings per share	0.64	0.58	0.06	0.46	0.45	0.31
Profitability indicators (%)			Changes			
Return on total assets ⁽¹⁾	1.20	1.24	(0.04)	1.23	1.07	0.94
Average return on assets ⁽²⁾	1.28	1.38	(0.10)	1.35	1.26	1.02
Return on shareholders' equity ⁽³⁾	16.31	16.69	(0.38)	15.17	13.65	19.92
Net interest spread ⁽⁴⁾	3.19	3.26	(0.07)	3.13	2.97	2.94
Net interest margin ⁽⁵⁾	3.41	3.50	(0.09)	3.36	3.07	3.06
Net fee and commission income to operating income	4.17	3.19	0.98	5.71	3.69	2.41
Cost-to-income ratio ⁽⁶⁾	37.66	37.70	(0.04)	36.64	44.40	49.23

(Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2013	2012 (Restated)	Comparison between 2013 and 2012	2011	2010	2009
Scale indicators			Rate of changes (%)			
Total assets	502,446.0	433,827.1	15.82	344,820.0	285,545.7	201,360.7
among which: Loans and advances to customers, net	198,150.6	167,614.9	18.22	138,821.8	117,114.0	96,815.7
Total liabilities	465,556.7	401,611.4	15.92	316,809.1	263,115.3	191,883.4
among which: Due to customers	347,883.4	294,510.5	18.12	246,141.4	205,563.0	153,776.4
Share capital	9,300.0	9,300.0	—	9,300.0	9,000.0	6,000.0
Equity attributable to equity holders of the Bank	36,251.4	31,906.9	13.62	27,855.5	22,345.2	9,477.3
Non-controlling interests	637.9	308.8	106.57	155.4	85.2	—
Total equity	36,889.3	32,215.7	14.51	28,010.9	22,430.4	9,477.3
Assets quality indicators⁽⁷⁾ (%)			Changes			
Non-performing loan ratio	0.80	0.98	(0.18)	1.44	2.38	3.88
Allowances to non-performing loans	430.60	350.60	80.00	265.24	172.81	126.85
Allowances to total loans	3.46	3.42	0.04	3.83	4.12	4.92
Capital adequacy indicators (%)			Changes			
Core Tier 1 capital adequacy ratio ⁽⁸⁾	11.85	11.30	0.55			
Tier 1 capital adequacy ratio ⁽⁸⁾	11.85	11.30	0.55			
Capital adequacy ratio ⁽⁸⁾	13.64	13.22	0.42			
Core capital adequacy ratio ⁽⁹⁾	12.51	12.01	0.50	13.71	14.78	8.14
Capital adequacy ratio ⁽⁹⁾	13.31	12.92	0.39	14.90	16.31	10.23
Total equity to total assets	7.34	7.43	(0.09)	8.12	7.86	4.71
Other indicators (%)						
Loan-to-deposit ratio ⁽⁷⁾	59.00	58.93	0.07	58.64	59.42	66.21

(1) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the year-end balance of total assets.

(2) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets at the beginning and the end of the year.

- (3) Representing the net profit for the year (including profit attributable to non-controlling interests) as a percentage of the year-end balance of total equity including non-controlling interests.
- (4) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-earning assets.
- (6) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
- (7) Non-performing loan ratio, allowances to non-performing loans, allowances to total loans and loan-to-deposit ratio were calculated on basis of the contractual amount of loans.
- (8) Calculated in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the China Banking Regulatory Commission.
- (9) Calculated in accordance with the “Management of Capital Adequacy Ratios of Commercial Banks (Amendments)” promulgated by CBRC. The calculation of capital adequacy ratio has taken into account of the impact of proposed dividend for 2013.

Basis of preparation of certain financial indicators

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the “CRCU”) by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring. Therefore, certain disclosures in relation to loans and advances to customers and relevant assets quality indicators in the section entitled “Management Discussion and Analysis” in this report were prepared based on the contractual amount of relevant loans and advances for management discussion and analysis purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the audited consolidated financial statements of the Group.

As at 31 December 2013, the Group has applied a number of new or revised International Financial Reporting Standards that are effective for the financial year beginning on 1 January 2013. International Accounting Standard 19 (Revised 2011): Employee Benefits has been applied retrospectively for the comparative year. For relevant analysis, please refer to Note 2 “Adoption of new or revised international financial reporting standards” to the consolidated financial statements. The financial impact arising from the adoption of other new or revised IFRSs in the reporting period is not material and has not resulted in any retrospective adjustments.



Company Information

Basic information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as「重慶農村商業銀行」)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as Chongqing Rural Commercial Bank)
Legal Representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong PENG Yanxi
Secretary to the Board	PENG Yanxi
Joint Company Secretary	PENG Yanxi YUNG Mei Yee
Registered address and postcode	No. 10 East Yanghe Road, Jiangbei District, Chongqing, the PRC 400020
Principal place of business in Hong Kong	8th Floor, Gloucester Tower, The Landmark 15 Queen's Road Central, Hong Kong
Company's website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Listing stock exchange, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618

Date and authority of first incorporation	27 June 2008 Administration for Industry and Commerce of Chongqing, the PRC
Registration number of corporate legal person business license	500000000001239
Code of organisational structure	67612972-8
Financial license institution number	The Bank holds a financial license number [B0335H250000001] approved by CBRC
Taxation registration number	Yu Guo Shui Zi (渝國稅字) No. 500105676129728 Yu Di Shui Zi (渝地稅字) No. 500105676129728
Auditors	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong Deloitte Touche Tohmatsu CPA LLP 30th Floor, No. 222 Yan'an East Road, Shanghai, PRC
Legal advisor as to PRC laws	Chongqing Jingsheng Law Firm Level 18, Business Tower, InterContinental Hotel, 101 Minzu Road, Yuzhong District, Chongqing City, the PRC
Legal advisor as to Hong Kong laws	Morrison & Foerster 33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. No. 17 Taipingqiao Avenue, Xicheng District, Beijing, PRC

Ranking and Awards



No. 991 among the Top 2,000 Global Enterprises in 2013 (2013年度全球企業2000強排名第991位), and No. 15 among the Chinese banks on the list (上榜中資銀行第15位)



Best Rural Financial Institution in China in 2013 (2013年度中國最佳農村金融機構), the only domestic financial institution winning this honour



No. 199 among the Top 1,000 Global Banks in 2013 (2013年度全球銀行1000強排名第199位), and No. 251 among the Top 500 Global Bank Brands (全球銀行品牌500強排名第251位)



No. 317 among the Top 500 Enterprises of China in 2013 (2013年度中國企業500強排名第317位)



Best Financial Institution in Social Responsibility in 2013 (2013年度最具社會責任金融機構獎)



No. 445 among the Top 500 Enterprises of China in 2013 (2013年度中國企業500強排名第445位)



Entity with Outstanding Financial Contributions for Economic Development of Chongqing in 2013 (2013年度支持重慶經濟發展金融貢獻突出單位)



First Prize Award of Contribution to Cross-bank ATM Transactions for 2013 (2013年度ATM跨行交易貢獻獎一等獎)

First Prize Award of Contribution to UnionPay Credit Cards Transactions for 2013 (2013年度銀聯信用卡交易貢獻獎一等獎)

First Prize Award of Contribution to Transactions Proportion of UnionPay Credit Cards for 2013 (2013年度銀聯信用卡交易佔比貢獻獎一等獎)

First Prize Award of Contribution to Transactions and Changes in Transactions Proportion of UnionPay High-end Credit Cards for 2013 (2013年度銀聯高端信用卡交易貢獻及佔比變動獎一等獎)

First Prize of Innovation of Industry Cooperation in 2013 (2013年度行業合作創新獎一等獎)

First Prize of Promotion of System Transformation in 2013 (2013年度系統改造推進獎一等獎)

First Prize of Outstanding Risk Management in 2013 (2013年度風險管理優勝獎一等獎)

Advanced Enterprise of Financial Technology Used in Financial Institutions among Banks in Chongqing in 2013 (Class I Rating Institution in Comprehensive Assessment)(2013年度重慶市銀行業金融機構金融科技工作先進單位(綜合評定為一類評價機構))



No. 12 among the Top 100 Enterprises of Chongqing in 2013 (2013年度重慶企業100強第12位)

No. 7 among the Top 100 Service Enterprises in Chongqing in 2013 (2013重慶服務業企業100強第7位)

No. 2 among the Top 50 Enterprises with Efficiency in 2013 (2013重慶企業效益50佳第2位)



No. 5 among the Top 10 Medium-sized Enterprises with Comprehensive Strength in the Selection of Top 100 Hong Kong Stocks in 2013 (2013年度港股100強評選綜合實力(中型企業)10強第5位)



Best Cooperation Bank of Urban-rural Financial Services in 2013 (2013年度最佳城鄉統籌金融服務銀行)



Top 10 Innovative Financial Products in 2013 (Jiangyu Wealth) (2013年度十大金融創新產品(江渝財富))

Best E-bank in 2013 (2013年度最佳電子銀行)

Most Reliable Financial Institution in 2013 (2013年度最信賴金融企業獎)



The Favourite Banking Card among Millions of QQ Users in 2013 — CQRCB•Jiangyu Credit Card (2013年度千萬Q友最喜愛的銀行卡—重慶農商行•江渝信用卡)



The Bank with Brand Power for the Year 2013 (2013年度年度品牌力銀行)

The Bank Serves for SMEs for the Year 2013 (2013年度中小企業服務銀行)

Award of Rural Financial Services for the Year 2013 (2013年度農村金融服務獎)



The Most Socially Responsible Bank in 2013 (2013年度最具社會責任銀行)

Best Bank in Coordination of Financial Services in Urban and Rural Areas in 2013 (2013年度最佳城鄉統籌金融服務銀行)

Most Innovative Bank in E-banking in 2013 (2013年度最具創新性電子銀行)



Model Institution in Financial Innovation in 2013 (2013年度金融創新榜樣機構)

Best Bank in Wealth Management in 2013 (2013年度最佳理財銀行)

Outstanding Contribution Award in Microfinance in 2013 (2013年度小微金融貢獻突出銀行)



Special Contribution Award in Finance Centre of Upper Stream of Yangtze River Region in 2013 (2013年度年度長江上游金融中心特別貢獻獎)

Best Bank in General Planned Financial Services in Urban and Rural Areas in 2013 (2013年度年度最佳城鄉統籌金融服務銀行)

Outstanding Regional Commercial Bank of 2013 (2013年度年度卓越區域性商業銀行)



Most Popular Mobile Banking of 2013 (2013年度最受歡迎手機銀行)

Most Popular Wealth Management Product of 2013 (2013年度最受歡迎理財產品)

Most Popular Credit Card of 2013 (2013年度最受歡迎信用卡)

Best Service Bank of 2013 (2013年度最佳服務銀行)



Chairman's Statement

Dear Shareholders,

2013 was a year full of challenges. Confronted with complicated and ever-changing economic and financial situations and intense market competitions, we implemented macro-control policies and supervision requirements of the government in a serious manner and strictly complied with the strategic deployment of Chongqing's "Five Major Functional Regions". As a result, the economic capability of service entities was enhanced significantly to achieve the synchronous increase in quality and profitability. The balance of non-performing loans was RMB1,649 million and the non-performing loan ratio was 0.80%, a decrease of RMB46 million and 0.18 percentage point respectively, representing continuous "double dip" as compared with the end of the previous year. We achieved a net profit of RMB6,015 million, representing an increase of 11.85% as compared with last year. Furthermore, we were listed among the top 200 banks in the world and the top 1,000 enterprises worldwide, and won the award of the "Best Rural Financial Institution in China in 2013" by USA Global Finance.

Over the year, we focused on the "three-transformation" strategy of "characteristic operation, streamlining the management, development of a healthy corporate culture" to firmly proceed with transformation and upgrade. As a result, we see promising development in respect of each task.

Oriented by Reform and Innovation. We stayed committed to seeking development in the process of reforms by actively adapting to the changes of financial environment, and respond to new opportunities and challenges in a bold manner. Pursuant to the requirements of regulations and the standards for listed banks, we continuously optimized the tiered decision-making mechanism of "Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Management" and the special committees to increase the management capability of the Group. Keeping abreast of the market demand, we improved the reform of the management mode and established three front-desk business headquarters of corporate finance, retail finance and finance market. Moreover, we fully developed the functions of line management to form professional and refined business marketing team. In respect of the challenges of the liberalisation of interest rate and financial disintermediation, we explored the path of diversification, promoted reforms and innovation and seized opportunities to improve the ability of sustainable development.

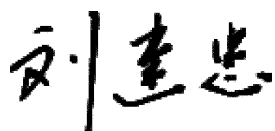
Focused on Characteristic Operation. In the principle of “Guidance by Classification and Staggered Development”, we remained committed to differentiated development to create new business horizons whilst reinforcing our traditional, advantageous businesses. Furthermore, we deepened the agricultural-related incentive mechanism and the management mechanism, optimized the franchise mechanism for loans to small and micro enterprises and stepped up efforts in crediting. In order to cater to the demand of the market and clients, we launched characteristic products such as land revenue-insured loans and small enterprise order loans (小企業訂單貸款). The banking business in the county area and loans to small and micro enterprises increased by RMB24,166 million and RMB15,095 million, respectively. Treasury business, intermediary business, international business and other businesses improved at the same time. In addition, we launched the innovative WeChat Banking. Hence, our mobile banking transaction amount accounted for 60% of the total transaction amount of the city of Chongqing. Six village and township banks were newly established and cross-regional branches were operated steadily. We consistently increased our capability to penetrate the peripheral areas, which increased market competitiveness effectively and created a good brand image for the Bank.

By means of refined management. We emphasized risk prevention and prudent operation by consistently improving lean management. Furthermore, we optimized the authorization and risk management system within the Bank, enhanced risk monitoring and warning to effectively prevent risks in key domains and rationally respond to market fluctuations and liquidity risks. We optimized the internal control system, conducted internal comprehensive appraisal and diversified management and internal means to practically prevent operation risks and ensure safe and stable operation. In order to consolidate the foundation of business development, we reinforced technology as our drive of development, conducted special data governance and accelerated the development of our technological system.

Guided by corporate culture. Guided by sound corporate culture, we grasped the opportunities of public education initiatives of the Communist Party of the PRC and have continuously endeavored to develop a long-lasting mechanism of working style to create an atmosphere of dedication, pragmatism and innovation. We also selectively retained a number of professional personnel and implemented an innovative mechanism to select and retain talented people, which further optimised our team structure. By establishing kiosk service sites, night-market banking and conducting “zero charge” policies on services of Jiangyu Xiangqing Card, we have implemented services that benefited the public. On account of our active fulfilment of the social responsibility as a state-owned financial enterprise, we were awarded the “Best Financial Institution in Social Responsibility in 2013” by the China Banking Association.

We credit such achievements to the great support of all shareholders, clients and all sectors of society, and such achievements are also a result of the diligent creation of all the staff of the Bank, to whom I express my gratitude.

We shall never cease in reforming and moving forward. In 2014, we will promote reforms and innovation in an active manner and accelerate strategic transformation pursuant to the spirits of the Third Plenary Session of the 18th CPC Central Committee and the Forth Plenary Session of the 4th Municipal Committee of the CPC. In addition, we will enhance the implementation of the “three-transformation” strategy in a firmer manner and focus on improving the four categories of capabilities of “management, service, coordination and team”. Through the above measures, we expect to achieve the goal of “enhancement of internal control, optimisation of structure, acceleration of development and pursuit of innovation” so as to return the continuous trust and support from shareholders and all sectors of the society with outstanding performance.



LIU Jianzhong
Chairman

28 March 2014



President's Statement

Dear Shareholders,

In 2013, the Group implemented national policies and regulatory requirements and accelerated the transformation and upgrade. Adhering to steady operation, the Group strengthened risk management and achieved promising operational performance. All goals and tasks have been met and completed.

Steady Growth of Operational Indicators. The assets of the Group have exceeded RMB500,000 million to stand at RMB502,446 million, representing an increase of RMB68,619 million or 15.82% over the end of the previous year and becoming the No. 1 in the Chinese rural banking industry for the first time. Customer deposits amounted to RMB347,883 million, representing an increase of RMB53,373 million or 18.12% over the end of the previous year and taking lead in the banking industry of Chongqing in terms of aggregate amount and increased amount of deposits. Customer loans and advances amounted to RMB205,253 million, representing an increase of RMB31,693 million or 18.26% over the end of the previous year. The Group recorded net profit amounting to RMB6,015 million, representing an increase of 11.85% over the previous year.

Strong Support to Agricultural and Small Enterprises. Sticking to its market position and making use of its own strengths, the Group refined its business in “Sannong” and small and micro enterprises in order to effectively meet their reasonable needs for credit loans. By reinforcing the management mechanism in agriculture related businesses, the Group steadily carried out the pilot scheme for “three rights (三權)” secured financing and launched the innovative products such as land revenue-guaranteed loans (土地收益保證貸款) and operation loans for rural tourism (農家樂經營貸款). The loans to the financial business in county area amounted to RMB107,956 billion, accounting for 52.60% of the total loans and representing an increase of RMB24,166 million or 28.84%. The Group optimised and perfected the specialized mechanism for small and micro enterprises by establishing three specialised branches to focus on providing professional and comprehensive financial services to small and micro enterprises. The loans to small and micro enterprises accounted to RMB59,987 million, representing an increase of RMB15,095 million or 33.63%. Over 85,000 accounts have been opened for micro enterprises, which continued the Group’s top position in the small and micro loan industry in Chongqing.

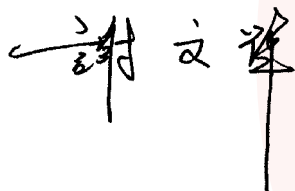
Significant Improvement in Service Capability. The Group made efforts to popularise General Benefit Finance (普惠金融) by holding 5,500 activities for popularising finance knowledge and setting up 752 self-service terminals and 917 self-service equipments, which helped equalising the convenient financial services in the rural areas. The Group accelerated the deployment of internet finance and was the first bank in Chongqing to launch WeChat bank. It also promoted the e-channels such as mobile banking and internet banking. The number of effective customers of the mobile finance reached 1,284,400 with RMB421,851 million of transaction amount and the transaction amount accounted for 60% of the banking industry in Chongqing. The substitution rate of e-banking account transactions reached 70.21%. Relevant actions have been steadily carried out for the Group to “go out” of Chongqing. Its Qujing branch has been developed steadily, and with six newly opened village and township banks, the Group had a total of 10 such banks, a move further enhanced the financial presence of the Group.

Maintained Sound Quality for Assets. The Group stepped up the adjustment on credit structure and effectively controlled and prevented the risks in the governmental financing platform, the real estate industry and industries with excessive production capacity as it strived to implement the regulatory requirements and conscientiously comprehend the intents of regulators. Non-performing loans has maintained another “double dip” with a balance of RMB1,649 million and non-performing loan ratio of 0.80%, representing a decrease of RMB46 million and 0.18 percentage point respectively over the end of the previous year. Allowance to non-performing loans ratio was 430.60%, capital adequacy ratio was 13.64% and the core tier-one capital adequacy ratio was 11.85%. The ability for risk mitigation was enhanced.

Upgrade in Internal Management. The Group promoted the reform of the management mode in a steady manner. It established three general offices in corporate finance, retail finance and financial market as the directing centre for line management. In the meantime, the Group implemented comprehensive institutional reform in the organisational structure, assessment and financial management and reinforced scientific, effective and adaptive management. The Group facilitated back-office centralised management and continuously improved the systems for, among others, remote centralised authorisation and centralised operation for remittance business to gradually reduce the operational risks. It carried out the special solutions and management for the data and improved the ability to analyse and use data, providing strong support for refined management and scientific decision-making.

Such achievements are impossible without the support of the Board, the board of supervisors and the shareholders, or the support of the customers and the efforts of all the employees. I hereby would like to express my most sincere gratitude on behalf of the management!

2014 is an important year for China to reinforce reforms, and also for the reform and transformation of Chongqing Rural Commercial Bank. In accordance with its development strategy, the Group will implement the decisions made by the Board, adhere to specialised development and hone its professional and differentiated competitive edge to maintain a steady and sustainable development.



XIE Wenhui
President

28 March 2014



Management Discussion and Analysis

Financial Review

In 2013, the world's economy experienced a slow and bumpy recovery. The US economy saw a pickup in the growth momentum and a continuous recovery in the real estate market, yet facing the potential risks including the shrinkage due to the quantitative easing and the government debts. The euro zone economy was out of recession with the business climate index moving upwards. However, the unemployment rate remained high, indicating an unstable recovery. The Japanese economy slowed down in its growth after the robust rebound and the challenges remained in the long term. Economies of certain emerging markets experienced a slower growth due to the weak external demand and other factors. The turmoil in the financial market brought higher risk.

Confronted with an extremely complex environment at home and abroad, China, insisting on the keynote of seeking progress while maintaining stability, promoted the reform and opening-up and brought more innovative macro control. The national economy improved in a steady manner. In 2013, GDP increased by 7.7% as compared to last year, representing a relatively rapid growth. CPI increased by 2.6% as compared to last year, a figure that basically leveled off with last year. In 2013, the central bank deregulated the loan interest rate, which further liberalized the interest rate. As at the end of 2013, the total assets of financial institutes in the domestic banking industry amounted to RMB151.35 trillion, representing an increase of 13.27% as compared to last year and the total liabilities amounted to RMB141.18 trillion, representing an increase of 12.99% as compared to last year. The currency loan enjoyed a steady increase. At the end of December, the balance of broad money (M2) amounted to RMB110.65 trillion, representing an increase of 13.6% as compared with the end of the previous year. The balance of narrow money (M1) amounted to RMB33.73 trillion, representing an increase of 9.3% as compared with the end of the previous year. At the end of December, the balance of RMB loan amounted to RMB71.9 trillion and the balance of RMB deposits amounted to RMB104.38 trillion. New RMB-denominated loans for the year amounted to RMB8.89 trillion, representing an increase of RMB687.9 billion as compared to last year. New RMB-denominated deposits amounted to RMB12.56 trillion, representing an increase of RMB1.74 trillion as compared to last year.

In 2013, the economy of Chongqing operated smoothly with steady development. The GRP of Chongqing reached RMB1,265.669 billion, representing an increase of 12.3% as compared to last year, 4.6 percentage points higher than the average level in the nation. The industrial structure was optimized with the proportion between the primary industry, secondary industry and tertiary industry was adjusted to 7.9:50.5:41.6 from 8.2:52.4:39.4. The foreign trade remained stable with growth made. The total amount of import and export was US\$68.704 billion, representing a growth of 29.1%, among which, the total amount of export was US\$46.797 billion, representing a growth of 21.3%, and the total amount of import was US\$21.907 billion, representing a growth of 49.7%. The total amount of exports and imports of Chongqing was among the top 10 in the PRC and ranked the first place in the western region of China.

I. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2013	2012		
Net interest income	15,703.2	13,092.2	2,611.0	19.94
Net fee and commission income	679.7	435.7	244.0	56.00
Net trading (losses) gain	(197.6)	13.0	(210.6)	(1,620.00)
Share of profit of an associate	0.3	—	0.3	100.00
Other operating income, net	130.2	112.4	17.8	15.84
Operating income	16,315.8	13,653.3	2,662.5	19.50
Operating expenses	(7,207.8)	(6,074.8)	(1,133.0)	18.65
Impairment on assets	(1,181.3)	(511.4)	(669.9)	130.99
Net (losses) gain on disposal of available-for-sale financial assets	(10.0)	0.7	(10.7)	(1,528.57)
Profit before tax	7,916.7	7,067.8	848.9	12.01
Income tax expense	(1,901.6)	(1,690.1)	(211.5)	12.51
Net Profit	6,015.1	5,377.7	637.4	11.85

In 2013, the profit before tax of the Group amounted to RMB7,917 million, representing an increase of 12.01% as compared to the previous year; net profit amounted to RMB6,015 million, representing an increase of 11.85% as compared to the previous year. The profit before tax and net profit continued to grow at over 10.00%, primarily attributable to the stable growth of interest-earning assets, which had driven the net interest income to increase by RMB2,611 million or 19.94% as compared with last year.

(I) Net Interest Income

In 2013, the net interest income of the Group amounted to RMB15,703 million, representing an increase of RMB2,611 million or 19.94% as compared to the previous year and accounting for 96.25% of the total operating income, including an increase of RMB2,773 million of net interest income arising from changes in the average balance of various assets and liabilities, and a decrease of RMB162 million in net interest income attributable to the decrease in the average yield or the average cost rate under the impact of interest rate cut.

The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Group.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2013	2012		
Interest income	27,179.8	22,331.6	4,848.2	21.71
Interest expense	(11,476.6)	(9,239.4)	(2,237.2)	24.21
Net interest income	15,703.2	13,092.2	2,611.0	19.94

The table below sets forth, for the years indicated, the average balances of our interest-earning assets and interest-bearing liabilities, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of capital-preserve type of customer-driven wealth management products on the interest income/expense and average balances.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2013			2012		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	190,735.6	13,684.3	7.17	160,845.3	12,127.0	7.54
Debt securities investments	101,495.6	5,951.2	5.86	87,166.9	4,929.8	5.66
Balances with central bank	63,736.8	1,007.5	1.58	51,866.8	828.2	1.60
Due from banks and other financial institutions	104,395.9	6,239.6	5.98	74,387.5	4,446.6	5.98
Total interest-earning assets	460,363.9¹	26,882.6¹	5.84	374,266.5¹	22,331.6¹	5.97
Liabilities						
Due to customers	331,990.5	6,700.7	2.02	270,476.2	5,623.2	2.08
Borrowings from central bank	141.8	4.5	3.17	44.2	1.8	4.07
Due to banks and other financial institutions	87,328.5	4,347.7	4.98	68,357.1	3,487.9	5.10
Subordinated bonds	2,300.0	126.5	5.50	2,300.0	126.5	5.50
Total interest-bearing liabilities	421,760.8¹	11,179.4¹	2.65	341,177.5¹	9,239.4¹	2.71
Net interest income		15,703.2			13,092.2	
Net interest spread			3.19			3.26
Net interest margin			3.41			3.50

Note: 1. The impact of customer-driven wealth management products was excluded.

Under the lagging effect of two interest rate cuts in 2012, the average yield on overall interest-earning assets decreased by 13 basis points to 5.84% in 2013 from the previous year. Both the average cost rate of due to customers and the average cost rate of deposits from banks and other financial institutions declined from the previous year, whereas the average cost rate of the overall interest-bearing liabilities decreased by 6 basis points to 2.65% from the previous year. The average yield of interest-earning assets decreased by 13 basis points from the previous year, the average cost rate for interest-bearing liabilities decreased by 6 basis points from the previous year, resulting in a decrease of 7 basis points in net interest spread to 3.19% from the previous year, whereas the net interest margin dropped by 9 basis points to 3.41% from the previous year.

The following table sets forth the changes in the Group's interest income and interest expense due to changes in volume and rate. Changes in volume are measured by the movement of the average balance, while changes in the interest rate are measured by the movement of the average interest rate.

(Expressed in RMB million)	Volume factor	Rate factor	Changes in interest income/ expense
Assets			
Loans and advances to customers	2,143.1	(585.8)	1,557.3
Debt securities investments	839.7	181.7	1,021.4
Balances with central bank	187.5	(8.2)	179.3
Due from banks and other financial institutions	1,794.5	(1.5)	1,793.0
Changes in interest income	<u>4,964.8</u>	<u>(413.8)</u>	<u>4,551.0</u>
Liabilities			
Due to customers	1,242.6	(165.1)	1,077.5
Due to banks and other financial institutions	949.6	(87.1)	862.5
Changes in interest expense	<u>2,192.2</u>	<u>(252.2)</u>	<u>1,940.0</u>

1. Interest Income

In 2013, the interest income of the Group amounted to RMB27,180 million, representing an increase of RMB4,848 million or 21.71% as compared to the previous year. The analysis below does not take into account of the interest income generated from the capital-preserve type of customer-driven wealth management products.

(1) Interest Income from Loans and Advances to Customers

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2013			2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	113,931.9	8,083.5	7.10	101,346.4	7,536.5	7.44
Retail loans	72,299.9	5,349.0	7.40	54,909.1	4,311.8	7.85
Discounted bills	4,503.8	251.8	5.59	4,589.8	278.7	6.07
Total loans and advances to customers	190,735.6	13,684.3	7.17	160,845.3	12,127.0	7.54

Interest income from loans and advances to customers increased by RMB1,557 million or 12.84% to RMB13,684 million as compared to the previous year, primarily attributable to the increase in both average balance of loans and advances to customers as compared to the previous year.

(2) Interest Income from Debt Securities Investments

In 2013, the Group's interest income from debt securities investments increased by RMB1,021 million or 20.72% to RMB5,951 million as compared to the previous year, primarily attributable to the increase in average balance and average yield of debt securities investment over the previous year.

(3) Interest Income from Balances with Central Bank

In 2013, the Group's interest income from balances with central bank increased by RMB179 million or 21.65% to RMB1,008 million as compared to the previous year, primarily attributable to a 22.89% increase in the average balance of balances with central bank as compared to the previous year, which was driven by the increase in due to customers.

(4) Interest Income from Due from Banks and Other Financial Institutions

The average balance, interest income and average yield for each component of due from banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2013			2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	41,564.5	2,214.7	5.33	36,377.6	2,067.0	5.68
Financial assets held under resale agreements	62,831.4	4,024.9	6.41	38,009.9	2,379.6	6.26
Total due from banks and other financial institutions	104,395.9	6,239.6	5.98	74,387.5	4,446.6	5.98

In 2013, the interest income from deposits and placements with banks and other financial institutions of the Group increased by RMB148 million or 7.15% to RMB2,215 million as compared to the previous year, primarily attributable to the increase of 14.26% in the average balances and the average yield of deposits and placements with banks and other financial institutions as compared to the previous year. However, under the impact of low market interest rates, the increase was partially offset by the decrease in average yield.

In 2013, the interest income from financial assets held under resale agreements increased by RMB1,645 million or 69.14% to RMB4,025 million as compared to last year, primarily attributable to an increase of 65.30% in the average balances and an increase of 15 basis points in the average yield as compared to last year as the Group increased financial assets held under resale agreements with higher yields to adjust the utilisation structure of short-term fund.

2. *Interest Expense*

In 2013, the Group's interest expense increased by RMB2,237 million or 24.21% to RMB11,477 million as compared to the previous year. The analysis below does not take into account of the interest expense generated from the capital-preserve type of customer-driven wealth management products.

(1) Interest Expense on Due to Customers

The average balance, interest expense and average cost rate for each component of due to customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2013			2012		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	68,406.0	460.0	0.67	50,562.1	260.5	0.52
Time	20,161.8	565.6	2.81	17,501.9	390.1	2.23
Subtotal	<u>88,567.8</u>	<u>1,025.6</u>	<u>1.16</u>	<u>68,064.0</u>	<u>650.6</u>	<u>0.96</u>
Retail deposits						
Demand	69,788.6	274.0	0.39	55,979.6	238.5	0.43
Time	173,634.1	5,401.1	3.11	146,432.6	4,734.1	3.23
Subtotal	<u>243,422.7</u>	<u>5,675.1</u>	<u>2.33</u>	<u>202,412.2</u>	<u>4,972.6</u>	<u>2.46</u>
Total due to customers	<u><u>331,990.5</u></u>	<u><u>6,700.7</u></u>	<u><u>2.02</u></u>	<u><u>270,476.2</u></u>	<u><u>5,623.2</u></u>	<u><u>2.08</u></u>

In 2013, interest expense on due to customers of the Group amounted to RMB6,701 million, representing an increase of RMB1,078 million, or 19.16% as compared to last year, which was primarily due to the average balance of due to customers increased by 22.74% over the previous year. Under the lagging effect of interest rate cut implemented by the central bank in 2012, the average cost rate of due to customers dropped by 6 basis points to 2.02% in 2013 as compared to the previous year.

(2) Interest Expense on Due to Banks and Other Financial Institutions

The average balance, interest expense and average cost rate for each component of due to banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2013			2012		
	Average balance	Interest expense	Average cost cost (%)	Average balance	Interest expense	Average cost cost (%)
Deposits and placements from banks and other financial institutions	44,817.2	2,341.5	5.22	29,733.3	1,643.9	5.53
Financial assets sold under repurchase agreements	42,511.3	2,006.2	4.72	38,623.8	1,844.0	4.77
Total due to banks and other financial institutions	87,328.5	4,347.7	4.98	68,357.1	3,487.9	5.10

In 2013, the Group's interest expense on deposits and placements from banks amounted to RMB2,342 million, representing an increase of RMB698 million, or 42.44% over the previous year, which was primarily due to the increase in the average balance of deposits and placements from banks and other financial institutions.

In 2013, the interest expense on financial assets sold under repurchase agreements of the Group increased by RMB162 million or 8.80% to RMB2,006 million as compared to the previous year, primarily due to the increase in the average balance of financial assets sold under repurchase agreements as compared to the previous year.

3. *Net Interest Spread and Net Interest Margin*

Net interest spread is the difference between the average yield on interest-earning assets and the average cost on interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

In 2013, the net interest spread of the Group decreased by 7 basis points to 3.19% as compared to the previous year, the decrease of which reflected a higher decline rate in the average yield of interest-earning assets over the previous year than that in the average cost rate of interest-bearing liabilities over the previous year.

In 2013, the net interest income of the Group increased by RMB2,611 million or 19.94% to RMB15,703 million as compared to the previous year. The average balance of interest-earning assets increased by 23.00%. As the growth in net interest income was less than that of the average balance of interest-earning assets, the net interest margin of the Group decreased by 9 basis points from the previous year to 3.41% in 2013.

(II) Non-interest Income

1. Net Fee and Commission Income

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2013	2012		
Fee and commission income	739.1	488.4	250.7	51.33
Settlement and clearing fees	51.6	41.1	10.5	25.55
Agency commissions	214.2	125.9	88.3	70.14
Bank card fees	174.6	114.5	60.1	52.49
Custodian and other fiduciary service fees	14.6	14.5	0.1	0.69
Consultancy and advisory fees	269.3	181.7	87.6	48.21
Others	14.8	10.7	4.1	38.32
Fee and commission expense	(59.4)	(52.7)	(6.7)	12.71
Net fee and commission income	679.7	435.7	244.0	56.00

In 2013, the net fee and commission income amounted to RMB680 million, representing an increase of RMB244 million or 56.00% over the previous year, and its proportion to operating income increased by 0.98 percentage point to 4.17%, primarily attributable to the increase in consultancy and advisory fees, bank card fees and agency commissions.

Settlement and clearing fees amounted to RMB52 million, representing a year-on-year increase of RMB11 million or 25.55%, primarily attributable to an increase in the volume of settlement.

Agency commissions increased by RMB88 million or 70.14% to RMB214 million as compared with the previous year, which was primarily attributable to the growth in the business volume of trust fund under custody over the previous year.

Bank card fees amounted to RMB175 million, representing an increase of RMB60 million, or 52.49% over the previous year, which was primarily attributable to a continuous increase in resources invested, rapid development of e-banking business and noticeable improvement in card quality, and a sustained stable growth in amount of settled transaction and inter-bank transactions through self-service facilities.

Consultancy and advisory fees amounted to RMB269 million, representing a year-on-year increase of RMB88 million, or 48.21% , which was primarily attributable to the growth in the issuance and wealth management business over the previous year.

2. *Net Trading (Losses) Gain*

Net trading (losses) gain primarily comprises changes in the fair value of held-for-trading debt securities and (losses) gain arising from trading. In 2013, the Group's net trading loss was RMB198 million, primarily due to restructuring of securities investment portfolio and the decrease in the fair value of financial bonds held for trading.

3. *Other Operating Income, Net*

In 2013, other operating income of the Group, net, increased by RMB18 million to RMB130 million, which was primarily due to the increase in the exchange gain and gain on disposal of property and equipment as compared to the previous year.

4. *Net Income (Losses) on Disposal of Available-for-sale Financial Assets*

(Expressed in RMB million, unless otherwise stated)	For the year ended		Change in amount	Change (%)
	31 December 2013	2012		
Net income (losses) on disposal of available-for-sale financial assets	<u>(10.0)</u>	<u>0.7</u>	<u>(10.7)</u>	<u>(1,528.57)</u>

(III) Operating Expenses

In 2013, the operating expenses of the Group increased by RMB1,133 million, or 18.65% to RMB7,208 million as compared to the previous year.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2013	2012		
Staff costs	4,373.8	3,719.4	654.4	17.59
Business tax and surcharges	1,063.0	928.1	134.9	14.54
Depreciation and amortisation	492.6	374.3	118.3	31.61
Others	1,278.4	1,053.0	225.4	21.41
Total operating expenses	7,207.8	6,074.8	1,133.0	18.65

1. Staff Costs

Staff costs are the largest component of operating expenses of the Group, accounting for 60.68% and 61.23% of its total operating expenses for the years ended 31 December 2013 and 2012 respectively.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2013	2012		
Salaries, bonuses and allowances	3,088.8	2,598.5	490.3	18.87
Staff welfare, social insurance and housing funds	928.1	804.7	123.4	15.33
Others	356.9	316.2	40.7	12.87
Total staff costs	4,373.8	3,719.4	654.4	17.59

In 2013, staff costs of the Group increased by RMB654 million or 17.59% to RMB4,374 million as compared to the previous year, primarily due to the increased number of employees and the increase in average wage in general, as well as the increase in the overall salaries and bonuses as fuelled by the fast business development during the year.

2. *Business Tax and Surcharges*

Business tax and surcharges mainly relate to revenue generated from our provision of financial products and services with respect to lending (interest income), transfer of securities and other financial services. Business tax and surcharges increased by RMB135 million or 14.54% to RMB1,063 million in 2013 as compared to the previous year.

3. *Depreciation and Amortisation*

Depreciation and amortisation for 2013 increased by RMB118 million or 31.61% to RMB493 million over the previous year as the growth of our property and equipment remained stable during the year.

4. *Others*

For the year ended 31 December 2013, other general and administrative expenses increased by 21.41% to RMB1,278 million as compared to RMB1,053 million in 2012, primarily due to greater business expansion.

(IV) Impairment on Assets

Impairment on assets consists primarily of provisions charged on loans and advances to customers and other assets. Provisions charged for impairment on assets was RMB1,181 million for the year ended 31 December 2013, representing an increase of RMB670 million or 130.99% over the previous year.

The following table sets forth, for the years indicated, the principal components of impairment on assets.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2013	2012		
Loans and advances to customers	973.4	271.1	702.3	259.06
Other assets	207.9	240.3	(32.4)	(13.48)
Total	1,181.3	511.4	669.9	130.99

In 2013, provisions for impairment on loans and advances to customers were RMB973 million, representing an increase of RMB702 million as compared with 2012, primarily due to an increase in loans and a strengthened portfolio of provisions on loans as the Group fully took account of the uncertainties hanging over the macro economy.

In 2013, the provisions for impairment on other assets were RMB208 million, representing a decrease of RMB32 million as compared with 2012, primarily due to the Group's efforts in restructuring the investment which reduced the risk assets and increased the quality of portfolio of provisions on risk assets.

(V) Income Tax Expense

The applicable income tax rate of the Group was 25%. The effective tax rate of the Group in 2013 and 2012 was 24.02% and 23.91% respectively.

The following table sets forth the profit before tax and income tax expense for the years ended 31 December 2013 and 2012.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Change in amount	Change (%)
	2013	2012		
Profit before tax	7,916.7	7,067.8	848.9	12.01
Tax calculated at applicable statutory tax rate of 25%	1,979.2	1,766.9	212.3	12.02
Add/(less) the tax effect of the following items:				
Non-deductible expenses	55.6	62.4	(6.8)	(10.90)
Non-taxable income	(133.2)	(139.2)	6.0	(4.31)
Income tax expense	1,901.6	1,690.1	211.5	12.51

II. Analysis on Statement of Financial Position

(I) Assets

The following table sets forth, as of the dates indicated, the composition of the Group's total assets.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total (%)	Amount (Restated)	% of Total (%)
Loans and advances to customers, gross ⁽¹⁾	205,252.5	40.85	173,559.3	40.01
Allowances for impairment on loans and advances to customers ⁽¹⁾	(7,101.9)	(1.41)	(5,944.4)	(1.37)
Loans and advances to customers, net	198,150.6	39.44	167,614.9	38.64
Investment securities ⁽²⁾	84,165.2	16.75	82,987.2	19.13
Investments in associates	100.3	0.02	100.0	0.02
Cash and balances with the central bank	68,782.1	13.69	58,964.1	13.59
Deposits with banks and other financial institutions	23,655.9	4.71	12,263.1	2.83
Placements with banks and other financial institutions	25,056.3	4.99	29,748.9	6.86
Financial assets held under resale agreements	70,828.9	14.10	51,765.1	11.93
Financial assets held for trading	2,691.0	0.54	3,774.3	0.87
Financial assets designated as at fair value through profit or loss	19,127.5	3.81	18,112.6	4.18
Goodwill	440.1	0.09	440.1	0.10
Other assets ⁽³⁾	9,448.1	1.86	8,056.8	1.85
Total assets	502,446.0	100.00	433,827.1	100.00

Notes:

- (1) Loans and advances to customers, gross and allowances for impairment on loans and advances to customers were disclosed on basis of the contractual amount, resulting in discrepancies with those set out in the consolidated financial statements prepared under the IFRS.
- (2) Investment securities consist of available-for-sale financial assets, held-to-maturity investments, debt securities classified as receivables.
- (3) Other assets consist of properties and equipment, deferred tax assets, and other assets.

As at 31 December 2013, the Group's total assets amounted to RMB502,446 million, representing an increase of RMB68,619 million, or 15.82% as compared to the end of the previous year, among which:

The amount of gross loans and advances to customers increased by RMB31,693 million, or 18.26%, as compared to the end of the previous year. This was primarily due to the fact that the Group increased loans to quality projects and key customers under effective risk control, whilst extending its loan support to areas with great market potentials and robust customer demand, taking into account of the features in the economic development of Chongqing;

Investment securities increased by RMB1,178 million, or 1.42% as compared to the end of the previous year, primarily due to the increase in held-to-maturity debt investments;

Cash and balances with the central bank increased by RMB9,818 million, or 16.65% as compared to the end of the previous year, primarily due to the increase in statutory deposit reserve, as a result of a substantial increase in due to customers;

The total amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB6,700 million or 15.95% as compared to the end of the previous year, primarily due to the enhancement of utilisation efficiency of surplus funds under the premise of ensuring sufficiency of liquidity and the increase of RMB11,393 million or 92.90% in deposits with banks and other financial institutions as compared to the previous year;

Financial assets held under resale agreements increased by RMB19,064 million or 36.83% as compared to the end of the previous year. This was mainly because the Group increased holdings of trust beneficial rights held under resale agreements to enhance capital utilisation efficiency.

1. *Loans and Advances to Customers (Contractual Amount)*

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total (%)	Amount	% of Total (%)
Corporate loans	118,816.6	57.89	106,204.8	61.19
Short-term loans ⁽¹⁾	36,901.9	17.98	22,771.2	13.12
Medium- and long-term loans ⁽²⁾	81,914.7	39.91	83,433.6	48.07
Retail loans	84,927.8	41.38	62,098.1	35.78
Residential mortgage and personal commercial property loans ⁽³⁾	46,279.7	22.55	35,184.5	20.27
Personal business and re-employment loans ⁽⁴⁾	28,854.7	14.06	18,764.9	10.81
Others ⁽⁵⁾	9,793.4	4.77	8,148.7	4.70
Discounted bills	1,508.1	0.73	5,256.4	3.03
Loans and advances to customers, gross	205,252.5	100.00	173,559.3	100.00

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year or less.
- (2) Medium- and long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loan, second mortgage and decoration loans, and loans to retail customers to acquire property for small business purposes, such as store premises.
- (4) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and employment and re-employment related small amount loans.
- (5) Others primarily consist of personal commercial property mortgage loans, personal residential maximum mortgage loans, credit card loans, personal car loans, loans for personal durable goods and personal education loans, rural cross-guaranteed loans and credit loans.

As at 31 December 2013, the amount of gross loans and advances to customers of the Group increased by RMB31,693 million, or 18.26% to RMB205,253 million as compared to the end of the previous year.

Corporate loans (excluding discounted bills) increased by RMB12,612 million, or 11.87% to RMB118,817 million as compared to the end of the previous year, and accounted for 57.89% of gross loans and advances to customers, 3.30 percentage points lower than that of the end of previous year. Among these corporate loans, the short-term loans were RMB36,902 million, representing an increase of RMB14,131 million or 62.06% as compared with the end of last year. During the period, the Group continued to actively adjust the credit structure in support of the state's industrial policy and focused on real economies. During the period, additional loans to the manufacturing industry, the wholesale and retail industry, as well as the water, environment and public utilities management industry amounted to RMB6,876 million, RMB2,755 million and RMB4,038 million, respectively, in the aggregate accounting for 108.38% of the total additional corporate loans.

The Group also reinforced credit structural adjustment and risk control by looking closely into the general direction and development trend of the industry whilst diligently drawing up loan extension plans, which adopt a differentiated approach based on different regions, customers and industries under the strategy of "promoting some loans while curtailing others, advancing the superior while exiting the inferior" (有保有壓、有進有退). Strict control was imposed on "industries with high pollution, high energy consumption and excess capacity" (兩高一剩), as well as the real estate industry. In particular, the percentage of outstanding balance of loans to the real estate industry to total corporate loans decreased by 2.43 percentage points as compared to the end of the previous year.

Our retail loans increased by RMB22,830 million or 36.76% to RMB84,928 million as compared to the end of the previous year, which accounted for 41.38% of total loans and advances to customers, representing an increase of 5.6 percentage points as compared to the end of previous year. Among these retail loans, residential mortgage and personal commercial property loans, mainly to finance self-occupied home purchases, increased by RMB11,095 million, or 31.53% as compared to the end of the previous year; personal business and re-employment loans grew by RMB10,090 million, or 53.77% as compared to the end of the previous year; and other loans increased by RMB1,645 million, or 20.18% as compared to the end of the previous year. In face of complicated market changes, the Group took active measures to avoid systemic risks in markets, and focused on meeting credit needs of premium personal customers.

Discounted bills decreased by RMB3,748 million to RMB1,508 million as compared to the end of the previous year, largely due to the adjustment in the credit structure with a focus on meeting the credit needs of real economy .

Distribution of loans by type of collateral (Contractual amount)

The following table sets forth, as of the dates indicated, the distribution of loans to customers by type of collateral.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total	Amount	% of Total
Unsecured loans	18,058.6	8.80	16,313.5	9.40
Guaranteed loans	38,263.0	18.64	34,369.5	19.80
Collateralised loans	134,483.5	65.52	108,159.2	62.32
Pledged loans	14,447.4	7.04	14,717.1	8.48
Loans to customers, gross	205,252.5	100.00	173,559.3	100.00

Allowance for Impairment Losses on Loans and Advances to Customers (Contractual amount)

The following table sets forth the Group's impairment on loans and advances to customers as at the dates indicated.

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment losses on loans and advances which is collectively assessed ⁽¹⁾	Allowance for impairment losses on identified impaired loans and advances ⁽²⁾		Total
		For which allowance is collectively assessed	For which allowance is individually assessed	
As at 1 January 2013	4,807.4	639.4	497.6	5,944.4
Charge for the year	4,937.5	132.9	205.9	5,276.3
Reverse for the year	(3,583.0)	(343.9)	(376.0)	(4,302.9)
Written off	(0.9)	(76.5)	(22.3)	(99.7)
Recovery of loans and advances previously written off	—	206.5	113.8	320.3
Unwinding of discount on allowance	(4.6)	(3.8)	(28.1)	(36.5)
The balance as at 31 December 2013	6,156.4	554.6	390.9	7,101.9

- (1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (2) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

In 2013, the Group adhered to its prudent principle and was in strict compliance with the relevant requirements of accounting standards, so as to provide sufficient allowances for impaired loans and advances whilst fully taking into account of external economic dynamics and macro monitoring policies. As at 31 December 2013, balance of allowances for impairment losses on loans and advances to customers increased by RMB1,158 million to RMB7,102 million over the end of the previous year, and the allowances to non-performing loans increased by 80.00 percentage points to 430.60% as compared to the end of previous year.

2. Investments

The following table sets forth, as at the dates indicated, the composition of the Group's investments.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total	Amount	% of Total
Financial assets held for trading	2,691.0	2.54	3,774.3	3.60
Financial assets designated as at fair value through profit or loss	19,127.5	18.05	18,112.6	17.27
Available-for-sale financial assets	5,168.3	4.88	4,599.0	4.39
Held-to-maturity investments	50,251.5	47.41	45,773.8	43.65
Debt securities classified as receivables	28,745.4	27.12	32,614.4	31.09
Total	105,983.7	100.00	104,874.1	100.00

As at 31 December 2013, total investments increased by RMB1,110 million or 1.06% to RMB105,984 million as compared to the end of the previous year. Financial assets held for trading decreased by RMB1,083 million as compared with the end of the previous year, which was mainly attributable to the Group's decrease in the holdings of corporate bonds as part of the efforts in adjusting the investment structure based on the market conditions. Financial assets designated as at fair value through profit or loss increased by RMB1,015 million as compared to the end of the previous year, primarily due to the increase in the holdings of wealth management products with higher yields as a result of the Group's timely seizing of the market opportunities and proactive adjustment of the investment structure. Available-for-sale financial assets increased by RMB569 million as compared to the end of previous year, primarily due to the increase in holdings of financial institution bonds with controllable risk and higher yield. Held-to-maturity investments increased by RMB4,478 million as compared to the end of previous year, primarily due to increased holdings of corporate bonds, public sector and quasi-government bonds with comparatively higher yields within the credit facility limits. Debt securities classified as receivables decreased by RMB3,869 million as compared to the end of the previous year, primarily due to strict control of credit risk and adjustment in investment structure upon the maturity of certain wealth management products.

Debt Securities Investments

The following table sets forth, as at the dates indicated, the composition of debt securities investments of the Group.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total	Amount	% of Total
Government bonds	8,119.1	7.67	8,696.6	8.30
Public sector, quasi-government bonds	24,720.5	23.34	21,464.2	20.48
Financial institution bonds	4,931.1	4.66	3,049.9	2.91
Corporate bonds	23,212.8	21.92	23,570.5	22.49
Debt instruments issued by financial institutions	44,928.0	42.41	48,044.0	45.82
Total	105,911.5	100.00	104,825.2	100.00

(II) Liabilities

The following table sets forth, as at the dates indicated, the composition of total liabilities of the Group.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total	Amount (Restated)	% of Total
Due to customers	347,883.4	74.72	294,510.5	73.33
Deposits and placements from banks and borrowings from the central bank	66,529.9	14.29	49,203.9	12.25
Financial assets sold under repurchase agreements	37,240.6	8.00	42,639.3	10.62
Debt securities issued	2,300.0	0.49	2,300.0	0.57
Other liabilities ⁽¹⁾	11,602.8	2.50	12,957.7	3.23
Total liabilities	465,556.7	100.00	401,611.4	100.00

Note:

- (1) Other liabilities consist of accrued staff costs, taxes payable, interest payable, other payables and financial liabilities designated as at fair value through profit or loss.

As at 31 December 2013 total liabilities increased by RMB63,945 million or 15.92% to RMB465,557 million as compared to the end of the previous year. Due to customers are our largest source of capital, which grew by RMB53,373 million or 18.12% as compared to the end of the previous year. Deposits and placements from banks and other financial institutions and borrowings from the central bank increased by RMB17,326 million or 35.21% as compared to the end of the previous year. Financial assets sold under repurchase agreements decreased by RMB5,399 million or 12.66% from the end of the previous year.

Due to Customers

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total	Amount	% of Total
Corporate deposits	84,231.6	24.21	72,480.1	24.61
Demand deposits	71,788.8	20.63	64,069.1	21.75
Time deposits	12,442.8	3.58	8,411.0	2.86
Retail deposits	258,640.2	74.35	217,409.4	73.82
Demand deposits	71,691.5	20.61	60,528.0	20.55
Time deposits	186,948.7	53.74	156,881.4	53.27
Pledged deposits	4,923.5	1.42	4,477.0	1.52
Other deposits	88.1	0.02	144.0	0.05
Total due to customers	347,883.4	100.00	294,510.5	100.00

As at 31 December 2013, due to customers increased by RMB53,373 million or 18.12% to RMB347,883 million as compared to the end of the previous year. With respect to the Group's customer portfolio, corporate deposits accounted for 24.21% of total deposits, representing a decrease of 0.40 percentage point from the end of the previous year, while the retail deposits accounted for 74.35%, representing an increase of 0.53 percentage point over the end of previous year. With respect to the maturity structure, demand deposits accounted for 41.24% of total deposits, representing a decrease of 1.06 percentage points from the end of previous year, while the time deposits accounted for 57.32%, representing an increase of 1.19 percentage points over the end of the previous year.

(III) Shareholders' Equity

The following table sets forth, as at the dates indicated, the composition of shareholders' equity of the Group.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total	Amount (Restated)	% of Total
Share capital	9,300.0	25.21	9,300.0	28.87
Capital reserve	9,201.9	24.94	9,201.9	28.56
Investment revaluation reserve	(136.0)	(0.37)	(13.1)	(0.04)
Actuarial changes reserve	43.5	0.12	(13.8)	(0.04)
Surplus reserve	6,394.5	17.33	5,797.7	18.00
General reserve	5,497.3	14.90	2,847.8	8.84
Retained earnings	5,950.2	16.14	4,786.4	14.85
Equity attributable to equity holders of the Bank	36,251.4	98.27	31,906.9	99.04
Non-controlling interests	637.9	1.73	308.8	0.96
Total equity	36,889.3	100.00	32,215.7	100.00

As at 31 December 2013, paid-in capital recorded RMB9,300 million. Capital reserve reached RMB9,202 million. Surplus reserve increased by RMB597 million as compared to the end of the previous year, primarily resulting from the provisions made for statutory surplus reserve. General reserve increased by RMB2,650 million as compared to the end of the previous year, as the general reserve was required to be not less than an amount equal to 1.5% of the balance of risk assets at the end of the previous year.

III. Loan Quality Analysis (the Group)

(I) Breakdown of Loans by the Five-Category Classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which non-performing loans are classified into substandard, doubtful and loss categories.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of Total	Amount	% of Total
Normal	198,350.8	96.64	167,865.4	96.72
Special mention	5,252.4	2.56	3,998.4	2.30
Substandard	811.8	0.40	661.1	0.38
Doubtful	837.5	0.40	1,034.4	0.60
Loss	—	—	—	—
Total loans and advances to customers	205,252.5	100.00	173,559.3	100.00
Amount of non-performing loans	1,649.3		1,695.5	
Non-performing loan ratio (%)		0.80		0.98

In 2013, facing the complex macro-economic and financial dynamics, the Group strengthened its efforts in restructuring its credit structure, conducted a roll-over risk surveillance of credit assets, actively prevented and mitigated risks, strengthened early risk warning and tracking as well as post loan management, resulting in continuous improvement in credit asset quality. As at 31 December 2013, the balance of non-performing loans dropped by RMB46 million from the end of the previous year to RMB1,649 million; while the non-performing loan ratio was 0.80%, 0.18 percentage point down from the end of the previous year. Besides, the proportion of non-performing loans was on a decline. The amount of special mention loans accounted for 2.56% of the total loans, 0.26 percentage point higher than the end of the previous year.

(II) Concentration of Loans

1. Concentration by Industry and Distribution of Non-performing Loans

The following table sets forth, as at the dates indicated, the loans and non-performing loans by industry.

(Expressed in RMB million, unless otherwise stated)	As at 31 December							
	2013				2012			
	Loan amount	Percentage of total (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Percentage of total (%)	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	118,816.6	57.89	959.9	0.81	106,204.8	61.19	939.2	0.88
Manufacturing	35,749.7	17.42	251.9	0.70	28,873.9	16.64	281.5	0.97
Production and supply of electricity, gas and water	6,890.4	3.36	26.8	0.39	6,633.9	3.82	19.8	0.30
Real estate	13,897.2	6.77	43.8	0.32	15,962.1	9.20	403.6	2.53
Leasing and commercial services	3,744.7	1.82	5.8	0.15	3,094.5	1.78	20.6	0.67
Water, environment and public utilities management	22,453.5	10.94	—	—	18,415.6	10.61	0.4	0.00
Construction	6,803.2	3.31	22.5	0.33	8,807.3	5.07	15.8	0.18
Retail and wholesale	9,277.5	4.52	22.8	0.25	6,522.9	3.76	21.4	0.33
Others	20,000.4	9.75	586.3	2.93	17,894.6	10.31	176.1	0.98
Retail loans	84,927.8	41.38	689.4	0.81	62,098.1	35.78	756.3	1.22
Discounted bills	1,508.1	0.73	—	—	5,256.4	3.03	—	—
Total	205,252.5	100.00	1,649.3	0.80	173,559.3	100.00	1,695.5	0.98

In 2013, to cope with the tumultuous and ever-changing external economic conditions, the Group continued to optimise its industry-specific lending and exit criteria for customers, further refined the management of industry quotas and strictly implemented national control policies. The balance of loans, amount of non-performing loans and non-performing loan ratios of the real estate industry continued to trend downwards, evidenced by the decrease of RMB2,065 million in the outstanding balance of loans to the real estate industry as compared to the end of the previous year, decrease of RMB360 million in non-performing loans as compared to the end of the previous year, and the decrease of 2.21 percentage points in non-performing loan ratios as compared to the end of the previous year.

2. Concentration of Borrowers

In 2013, the Group's total loans to its largest single borrower accounted for 5.72% of its net capital while total loans to its top ten clients accounted for 39.37% of its net capital, which were in compliance with regulatory requirements. As at 31 December 2013, the Group's loans to top ten largest single borrowers were not non-performing loans.

(1) Indicator of concentration

Major Regulatory Indicators	Regulatory standard	As at 31 December		
		2013	2012	2011
Loan concentration ratio for the largest single borrower (%)	≤10%	5.72	6.27	6.95
Loan concentration ratio for a single group borrower (%)	≤15%	6.91	7.10	8.41

(2) Loans to top ten single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	As at 31 December 2013	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Water, environmental and public utility management	2,884.00	1.41
Borrower B	Water, environmental and public utility management	2,388.00	1.16
Borrower C	Real estate	1,965.70	0.96
Borrower D	Manufacturing	1,577.00	0.77
Borrower E	Water, environmental and public utility management	1,405.00	0.68
Borrower F	Construction	1,370.00	0.67
Borrower G	Real estate	1,320.00	0.64
Borrower H	Water, environmental and public utility management	1,232.00	0.60
Borrower I	Manufacturing	1,180.10	0.57
Borrower J	Water, environmental and public utility management	1,114.50	0.54

(III) Distribution of Loans and Non-performing Loans by Product Type

The following table sets forth, as at the dates indicated, the loans and non-performing loans by product type.

(Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2013			2012		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	118,816.6	959.9	0.81	106,204.8	939.2	0.88
Short-term loans	36,901.9	272.0	0.74	22,771.2	97.5	0.43
Medium- and long-term loans	81,914.7	687.9	0.84	83,433.6	841.7	1.01
Retail Loans	84,927.8	689.4	0.81	62,098.1	756.3	1.22
Residential mortgage and personal commercial property loans	46,279.7	71.8	0.16	35,184.5	60.5	0.17
Personal business and re-employment loans	28,854.7	226.4	0.78	18,764.9	204.2	1.09
Others	9,793.4	391.2	3.99	8,148.7	491.6	6.03
Discounted bill	1,508.1	—	—	5,256.4	—	—
Total	205,252.5	1,649.3	0.80	173,559.3	1,695.5	0.98

As at 31 December 2013, non-performing loan ratios of corporate loans decreased by 0.07 percentage point to 0.81% as compared with the end of the previous year, whereas non-performing loan ratios of retail loans decreased by 0.41 percentage point to 0.81% as compared with the end of the previous year.

(IV) Rescheduled Loans and Advances to Customers

The following table sets forth, as at the dates indicated, the Group's rescheduled loans and advances to customers.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Rescheduled loans and advances to customers	146.9	0.07	237.0	0.14

(V) Overdue Loans and Advances to Customers

The following table sets forth, as at the dates indicated, the aging analysis of the Group's overdue loans and advances to customers.

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Past due within 3 months	1,544.3	0.75	1,323.1	0.76
Past due for 3 months to 1 year	197.2	0.10	207.3	0.12
Past due for over 1 year and within 3 years	217.5	0.11	661.3	0.38
Past due for more than 3 years	564.0	0.27	688.7	0.40
Total overdue loans and advances to customers	2,523.0	1.23	2,880.4	1.66

As at 31 December 2013, the total overdue loans amounted to RMB2,523 million, representing a decrease of RMB357 million from the end of the previous year. Overdue loans accounted for 1.23%, representing a decrease of 0.43 percentage point from the end of the previous year.

IV. Analysis of Capital Adequacy Ratio

Since 1 January 2013, the Group has commenced the implementation of Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC, which requires that commercial banks shall measure and disclose capital adequacy ratio in accordance with both Regulation Governing Capital Adequacy Ratios of Commercial Banks and Regulation Governing Capital of Commercial Banks (Provisional) during the transitional compliance period before the end of 2018.

The following table sets forth, as at the date indicated, the relevant information of the Group's capital adequacy ratio measured in accordance with Regulation Governing Capital of Commercial Banks (Provisional).

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2013	As at 31 December 2012
Core tier 1 capital adequacy ratio (%)	11.85	11.30
Tier 1 capital adequacy ratio (%)	11.85	11.30
Capital adequacy ratio (%)	13.64	13.22
Components of capital base		
Core tier 1 capital:		
Portion of paid-in capital that may be included	9,300.0	9,300.0
Portion of capital reserve that may be included	9,109.5	9,175.0
Surplus reserve and general risk reserve	11,891.8	8,645.5
Unappropriated profit	5,950.2	4,786.4
Non-controlling interests	531.0	308.7
Total core tier 1 capital	36,782.5	32,215.6
Deductible items:		
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(51.2)	(47.2)
Core tier 1 capital, net	36,291.2	31,728.3
Other tier 1 capital:		
Non-controlling interests	2.8	—
Net tier 1 capital	36,294.0	31,728.3
Tier 2 capital:		
Tier 2 capital instruments and related premium that may be included	2,070.0	2,300.0
Excessive loan allowances	3,367.3	3,103.2
Non-controlling interests	16.7	10.5
Net capital	41,748.0	37,142.0
Total risk-weighted assets	306,158.6	280,864.9

The following table sets forth, as at the dates indicated, the relevant information of the Group's capital adequacy ratio measured in accordance with Regulation Governing Capital Adequacy Ratios of Commercial Banks.

(Expressed in RMB million, unless otherwise stated)	As at 31 December 2013	As at 31 December 2012 (Restated)
Core capital adequacy ratio (%)	12.51	12.01
Capital adequacy ratio (%)	13.31	12.92
Components of capital base		
Core capital:		
Share capital	9,300.0	9,300.0
Portion of capital reserve that may be included	9,109.5	9,175.0
Surplus reserve and general reserve	11,891.8	8,645.5
Unappropriated profit	4,183.2	3,205.4
Non-controlling interests	637.9	308.8
Total core capital	35,122.4	30,634.7
Deductible items:		
Goodwill	(440.1)	(440.1)
Other deductible items	(86.2)	(15.6)
Net core capital	34,596.1	30,179.0
Supplementary capital:		
Long-term subordinated bonds	2,300.0	2,300.0
Total capital base before deductions	37,422.4	32,934.7
Deductible items:		
Goodwill	(440.1)	(440.1)
Other deductible items	(172.3)	(31.3)
Total capital base after deductions	36,810.0	32,463.3
Risk-weighted assets and market risk capital adjustment	276,656.3	251,194.0

As at 31 December 2013, the capital adequacy ratio of the Group measured in accordance with Regulation Governing Capital of Commercial Banks (Provisional) increased by 0.42 percentage point as compared with the end of the previous year to 13.64%, 3.14 percentage points higher than the 10.50% of the regulatory requirements. Core tier 1 capital adequacy ratio and tier 1 capital adequacy ratio were 11.85%, both increased by 0.55 percentage point as compared with the end of the previous year. The increase in the capital adequacy ratio of the Group as compared with the end of the previous year was mainly due to two reasons. On one hand, the transformation of assets structure brought significant results. The Group attached more importance to the allocation of assets with low risk weightings, resulting in the significant growth in the business with low risk weightings such as personal loans, interbank market and financial bond. The total risk-weighted assets increased by 9.01%, which was 3.39 percentage points lower than the growth of net capital and reduced the capital consumption. On the other hand, the Group had strong capacity to replenish the capital internally. Through replenishing the capital with transfer of profits of the previous year, making excessive loan allowance and increasing the capital with the undistributed profit, the Group increased the net capital by 12.40% as compared with the end of previous year and enhanced the anti-risk ability.

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》), the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the reporting period will be further disclosed in the investor relations column on the website of the Bank (<http://www.cqrcb.com>).

V. Segment Information

(I) Summary of Geographical Segment

(Expressed in percentage)	As at 31 December									
	2013		2012		2011		2010		2009	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	68.01	31.99	67.48	32.52	66.79	33.21	66.66	33.34	69.69	30.31
Loans	52.60	47.40	48.28	51.72	46.80	53.20	47.76	52.24	45.28	54.72
Assets	47.77	52.23	46.33	53.67	46.67	53.33	48.80	51.20	54.99	45.01
Loan-deposit ratio	45.63	87.43	42.16	93.74	41.09	93.94	42.57	93.09	43.02	119.55
Non-performing loan ratio	1.30	0.25	1.81	0.19	2.75	0.29	4.32	0.61	7.20	1.13
Allowance to non-performing loan ratio	385.36	704.41	271.78	1,035.58	208.13	746.14	137.16	404.25	107.45	229.32

(Expressed in percentage)	For the year ended 31 December									
	2013		2012		2011		2010		2009	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Return on average total assets	1.29	1.28	1.43	1.34	1.34	1.35	1.31	1.20	1.01	1.05
Net fee and commission income to operating income	2.90	5.57	2.86	3.55	5.81	5.62	2.51	5.03	2.56	2.15
Cost-to-income ratio	41.46	33.47	40.46	34.73	38.61	34.69	44.46	44.34	56.32	37.20

County Area refers to regions other than the Urban Area of Chongqing City. The information of County Area also includes the information of ten subsidiaries, namely Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司), Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司), Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司), Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司), Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司), Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司), Yunnan Shangri-La CQRC Village, Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司) and Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司) and the information of Qujing Branch of Chongqing Rural Commercial Bank (重慶農村商業銀行曲靖分行).

(II) Summary of Business Segment

Operating Income

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December									
	2013		2012		2011		2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Corporate banking business	5,992.4	36.73	5,491.1	40.22	4,479.6	40.29	3,284.3	42.41	2,322.4	40.91
Personal banking business	5,218.9	31.99	4,269.2	31.27	3,388.8	30.48	2,685.4	34.67	1,942.2	34.21
Treasury operations business	4,992.9	30.60	3,780.4	27.69	3,138.0	28.22	1,712.9	22.12	1,359.9	23.96
Unallocated	111.6	0.68	112.6	0.82	111.9	1.01	62.0	0.80	52.3	0.92
Total operating income	16,315.8	100.00	13,653.3	100.00	11,118.3	100.00	7,744.6	100.00	5,676.8	100.00

VI. Analysis of Off-balance-sheet Items

Off-balance-sheet items of the Group include acceptance, letters of credit issued, letters of guaranteed funds issued, receivables under export letters of credit, foreign exchange funds receivables collected, foreign exchange funds collected, foreign letters of credit by faith and wealth management. Among these items, acceptance and letters of credit issued were deemed as key business segments. As at 31 December 2013, the balances of acceptance and letters of credit issued were RMB5,808 million and RMB94 million, respectively.

VII. Significant Accounting Estimates and Judgments

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the reporting period in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. These estimates and judgments involve assumptions about items such as risk adjustment to cash flows or discount rates used, and future changes in prices affecting other costs. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group's management believes that the estimates and judgments made by the Group reflect appropriately the economic context which the Group was subject to. The major areas affected by the estimates and judgments include: provision for loans and advances to customers, supplementary retirement benefit and early retirement benefit obligation, fair value of financial instruments, held-to-maturity investments, provision for debt securities classified as receivables, and income taxes.

Business Operation

I. Corporate Banking Business

The following table sets forth the major operation figures of the corporate banking business and the changes thereof:

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December		Changes (%)
	2013	2012	
Net interest income	5,732.3	5,297.7	8.20
Net fee and commission income	260.1	193.4	34.49
Operating income	5,992.4	5,491.1	9.13
Operating expenses	(3,131.8)	(3,284.2)	(4.64)
Impairment on assets	(754.4)	(214.6)	251.54
Profit before tax	2,106.2	1,992.3	5.72

	As at 31 December		Changes (%)
	2013	2012	
Segment assets	116,706.3	106,239.4	9.85

In 2013, the total profit before tax from the corporate banking business increased by 5.72% to RMB2,106 million over the previous year, accounting for 26.60% of the Group's profit before tax. The overall growth in corporate loan of the Group had driven the net interest income of the corporate banking business to increase by 8.20% as compared with the end of the previous year.

1. Corporate Deposits

Corporate deposits maintained steady growth. The Group strived to capture the corporate deposit market and continued to maintain steady growth in corporate deposits. As at 31 December 2013, the balance of corporate deposits of the Group reached RMB89,243 million, including guarantee deposits and other deposits, which accounted for 25.65% of the outstanding balance of total deposits of the Group whilst posting a growth of RMB12,142 million or 15.75% as compared with the end of the previous year.

2. *Corporate Loans*

The Group adopted a prudent and moderate credit policy for corporate loans. For the loan policy, the Group persisted in operating in compliance with laws and abided by the principle of “promoting some loans while curtailing others”. The Group effectively observed the macro economic control policy of the country and expanded its corporate loan business in a prudent, steady and appropriate manner. As at 31 December 2013, the outstanding balance of corporate loans (including discounted bills) amounted to RMB120,325 million, representing an increase of RMB8,864 million or 7.95% as compared with the end of the previous year. Meanwhile, asset quality of corporate loans continued to improve, with outstanding non-performing loans (excluding discounted bills) of RMB960 million and non-performing loan ratio of 0.81%, representing a decrease of 0.07 percentage point as compared with the end of the previous year.

The structure of credit assets was further optimised. On industry structure, in adherence to the positioning of Chongqing’s five functional areas and based on the expansion and empowerment of Chongqing’s “6+1” pillar industries systems for speeding up the development of Chongqing’s new industrialisation, the Group focused on extending loans to the industries such as manufacturing, water conservancy and environment and public utility management, real estate, wholesale and retail industries and construction, which accounted for 30.09%, 18.90%, 11.70%, 7.81% and 5.73% of the total amount of corporate loans of the Group (excluding discounted bills), respectively. In working on its customer profile, the Group remained committed to forging closer collaboration with quality enterprises among the top 500 enterprises in the world, top 500 enterprises of China, top 100 enterprises of Chongqing, industry leaders as well as government institutions whilst maintaining and strengthening its partnership with prime SME customers. As at 31 December 2013, the Bank had RMB95,196 million loans outstanding (including discounted bills) from SME customers, accounting for 79.12% of the outstanding balance of total loans.

3. *Corporate Banking Products*

The corporate banking product mix was further optimised. According to the characteristics of the regional economy and major industry, the Bank provided more diversified products to support the marketing based on the needs of business development in the future. The Bank launched new products in relation to the business of domestic factoring, inventory mortgage, Bank-Hospital Express business (銀醫通) and entrusted management of bills. In the meantime, the Bank optimised certain products according to the changes in the market with an aim to broaden the scope of the application and increase the competitiveness of the products. In addition, the Bank will continue to innovate products and plan to launch new products such as Entrusted Discount, Financing and Leasing Express (融租通), Overdraft Facility of Legal Person’s Account. Such a series of work will continue to improve the product lines of the Bank’s corporate banking business.

4. *Corporate Customer Managers*

The quality of corporate customer managers continued to improve. After more than four years since the launch of the corporate customer manager mechanism in July 2009, the team of corporate customer managers was established. In addition to ensuring the number of corporate customer managers, the Bank devoted to improving the overall quality of corporate customer managers. The Bank launched a series of measures such as promoting learning through exams, high-end trainings, centralised trainings, trainings for each area and “Hawk-Eye Program”, and organised examinations prior to work for more than 1,600 employees and trainings for more than 3,000 employees. The expansion of the team of corporate customer managers and improvement in their qualifications will promote the development of the corporate business of the Bank.

5. *Channel Construction*

Channel construction continued to be enhanced. As at 31 December 2013, the Bank continued to strengthen its cooperation with competent authorities of the Chongqing Municipal Government and institutions at different levels. On one hand, it became the supervisory bank regarding the deposit for the public rental housing and the custodian for the medical insurance funds for the serious illness. On the other hand, it signed the Agreement on Cooperation with Banks to Conduct Centralised Treasury Payment and Settlement at the Municipal Level (《代理市級國庫集中支付清算銀行合作協議》) with The People’s Bank of China Chongqing Operations Office, providing the centralised treasury payment business at the municipal level. The Bank also signed the Agreement of Strategic Partnership with China Development Bank, working together in syndicated loans business. The Bank was the only financial services bank to handle urban and rural social pension insurance for residents in Chongqing City. As at 31 December 2013, 11,000,000 people in the city have already been paid and distributed pension insurance through the Bank, which generated an annual cash flow of more than RMB4,800 million, and the outstanding balance of deposit was over RMB6,000 million.

6. *Small Enterprise Business*

The outstanding balance and growth of loans to small and micro enterprises of the Bank ranked the first in the financial industry in Chongqing. As at 31 December 2013, according to specifications prescribed by CBRC, the outstanding balance of small enterprise loans of the Bank (including the sum of loans to small and micro enterprises, individual business owners, and the main operations of small and micro enterprises according to specifications prescribed by four ministries and commissions of the nation) amounted to RMB59,987million, representing an increase of RMB15,095 million as compared to the end of the previous year and a growth rate of 33.63%. Such additional loans were increased by RMB2,522 million as compared to that of the previous year and the growth rate is 16.26 percentage points higher than the average loan growth rate of the Bank (17.37%).

(1) Specialized institutions

Specialised institutions for small and micro enterprises are established as a form of institutional innovation. To enhance the financial service for small and micro enterprises and extend its financial service coverage, the Bank, based on the establishment of centres for small enterprise loans in each branch, has implemented the requirements of “six mechanisms” (「六項機制」) issued by CBRC on lending business for small enterprises, and Guiding Opinions on Establishing Specialised Branches for Small and Micro Enterprises (《關於設立小微企業專營支行的指導意見》) issued by the Banking Regulatory Bureau of Chongqing . The Bank has established three specialised institutions for small and micro enterprises in Wanzhou Gaosuntang commercial circle, Jiangjin Shuangfu Garden and Beibei Tongxing Industrial Garden in order to provide professional, focused and comprehensive financial services for the small and micro enterprises. As at 31 December 2013, three specialised institutions for small and micro enterprises have been granted the approval for operation by CBRC.

(2) Credit products

Credit products for small and micro enterprises are closer to the market and the clients. The Bank has established an effective tracking system for tracking on the operation of credit products which have entered the market, and collecting customers' feedback and experience on time. The existing products under the “Easy Commercial Loans” (商易貸) series were improved and optimised. In particular, the maximum credit amount was increased from RMB10 million to RMB20 million. The Small Enterprises Easy Loan (小企業便捷貸) added a repayment mode whereby the loan credit can be renewed, i.e., for the premium small enterprise customers which the Bank had been specially supported, it is allowed that they could apply for a renewal for the loan credit, and the term of the loans would be automatically extended without repaying the original loans. This has relaxed the financing pressure of the enterprises for having to renew their loans.

(3) Credit approval process

The credit approval process for small and micro enterprises is simplified and more convenient. First, the credit approval process has been streamlined. The investigation reports traditionally presented in words were now changed to tables, which facilitated the review of reviewers and improve the efficiency through more direct presentation. Second, renewal procedures of credit approval have been established for small enterprise customers with existing loans. For small enterprises with existing loans to apply for repayment of the old loans and make new loans for working capital purposes, it is no longer necessary to create a case for inspection at the front office departments of the headquarters but a direct application to the credit approval department for approval would suffice if their credit ratings have not fallen as compared with the previous year and conditions like loan limit, terms and type of guarantee have not changed. Third, information collection has been simplified. In the past, auditor's report was required for credit approval on loans over RMB10 million, but now there is no mandatory requirements on that for credit approval for small enterprises with credit rating of “AA” and above for loans in the amount of RMB30 million and below.

(4) Customer manager team

The capabilities of the managers of small and micro enterprise customers in dealing with actual problems have been significantly enhanced. The Bank initiated specialised trainings on a regular basis and conducted point-to-point featured trainings in the branches to enhance the professional skills of the managers of small and micro enterprise customers. It organised two specialised trainings, eight point-to-point featured trainings with over 1,000 persons trained.

7. *International Business*

The growth of international business maintained a strong momentum. By putting in more efforts in marketing campaigns, associated and coordinated operation and strengthening the incentives, the Bank actively strived to build its international business into a brand with core competitiveness and distinctive characteristics. The Bank recorded a robust growth in the foreign trade business indicators. In 2013, the international settlement amounted to US\$1,621 million, representing a year-on-year increase of 49.82%. Foreign exchange settlement amounted to US\$863 million, representing an increase of 46.02% as compared to that of the last year, signifying a steady increase in market share. The network of correspondent banking was further expanded. There was an aggregate of US\$639 million in international trade finance, representing an increase of 38.01% as compared to that of the last year, has established correspondent banking relationship with 377 banks at home and abroad and has newly added a number of financial institution credit at home and abroad, thus broadening the channels for capital income and utilisation. The progress in product innovation is obvious with the approval and establishment of qualification for international letter of guarantee. It carried out the first forward foreign exchange and cross-border settlement, and the pricing ability for the new products for foreign exchange funds was significantly improved. Foreign exchange fund business has made a breakthrough, making itself into the list of top 100 in terms of transaction volume in China Foreign Exchange Trading System with significantly improved fund-raising ability and profitability.

8. *Investment Banking Business*

The Bank has made a breakthrough in its wealth management business. In strict compliance with the supervisory and management policies, the Bank has been adhering to the market as the guide, with customers as the center. Under the condition of manageable risks, it strived to satisfy the investing needs of customers. In 2013, the Bank designed and issued 486 tranches of wealth management products in total and raised proceeds of RMB96,359 million, 133.57% higher than that of previous year. The outstanding balance of wealth management products amounted to RMB28,874 million, representing an increase of 120.53% over the end of the previous year. Two major series of wealth management products targeting at the general public namely “Jiangyu Wealth - Building up your fortune” (「江渝財富 — 天添金」) and “Jiangyu Wealth - Happy life in the Ba-Yu Region” (「江渝財富 — 幸福巴渝」) of the Bank were developed with synergy.

1. *Retail Deposits*

Backed by the vibrant economic growth in Chongqing, the Group took full advantage of its exceptional regional brand recognition and strived to align its brand value services with key marketing campaigns, with an emphasis on the business promotion and sales during key business hours of peak seasons, on high-end major customers and key projects in target markets. It brought financial services to villages, communities, companies, markets and the gathering places of immigrant workers as part of the marketing campaigns and made an effort in unifying the services for better reputation. It also constantly promoted the transformation of its branches with 100 newly added transformed model branches in an effort to improve the individual productivity for each branch. As at 31 December 2013, the outstanding balance of retail deposits amounted to RMB258,640 million, representing an increase of RMB41,231 million or 18.96% over the end of the previous year. The Bank remained unrivalled among regional counterparts in terms of the amount, annual growth and market share of retail deposits.

Customer structure is being improved. Through enriching the value-added services for VIP customers, holding customer activities on a regular basis, establishing a wealth management centre, facilitating the systematic establishment in customer relations management, the Bank kept increasing the mid- to high-end customers. As at the end of 2013, the number of mid- to high-end customers reached 554,300, representing an increase of 141,100 customers or 34.14% over the end of the previous year, bringing deposits amounting to RMB101,912 million as compared to the end of last year.

2. *Retail Loans*

The Group achieved a solid growth in retail loans, taking the lead in the local financial market in terms of stock and increment together with a sharp increase in residential mortgage loans and personal loans for business purposes. With a view to becoming the largest and the best local retail bank, the Group managed to further consolidate its leading presence in retail loans business on the strength of the improvement in credit structure, the innovation of retail loan products and implement differentiated credit services. Based on the existing strength channels such as retail loan centres and operation branches, the Bank strived to expand its customer base through other means such as the electronic loan application platform and the synergistic marketing with cooperating institutions.

As at 31 December 2013, the balance of retail loans amounted to RMB84,928 million, representing an increase of RMB22,830 million or 36.76% over the end of the previous year. In particular, residential mortgage and personal commercial property loans amounted to RMB46,280 million, representing an increase of 31.53%. The loans to private business and re-employment increased by 53.77% to RMB28,855 million. The market share of the retail loans of the Bank in the local market has increased by 0.76 percentage point over the end of the previous year, and both the outstanding balance and increment of retail loans of the Bank ranked first in the local market.

Policy loans saw a steady growth. The government-supported employment and re-employment related small amount loans, a cutting-edge policy-based loan project of the Bank, had remarkably contributed to the employment conditions of the urban and rural residents of Chongqing and the profitability of the Bank, thus leading to a win-win result with regard to economic profit and social responsibility. As at 31 December 2013, the small-amount guaranteed loans for employment and re-employment of the Bank increased by RMB280 million as compared to the end of the previous year to RMB4,015 million, taking lead in terms of both outstanding balance and increment compared with other counterparts in Chongqing.

3. *Bank Cards*

The number of new bank cards and the amount of spending in relation thereto continued to surge. As at 31 December 2013, the total number of debit cards issued by the Bank reached 12,761,300; the spending related thereto amounted to RMB63,615 million, representing an increase of 75.20% over the previous year.

As at 31 December 2013, the total number of credit cards issued by the Bank amounted to 97,500, representing an increase of 32,000 over the end of the previous year. Spending related to credit cards amounted to RMB13,064 million, representing an increase of 124.43% over the previous year. The balance of loans of credit cards amounted to RMB2,100 million, representing an increase of RMB877 million or 71.71% over the end of the year. The card issued in the region has reached a certain scale with an improving product system. The Bank issued the “Jiangyu Express” (江渝捷) installment credit card which meets the bulk consumption and financing needs of the customers, and it introduced other functions such as SMS interaction, utilisation of consumption points and express repayment. Based on the customers’ life cycle management, the Bank carried out a series of marketing campaigns and provided comprehensive and sustainable concessional services to the holders of Jiangyu credit card.

4. *Agency Business*

The Bank has been increasing intermediary business products of retail banking and recorded stable increase in income. In 2013, the Bank launched the agency fund business with annual sales of RMB2,427 million and an income of RMB560,000 from intermediary business. The operating income from the distribution business of rare metals was RMB71.46 million and an income of RMB1.3 million from intermediary business was recorded. In 2013, the Bank launched the Au T+D business on behalf of the Shanghai Gold Exchange and became the fifth rural commercial bank in the PRC to commence such business.

III. Treasury Business

The following table sets forth the major operating figures of the treasury business of the Group and the changes thereof:

Items	(Expressed in RMB million, except for percentages) For the year ended 31 December		
	2013	2012	Changes (%)
Net interest income	5,005.8	3,664.0	36.62
Fee and commission income	177.4	110.2	60.98
Fee and commission expense	(11.6)	(6.6)	75.76
Net fee and commission income	165.8	103.6	60.04
Net trading gain	(197.6)	13.0	(1,620.00)
Other operating losses, net	18.9	(0.2)	(9,550.00)
Operating income	4,992.9	3,780.4	32.07
Operating expense	(1,586.2)	(965.1)	64.36
Impairment on assets	(208.0)	(240.3)	(13.44)
Net gain or losses from disposal of available-for-sale financial assets	(10.0)	0.7	(1,528.57)
Profit before tax	<u>3,188.7</u>	<u>2,575.7</u>	23.80
	As at 31 December		
	2013	2012	Changes (%)
Segment assets	<u>297,139.4</u>	<u>262,315.7</u>	13.28

In 2013, under the stringent supervisory policies and complicated economic conditions, the Bank planned ahead meticulously, seized opportunities and strived to progress amidst the challenges. After a year's effort, we are able to identify our highlights for the marketing of our treasury operations business, significantly improve the profitability of our treasury operations and gradually enhance the risk control of our treasury business. The operation of our treasury business has been continuously on the rise.

The treasury businesses recorded profit before tax of RMB3,189 million, representing an increase of RMB613 million or 23.80% as compared with the end of the previous year, which contributed to 40.28% of the Group's profit and became an important source of profit.

1. Segment Assets

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities investments	105,911.5	35.64	104,825.2	39.96
Financial assets held under resale agreements	70,828.9	23.84	51,765.1	19.73
Cash and balances with central bank	68,782.1	23.15	58,964.1	22.48
Deposits and placements with banks and other financial institutions	48,712.2	16.39	42,012.0	16.02
Transfer of discounted bills and credit assets	468.7	0.16	2,855.0	1.09
Other assets	2,436.0	0.82	1,894.3	0.72
Total assets	297,139.4	100.00	262,315.7	100.00

As at 31 December 2013, the total size of operating assets was RMB297,139 million, representing an increase of RMB34,824 million or 13.28% as compared with the end of the previous year. In particular, debt securities investments increased by RMB1,086 million but in terms of percentage to total assets, it decreased by 4.32% as compared to the end of the previous year; cash and balances with central bank increased by RMB9,818 million and in terms of percentage to total assets, it increased by 0.67% as compared to the end of the previous year; financial assets held under resale agreements increased by RMB19,064 million and in terms of percentage to total assets, it increased by 4.11% as compared to the end of the previous year; deposits and placements with banks and other financial institutions increased by RMB6,700 million and in terms of percentage to total assets, it increased by 0.37% as compared to the end of the previous year; transfer of discounted bills and credit assets decreased by RMB2,386 million and in terms of percentage to total asset, it decreased by 0.93% as compared to the end of the previous year, mainly due to the fact that the Group has moderately adjusted credit structure, reduced the scale of transfer of discounted bills and credit assets and increased the proportion of credit available for quality institutional customers.

2. Debt Securities Investments

(1) Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity debt securities	50,251.5	47.44	45,773.8	43.67
Debt securities classified as receivables	28,745.4	27.14	32,614.4	31.11
Debt securities at fair value through profit or loss	21,818.5	20.60	21,886.9	20.88
Available-for-sale debt securities	5,096.1	4.82	4,550.1	4.34
Total	105,911.5	100.00	104,825.2	100.00

In 2013, the Group has continued implementing the classification management of debt securities account. Apart from taking held-to-maturity investment as major investment target, the Group has moderately invested in certain receivables and investment at fair value through profit or loss with reference to market conditions. As at 31 December 2013, the Group saw an increase of RMB4,478 million in held-to-maturity debt securities or an increase of 3.77 percentage points in proportion to total debt securities investments as compared to the end of the previous year; a decrease of RMB3,869 million in investment classified as receivables or a decrease of 3.97 percentage points in proportion to total debt securities investments as compared to the end of the previous year, as well as a decrease of RMB68 million in investment at fair value through profit or loss or a decrease of 0.28 percentage point in proportion to total debt securities investments as compared to the end of the previous year.

(2) Distribution of Debt Securities Investments by Credit Rating

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	18,632.1	17.59	19,453.9	18.56
AA	12,171.3	11.49	9,452.3	9.02
A	327.6	0.31	398.0	0.38
Unrated	74,780.5	70.61	75,521.0	72.04
Total	105,911.5	100.00	104,825.2	100.00

In 2013, the Group proactively leveraged on the trend of policies, further analyzed and formed judgment on the market and determined the bond investment strategy of “proactively taking position and profit at the right time”. With respect to operation, the main objective of the strategy was to obtain short- and mid-term bonds with higher coupon rate and AA and AA+ rating in the primary market and appropriately allocate bonds issued by policy banks as well as mid-term and corporate bonds with AAA rating. As at 31 December 2013, bonds with a rating of AA and above increased by RMB1,897 million and increased in proportion by 1.50 percentage points as compared to the end of last year, while unrated bonds decreased by RMB741 million and decreased in proportion by 1.43 percentage points. Unrated bonds are mainly government bonds, bank notes issued by the PBOC, public sector bonds, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at 31 December			
	2013		2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 3 months	5,774.2	5.45	7,948.0	7.58
3 to 12 months	25,534.8	24.11	23,175.4	22.11
1 to 5 years	49,724.0	46.95	48,245.8	46.03
Over 5 years	24,878.5	23.49	25,456.0	24.28
Total	105,911.5	100.00	104,825.2	100.00

As at 31 December 2013, the Group’s investments in debt securities with a remaining maturity of less than 12 months increased by RMB186 million and decreased by 0.13 percentage point in proportion from the end of the previous year. Our investments in bonds with a remaining maturity of over 5 years decreased by RMB578 million or decreased in proportion to the total by 0.79 percentage point as compared to the end of the previous year, mainly due to the Group’s improvement in the maturity structure of the investment portfolio given a proper build-up of investments in short-term debt securities with higher coupon rates and relatively high investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

(4) Investment in Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As at 31 December 2013, the outstanding balance of financial bonds of the Group was RMB26,655 million, which was mainly financial bonds issued by policy banks. The table below sets out the top ten financial bonds held by the Group as at the dates indicated.

(Expressed in RMB million, except for percentages)

Name of debt securities	Nominal value	Interest rate per annum	Maturity date	Impairment
Debt securities issued by policy banks in 2013	1,000.00	4.02	2018-07-18	—
Debt securities issued by policy banks in 2013	950.00	4.07	2020-04-11	—
Debt securities issued by policy banks in 2010	700.00	3.59	2020-02-25	—
Debt securities issued by policy banks in 2005	650.00	3.60	2020-11-29	—
Debt securities issued by policy banks in 2012	590.00	3.97	2019-07-09	—
Debt securities issued by policy banks in 2006	570.00	3.79	2021-06-28	—
Debt securities issued by commercial banks in 2006	530.00	3.75	2016-12-19	—
Debt securities issued by policy banks in 2005	510.00	3.42	2015-08-02	—
Debt securities issued by policy banks in 2006	450.00	3.60	2026-04-11	—
Debt securities issued by policy banks in 2010	400.00	4.30	2030-03-17	—

IV. Distribution Channels

1. *Physical outlets*

Operating outlets are the primary distribution channels of the Bank. As at 31 December 2013, the Bank had 1,770 branches of various kinds, including one headquarter, one branch, one business department, 42 sub-branches, seven tier-2 sub-branches and 1,718 branch outlets. The Qujing Branch of the Bank in Yunan is the first non-local branch of a rural commercial bank in the PRC. Our network of branches covers all the 38 administrative districts and counties in Chongqing. We have 1,460 distribution outlets with full coverage on townships and villages in Chongqing. We have established 309 outlets in the Chongqing urban areas. The number of branches ranked first in both county areas and urban areas.

The Bank has strategically developed distribution channels, optimised the layout of outlets and stepped up restructuring to improve its service coverage, service capabilities and operational efficiency. In 2013, the Bank has established four branches, reallocated 61 existing branches and refurbished 218 existing branches. Since the establishment in June 2008, the number of refurbished outlet has exceeded 1,200, reaching 70% of the total outlets under its administration and has resulted in a significant improvement in the overall appearance of outlets.

2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, the Bank established thirty-seven 24-hour self-service centers as at 31 December 2013, and the number of ATMs and self-service inquiry terminals increased to 3,050. The proportion of machine to outlet exceeded 1.7:1, among which the number of ATMs increased by 698 units to 2,343 units over the end of the previous year and self-service inquiry terminals increased by 219 units to 707 units over the end of the previous year.

134 units of convenient rural financial self-service terminals have been newly launched in 2013. As at 31 December 2013, an aggregate of 752 terminals were launched and 699 convenient rural financial self-service centers had been established and commenced on-line operation while the remaining ones are under construction. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in the rural area. The service won widespread recognition from the local government and the general public, with both social and economic benefits well-received.

3. *E-banking*

In 2013, the Bank, being fully aware of the significance of the supporting role of E-channel business, leveraged its comprehensive E-banking business to build an all-round E-banking service system with full coverage, in the hope of extending the scope of financial services to match the customers' interests. In the meantime, through diversified marketing campaigns, the Bank continuously raised the awareness and influence of the brand for E-banking to further improve customers' satisfaction to its services.

(1) Internet banking

Corporate internet banking

The Bank successfully launched functions such as Bank-Tax Express (銀稅通), Bank-Business Express (銀商通), bill pool management, self-served purchase of wealth management products with an aim to enhance the comprehensive service level for the corporate customers. It established a new generation platform for the open and transparent tender process based on the corporate account mode, achieving comprehensive tender capital management. It added the mode of direct connection between the Bank and the enterprises, making it the first case of direct connection of the Bank with high-end customers or customers from special industries. As at 31 December 2013, the number of corporate internet banking customers of the Bank increased by 83.62% over the end of the previous year to 10,300; 1,602,200 financial transactions occurred in the year, representing an increase of 136.70% over last year; the total amount of the transactions was RMB441,254 billion, representing a growth of 117.52% over the previous year.

Personal internet banking

The Bank has been actively engaged in improving customers' experiences. It has security assistants for E-banking to improve the security in using E-banking. In the meantime, the Bank has been enriching the functions of the products and adding services such as remittance of traffic fine and gas charge and Bank-Business Express, etc., in order to meet the multi-layered and diversified needs for financial services. As at 31 December 2013, personal E-banking customers was 587,900, representing an increase of 282.00%. 8,026,200 financial transactions have occurred for the year, representing an increase of 371.91% over the previous year; the total amount of transaction was RMB54,093 million, representing an increase of 130.60% over the previous year.

E-banking was recognised by customers and professional institutions, and the Bank has won the "Gold List of E-banking in China - Security Award of the Best Internet Banking of Regional Commercial Bank 2013" (中國電子銀行金榜獎-2012年區域性商業銀行最佳網上銀行業務創新獎) by China Financial Certification Authority.

Online payment

The Bank had made continuous effort in optimising the internet payment function, which improved the bill payment process of Alipay, adding functions such as internet payment of real-time record of B2B/B2C batch clearing documents, smart notification of transactional results, execution of gateway protocol, interbank settlement for secondary customers. These functions enhanced the efficiency of capital flow for customers having the electronic commerce platform, and their experience of using the services. As at 31 December 2013, there had been 6,698,000 financial transactions in the year which were settled through online payment, representing an increase of 503.59% over the previous year. The transaction amount was RMB1,142 million, representing an increase of 548.86% over the previous year.

(2) Mobile banking

The Bank continued to innovate its mobile banking. Integrating the convenient functions such as self-service banks, remote transaction, near field communication and electronic wallets, it integrated the basic financial services, multi-field mobile payment application and inter-industrial mobile payment application, supported various mobile equipments and mainstream operating systems as well as multiple ways of authentication. As at 31 December 2013, the number of mobile banking customers of the Bank reached 1,284,400, representing an increase of 641,000 new customers or 99.63% as compared to the end of the previous year. The number of financial transaction for the year aggregated to RMB33.9151 billion, representing an increase of 190.11% as compared to the previous year. The amount of transactions was RMB421,851 billion, representing an increase of 215.87% as compared to the previous year, No. 1 among all financial institutions of Chongqing.

Pursuant to the arrangement of Payment and Settlement Department of People's Bank of China, the Bank actively carried out pilot projects for mobile payment in the rural areas. Mobile payment business has been on steady growth, which significantly improved the payment and financial service in the rural areas. It was highly recognised by the People's Bank of China, and the E-banking Department of the Bank was awarded "Model Unit for the Establishment of Payment Service in Rural Areas People's Bank of China" from 2009 to 2012.

(3) WeChat banking

The Bank has been actively exploring new type of financial service channels. The launch of WeChat banking has not only achieved functions such as targeted marketing and business consultancy, but also made the Bank one of the first to make breakthrough in security guarantee and carry out treasury operations in WeChat banking incorporating the authentication for mobile bank card. The Bank also launched the application for personal loans on WeChat banking to facilitate the efficiency and level of customer service and bring brand new interactive financial experiences to customers. As at 31 December 2013, WeChat banking has attracted the attention of 48,000 persons within four months after its launch, with 1,705,100 messages received. The business grew rapidly.

(4) Telephone and SMS banking

The Bank introduced the fifth generation of telephone banking system which represents the most advanced level in the industry. With high flexibility and expandability, telephone and SMS banking offered one-stop customer service and reduced the costs to customer services to the maximum. It strengthened the business, which had offered services to 9,988,400 customers, representing an increase of 10.19% over the previous year. The growth of SMS banking is promising. As at 31 December 2013, the accounts of SMS of the Bank had been accumulated to 5.5007 million, representing an increase of 2.1919 million or 66.24% as compared with the end of last year, while contracts signed by high-end customers accounted for 67.52%, an increase of 10.36 percentage points as compared with the end of the previous year.

The internet banking of the Bank achieved sustainable and efficient development, bold innovations and aspirations across the board. As at 31 December 2013, the substitution rate of E-banking account transactions of the Bank reached 70.21%, representing an increase of 14.12 percentage points as compared to the end of the previous year.

V. Principal Subsidiaries and Associates

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as a major promoter. The establishment of village and township banks is of great significance to the performance of social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. During the reporting period, the Bank accelerated the institutional establishment of the village and township banks and initiated to establish six CQRC Village and Township Banks in Yunnan, Guangxi and Fujian, etc. As at the end of the reporting period, the Bank has established 10 CQRC Village and Township Banks with aggregate capital amounting to RMB3.796 billion and the outstanding balance of deposits and loans amounting to RMB1.137 billion and RMB2.697 billion, respectively.

The associated company of the Bank is Chongqing Auto Finance Co., Ltd. (重慶汽車金融有限公司), which was registered and incorporated in Chongqing in August 2012 with a registered capital of RMB500 million and is primarily engaged in automotive finance business. As at 31 December 2013, the Group held 20.00% of its equity interest.

VI. Information Technology

In 2013, the information technology of the Bank is conducted to ensure the safe and stable operation of the business system, reinforce the internal safety management in the information system, facilitate data management, improve the operational quality for the system to as to boost the momentum of the business development and reinforce technological innovation. During the reporting period, the operation of each business system remained stable. No breakdown has occurred to the production server and system framework, which was a guarantee to the normal operation of the Bank's business.

Enhancement was made in the prevention of information technology risk with an aim to fully manage and control the safety of information. In this year, all of the core business processing system, online banking, mobile banking, self-service banking and other key systems have achieved the availability rate of 100%. The production server and the trunk network recorded zero breakdown, ensuring smooth business operation of the Bank. Meanwhile, IT governance was put in full pursuit, including infrastructure strengthening of the server room, infrastructure check of branches, successful organization & implementation of the remote emergency drill, implementation of information safety risk assessment review, classification protection of important information system and safety technology evaluation. Professional safety evaluation companies were engaged to perform electronic bank safety risk evaluation and made safety consolidation. In addition, the detailed rules for implementation of information system projects were formulated, specifying the whole flow of project construction from demand raising, system design, development, testing to official launch. Outsourcing management was enhanced as well, with the evaluation & withdrawal mechanism established for outsourcing companies and the risk control reinforced against outsourcing. 1,716 outlets of the Bank, including off-bank ATMs, were constructed with the video monitoring network to promote the safety prevention & precaution capability of the remote video monitoring system. Moreover, the operation & maintenance management platform was completed to achieve uniform monitoring & maintenance of all the systems & equipment.

Data management was enhanced and extended to the whole Bank in terms of data governance. The Bank implemented the long-term planning of data governance, established the data backtracking platform, completed upgrading of the ODS system, and established the intermediate layer & the index layer, preparing the foundation for efficient analysis and centralized management of data. Establishment & application of various data models provide support and guarantee for business decision making, while the performance evaluation, audit, anti-money laundering and other systems provide the demonstration platform for the results of data management. Safety management of client data was further reinforced, by realizing internal circulation of data system via virtual technologies to secure client data. The data quality monitoring platform was established to push forward the special work of data governance, which can correct client information line by line and implement data standardization via technical means.

Project construction was firmly pushed forward, with continuous optimization of product service and business flow. Firstly, completed system renovations of deposit business, multi-function password keyboard, Jie Tong Ka, interest rate liberalization, Yunnan Tong, etc. Secondly, improved & enhanced self-service channels, which included establishment of the Banking Medical Service platform to make convenient to widely distributed clients in hospital visits, realizing their multi-channel payment of medical costs; to launch the online password service platform Version 4.x, realizing online distribution of keys for counter & self-service equipments; and to complete the renovation of IC card electronic cash transaction under PBOC2.0. Thirdly, speeded up construction of intermediate business platforms to unify & strengthen the platform processing functions for such businesses on the basis of expanding such typical traditional businesses as water, electricity and gas; to keep expanding in some new business sectors such as gold, fund, e-commerce online payment & All Pay Business, to further strengthen cooperation with the government, represented by Non-tax and Civil Service Card, and to enhance cooperation with local enterprises and timely respond client demands such as Welfare Lottery, Major Overhaul Fund, Campus Card. Fourthly, completed construction of electronic channels, including upgrading of the call center, launch of Wechat bank and expanded payment & bill payment channels for mobile banking such as authorized deduction of gas fee. Other systems as constructed varied from financial derivative system, human resource system Phase II, buying & return sale system, asset custody system, bank notes pool system, wealth management product management system, unstructured data full-lifecycle management platform, CRM marketing management platform to intelligent queuing system.

The establishment of E-banking system was reinforced in active efforts to facilitate the innovation of financial internet. In 2013, over 70% of the transactions were conducted with E-banking and the proportion of transactions through E-channels is growing rapidly. In the meantime, the customers to E-banking were growing and the settlement transaction doubled itself each year. The continuous development of E-banking had effectively made diversion to the operational pressure at the counter, achieved low-carbon operation under high-speed development, and improved operating efficiency while reducing energy consumption. The Bank had also been a pioneer in the research and development in self-service card issue, WeChat bank, refined assessment and evaluation, pricing system for deposits, customer relations management, full lifecycle management of the non-structural data in a big data system, automatic credit extension and direct sales platform, etc.

VII. Employees and Human Resources Management

1. *Basic Information on Employees*

As at 31 December 2013, the Bank had 15,443 regular employees, 9,070 of whom held Bachelor's degrees or above, representing 58.73% of all the Bank's regular employees. In addition, the Bank had 905 dispatch workers, 1,640 internally retired employees and 4,434 retired employees.

2. *Overview of Human Resources Management*

In 2013, adhering to the guiding principle of "three transformation" and centring the focus of "three profound changes", the Bank implemented the strategy of "talents for a strong bank" to optimise the structural settings. It established three general offices in corporate finance, retail finance and financial market to refine the human resources allocation through reinforced talents introduction as well as the selection and cultivation of talents of management and techniques. More attention had been paid to employees' education and performance evaluation to guide their career development. The completion of the human resources system and optimisation of the human resources management system yielded significantly greater efficiency in terms of human resources.

In terms of remuneration, the Bank promoted the reform on remuneration and took the assessment of the position's value as the basis for the position and remuneration system. Putting the employees' posts into four categories including administrative, professional and technological, banking services and operational, the Bank determines their corresponding remuneration to optimise the guarantee mechanism for employees. These efforts aimed at facilitating the annuity and share incentive plan, ensuring that the serious illnesses be covered by insurance to show care to the employees.

3. *Training*

The Bank was devoted to the career development and the improvement of the quality of the staff, enhancing staff training with continuous efforts, integrating and optimising training resources and giving full play to the systematic advantage of an E-learning system. Adhering to the principle that the head office and the branches are "responsible for their own obligations and implement layered management", the Bank has achieved comprehensive trainings for different levels and categories. Staff's comprehensive quality was completely upgraded. In 2013, the Bank held 1,342 sessions of training of all kinds with attendances of 112,000, with an average of 6.85 trainings per member, while the E-learning system trained 300,500 employees.

FINANCIAL BUSINESS IN COUNTY AREA

The banking business in county area has been a long-term strategic focus, and also one of the Group's major sources of revenue. The Group provides diversified financial services for customers in county area through 1 branch, 31 sub-branches and their 1,460 distribution outlets as well as 10 village and township banks located in county area. During the reporting period, the Group took the advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, stimulated financial innovation, and kept on increasing the total financial supply in county area, all of which have led to the comparatively rapid growth of financial services in county area.

As at 31 December 2013, the loan balance of the banking business of the Group in county area amounted to RMB107,956 million, representing an increase of RMB24,166 million or 28.84% over the end of the previous year; non-performing loan ratio stood at 1.30%, down 0.51 percentage point from the end of the previous year; the deposit balance amounted to RMB236,595 million, representing an increase of RMB37,849 million or 19.04% over the end of the previous year. In particular, the corporate loan balance of the banking business of the Group in county area amounted to RMB49,183 million which accounted for 40.88% of the corporate loan balance of the Group, representing an increase of RMB7,343 million or 17.55% over the end of the previous year. The retail loan balance of the banking business in the county area amounted to RMB58,773 million, representing an increase of RMB16,823 million or 40.10% over the end of the previous year, accounting for 69.20% of the retail loan balance of the Group.

I. Reform and Innovation

1. *Organisational Structure*

During the reporting period, the Bank further improved its management structure. The Sannong Business Management Department (三農業務管理部), guided by Sannong Financial Service Committee (三農金融服務委員會), is in charge of the policy research, initiation and coordination, and manage and assessment. Sannong Business Centre has been established in corporate and retail business lines, responsible for the marketing and innovation of the products of Sannong business, which further clarified and reinforced the management and marketing functions of Sannong business and guaranteed the fast development of the Bank's financial business in the county area.

2. *Credit Management*

During the reporting period, the Bank further revised and improved such systems as management measures and operation standards of the credit business, in order to make them more applicable and user-friendly. By arranging dedicated staff to examine and approve loans, and building up the team of customer managers, the Bank effectively stepped up efforts in investigation, review and examination of loans of County Area in a bid to enhance loan management and improve lending efficiency.

3. *Assessment and Incentives*

To further improve the comprehensive assessment system of branches in County Area, the Group formulated separately the credit plan for County Area banking business, implemented differentiated incentives, offered more incentives and strengthened the assessments in relation thereof, and effectively allocated more resources to County Area credit business.

4. *Product Innovation*

During the reporting period, the Bank launched and promoted land revenue-insured loans (土地收益保證貸款), operation loans for rural tourism, tobacco cultivation loans etc. In the meantime, it further improved and perfected the management practices and operational procedures of certain credit products, so as to make them more applicable and user-friendly.

II. **Corporate Banking Business in County Area**

During the reporting period, centered on the key banking businesses in County Area such as the industrialisation and modernisation of agriculture, countryside urbanisation, commodity circulation of County Area and infrastructure construction of the countryside, the Bank continued to, with leading enterprises in the industry as its main target customers, tighten classified management of corporate customers, energetically intensify marketing efforts and strive to foster core customer groups. For flagship companies of relevant industries, the Group developed integrated banking services plans, improved its banking services, consolidated and deepened the cooperative relations between banks and enterprises.

III. **Personal Banking Business in County Area**

During the reporting period, the Bank devised and implemented special marketing plans in a bid to drive the growth of personal banking business in County Area. Targeting at the county's individual and private business owners, farmer entrepreneurs and the wealthy people, the Bank vigorously developed personal products for specific areas and promoted loans secured by forest property rights, rural residential housing, contractual management rights of rural lands and loans for individual consumption and employment assistance at a steady pace in order to satisfy diversified credit needs in County Area effectively.

As at 31 December 2013, as the only bank in Chongqing offering the new type of pension insurance services in rural areas, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11 million people. Departments of finance and social insurance of the city and district/county have opened 124 social insurance accounts with the Bank, with a capital balance of RMB6,639 million. In 2013, the number of individual pensions withheld by the Bank amounted to 5,530,000, totalling RMB937 million; the number of individual pensions paid by the Bank as an agent amounted to 42,264,600, totalling RMB3,943 million. These services provided the Bank with an extensive customer base and helped stabilise the customer resources and facilitate the development of the Bank's businesses.

The Bank made greater efforts in the construction of electronic channels in county area and vigorously marketed the Jiangyu Card, the Jiangyu Xiangqing Card, the Farmer's Fortune Card (福農卡), credit card, personal internet banking and mobile banking. As at 31 December 2013, the Bank owned 1,694 ATMs, and 574 multi-media enquiry machines in county area and set up 739 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in county area also increased by 1,525,100 and 25,200 over the end of the previous year, respectively to 10,061,800 and 75,700, respectively, which accounted for 78.85% of the debit cards issued by the Bank and 77.64% of the credit cards issued by the Bank, respectively. With the gradual enhancement in electronic equipment and so the increase in the number of cards, the Bank is well poised to keep expanding its customer base in County Area and increase the penetration of banking business in County Area, and build good business relationship with customers.

IV. Summary of Information on Geographical Segments

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording gains. The table below sets forth the total operating income attributable to County Area branches and urban area branches for the periods indicated.

Expressed in RMB million	For the year ended 31 December					
	2013			2012		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	2,973.7	12,729.5	15,703.2	2,189.2	10,903.0	13,092.2
Net fee and commission income	248.1	431.6	679.7	202.1	233.6	435.7
Net trading (losses) gain	—	(197.6)	(197.6)	—	13.0	13.0
Share of profit of an associate	—	0.3	0.3	—	—	—
Other operating income, net	119.8	10.4	130.2	96.4	16.0	112.4
Total operating income	3,341.6	12,974.2	16,315.8	2,487.7	11,165.6	13,653.3
Internal transfer of income and expense	5,222.2	(5,222.2)	—	4,581.8	(4,581.8)	—
Gain after adjustment	8,563.8	7,752.0	16,315.8	7,069.5	6,583.8	13,653.3

For the year ended 31 December 2013, the gain as adjusted for the County Area segment was RMB8,564 million, representing an increase of 21.14% as compared to last year, which was mainly attributable to rapid growth in the net interest income and in internal transfer of income.

RISK MANAGEMENT

The Group further improved its risk management system in 2013. Guided by the New Basel Capital Accord and in compliance with the requirements of the CBRC in the “Guidelines for the Establishment of the Risk Management System of Small-and-Medium-sized Rural Financial Institutions” (《農村中小金融機構風險管理機制建設指引》), the Bank deepened the cultural and organisational construction of risk management system, refined various policy guidelines and procedures of risk management and conducted risk inspection and rectification in the key risky fields to reinforce internal control and risk assessment. The Bank paid special attention to the preventive controls over risks of various kinds and launched special solutions and management for the data to lay a solid foundation for refined management of risks. In 2013, the capital adequacy of the Group is in good condition and the internal control mechanism was optimised. The comprehensive risk management capability of the Group was improved.

I. Credit Risk Management

Credit risks refer to the risk of economic loss arising from the failure of the counter party to a transaction to fulfill the corresponding responsibilities in compliance with contracted provisions.

Confronted with macro-economic and financial changes in 2013, the Group responded by adhering to the operational principle of “foundation consolidation, restructuring, and risk control”. It conscientiously adhered to the PRC macro control policy thoroughly and continued to optimise the regime and system development of credit-risk management. It adjusted the credit policy timely and strengthened the risk management and control in key areas, especially the governmental financing platforms, the real estate sector, industries with high-energy consumption, high pollution and overcapacity as well as key industries with reference to both the macro changes and the trend of industry restructuring. It also reinforced the identification and rectification of risks. New means of non-site surveillance were introduced for the Group to actively identify and resolve potential risks. The capital flow of enterprises was monitored closely and greater efforts were made to terminate loans to customers with potential risks and to dispose non-performing loans. The loan portfolio thus gradually improved and the functions and scope of applications of the credit business management system were optimised continuously, resulting in stronger credit risk management on all fronts.

II. Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the due liabilities or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Bank is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis and to effectively balance fund profitability and security no matter during the normal operation or at a highly stressed condition through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk.

The Asset and Liability Management Commission of the Group is responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Financial Planning Department and Risk Management Department of the Group are responsible for implementing the liquidity risk management policies and strategies, monitoring and evaluating the liquidity risks. Each business line cooperated with each other in active engagement in liquidity management.

In 2013, the Group insisted on the business ideology of prudence and compliance, prioritised asset safety and mobility in its operation and adopted a series of measures to improve its asset and liability structure. By increasing the medium-and long-term loans and long-term investment, boosting the growth of deposits whilst enhancing the stability of deposits, it balanced profit and risk, conducted treasury business in a flexible manner, optimised the term structure of our assets and liabilities and reduced its potential liquidity risks.

The Group, leveraging on its unremitting efforts in strengthening liquidity monitoring and forecast as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. To avoid potential liquidity risks, the Group had also carried out real-time monitoring and prepared monthly reports on all liquidity control indicators to reflect the liquidity position of the Bank in a comprehensive and continuous manner. The Group carried out liquidity pressure tests to examine the ability of the Group to stand risks under extreme pressure, and the results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

Liquidity Risk Analysis

During 2013, the economic activities in the PRC were generally stable despite of higher downward pressure. The fluctuations of the interbank market were significant, especially in June and December when the fluctuations in the interests of the interbank market were intensified and PBOC slightly tightened the monetary policies. Since the year, tight liquidity remained in the market with high interest rates at the end of a season or a year, and temporary tight and loose liquidity condition appeared by rotation in the interbank market throughout the year. The Group ensured the balance among liquidity, safety and efficiency by virtue of flexible asset allocation, rationalised capital investment, intensified the management of assets and liabilities and the establishment of a multi-layered liquidity reserve.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of 2013, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities:

	As at 31 December 2013							Total RMB million
	Past due/ Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Net position of assets and liabilities	<u>64,276.2</u>	<u>(151,378.7)</u>	<u>(402.7)</u>	<u>(12,124.4)</u>	<u>(51,073.2)</u>	<u>137,181.9</u>	<u>135,818.2</u>	<u>122,297.3</u>

	As at 31 December 2012							Total RMB million
	Past due/ Undated	On demand	1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Net position of assets and liabilities	<u>54,041.4</u>	<u>(128,604.1)</u>	<u>(12,238.4)</u>	<u>(11,742.1)</u>	<u>(24,071.6)</u>	<u>110,974.0</u>	<u>118,466.1</u>	<u>106,825.3</u>

Note: Please refer to "Notes to the Consolidated Financial Statements: 52. Financial Risk Management. Liquidity Risk"

III. Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Bank arising from adverse changes in the market price (i.e. interest rate, exchange rate, stock price and commodity price, etc.).

The Group manages its interest rate risk and exchange rate risk in accordance with the requirements of the Guidelines of Market Risk Management of Commercial Banks (商業銀行市場風險管理指引), the Guidelines of Internal Control of Commercial Banks (商業銀行內部控制指引) and the Guidelines for Stress Testing of Commercial Banks (商業銀行壓力測試指引) promulgated by the CBRC and with reference to New Basel Capital Accord. The Group has also formulated a management system for market risk through regulation, monitoring and reporting measures to govern authorisation, credit extension and limit of risks.

Interest Rate Risk Analysis

The major market risk for bank account is interest rate risk. The Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and corporate net value in varied interest rate scenarios.

In 2013, China further liberalised interest rates and a new financial market price formation and transmission mechanism was improved steadily. The competition in the banking industry has been intensified with market interest rates fluctuated in a greater span. In response to the complex and changeable market situation, the Group kept a close eye on changes in macro monetary policy and domestic and foreign financial markets. By applying the FTP internal fund transfer pricing system properly, the Group gradually improved the management of interest rate pricing, duly adjusted the pricing of funds and effectively controlled the fall of interest rates for loans and interest costs for deposits with a view to improving the proactive risk management and ensuring the sustained growth in the profit and market value of the Group.

The structure of the Group's interest rate risk gap on the contract re-pricing date or maturity date (whichever was earlier) is as follows:

As at 31 December 2013							
(Listed as RMB million)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap	<u>(79,129.9)</u>	<u>51,735.0</u>	<u>(82,873.4)</u>	<u>117,421.0</u>	<u>26,049.1</u>	<u>1,356.7</u>	<u>34,558.5</u>

As at 31 December 2012							
(Listed as RMB million)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap	<u>(13,674.9)</u>	<u>5,600.9</u>	<u>(43,572.1)</u>	<u>55,657.6</u>	<u>23,463.8</u>	<u>2,625.2</u>	<u>30,100.5</u>

As at the end of December 2013, the Group's accumulated gaps for all maturities amounted to RMB34,559 million, representing an increase of RMB4,458 million from the previous year.

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and the management will not consider taking any risk management actions to mitigate interest rate risk:

Interest rate sensitivity analysis

In millions of RMB

Change in basis points	The Group As at 31 December 2013		The Group As at 31 December 2012	
	Changes in net interest income	Changes in other comprehensive income	Changes in net interest income	Changes in other comprehensive income
+100 basis points	<u>565.5</u>	<u>(158.1)</u>	714.1	(224.1)
-100 basis points	<u>(565.5)</u>	<u>168.9</u>	(714.1)	240.9

Note: Please refer to "Notes to the Consolidated Financial Statements: 52. Financial Risk Management. Market Risk. Interest Rate Risk".

Exchange rate risk

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatch between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars and HK dollars but seldom conducts transactions in other currencies, whereas transactions in foreign currencies are mainly the Bank's business of agency sale and purchase of foreign exchange. During 2013, the US\$ Index took an upward turn and then downward, and the exchange rate of Renminbi against US\$ is basically on an upward turn. In the trading days in the whole year, the middle price of Renminbi has made record high for several times. As at the end of the year, the accumulative growth of the middle price of Renminbi against US\$ reached 3%. The Group strengthened its management of its exposure to foreign exchange risks and the management standard of assets and liabilities in foreign exchange by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilisation of foreign exchange assets reasonably. It also explored the usage of exchange rate financial instruments to hedge against exchange rate risk.

As at the end of December 2013, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

As at 31 December 2013					
(Expressed in RMB million)	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position	34,014.9	519.2	8.5	15.9	34,558.5

As at 31 December 2012					
(Expressed in RMB million)	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Net position	29,791.6	197.8	7.1	104.0	30,100.5

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and the management will not consider taking any risk management actions to mitigate interest rate risk:

*Exchange rate sensitivity analysis**In millions of RMB*

Exchange rate change	As at 31 December 2013 Changes in net profit	As at 31 December 2012 Changes in net profit
5% appreciation	(20.4)	(11.6)
5% depreciation	20.4	11.6

Changes in net profit are determined based on the assumption that the Group's net foreign exchange as at the end of the reporting period remains unchanged. Based on the judgment of the management over the trend of foreign exchange movements, the Group actively adjusted its foreign exchange position to lower foreign exchange risks. Therefore, there may be discrepancy between the sensitivity analysis above and the actual conditions.

IV. Operational Risk Management

Operational risk refers to the risk of loss resulting from incompleteness or faults in internal procedures, human error and system failure, or external events. The operational risk of the Group mainly comprises internal and external risks. Internal risks mainly include risks arising from human error, inappropriate procedures and operation flow and IT system failure. External risks include risks arising from external contingencies.

With a view to meeting the demands of the New Basel Capital Accord and the establishment of process-based banking as well as working towards the long-term target necessary for a comprehensive risk management, the Group further strengthened its internal control and improved its control and management over operational risks. The Group kept refining the operational terms for the regulations and intensified the whole-process management in a bid to block the risk leakage through the management and regulation of the business process. The Group continued to pose high pressure on potential breaches against regulations, adopted a point-calculation mechanism and reinforced the tracking and rectification of problems and the accountability of responsibilities in an active prevention against inside operation risks. The Group also strengthened the combing and prevention against crimes such as new-type crimes and illegal fund-raising in medium and small-size banks, examined staff's behaviour and raised the awareness of compliance to strictly fight against the external offense. In addition, the Group will give full play to the "three defences" and continuously improve the appropriateness and effectiveness of risk management and regulation. More investment was put into IT to raise the technological prevention capability against operational risks.

V. Implementation of New Basel Capital Accord

Adhering to the philosophy of “Active Preparation, Rectifying Foundation, Stable Progress”, the Group implemented preliminary preparation of the new capital accord systematically in accordance with the requirements of regulatory authorities. Special solutions and management for the data was conducted in the year, and consultancy companies were employed to analyse the weaknesses in data management. Planning and designing of data management were implemented to improve the quality of data in the system. The Group also made efforts to for establishing a long-term mechanism in the composition, structure, regulations and procedures of data management and regulation, which laid a solid foundation for the implementation of the new capital accord.

VI. Anti-money Laundering

The Bank has correctly understood the situation of anti-money laundering. Focusing on the evaluation and management of risk, the Bank implemented the risk-based approach in order to improve the effectiveness of anti-money laundering and anti-financing for terrorist activities, improving the overall work of anti-money laundering. During the reporting period, the Bank amended the Classification and Management of the Customers' Risks Grades (客戶風險等級劃分管理辦法), in which the risk evaluation grades were adjusted from the previous three grades to five grades in a bid to provide a more flexible resources allocation for anti-money laundering. The Bank valued the trainings for new employees on anti-money laundering, through which they can learn the rules and regulations, basic knowledge and importance regarding the anti-money laundering. During the period of “Tenth Anniversary of the Commencement of Anti-money Laundering” (「反洗錢履職十周年」), along with the “Five To-s” (五走進) in the Bank's financial services, the Bank developed a series of promotion campaigns appealing to the public to fight against the crime of money laundering, which further enhanced relevant social influence. As the payment in money laundering crime are moving from traditional means towards information-based means, the Bank has strengthened the construction and started the upgrade of anti-money laundering system leveraging information technology. The Bank has assigned employees in charge of analyzing each transaction, which controlled the ineffective reports and ensured the quality of reports on dubious transactions.

Internal Audit

The Bank has established an independent internal audit system. An audit committee was established under the Board and reported to the Board. The internal audit department in headquarter and each branch and sub-branch was established and reported to the Board and the audit committee. The purpose of the internal audit department is to achieve effective internal control, risk management and corporate governance. It carried out independent audit and supervision on the revenue and expenditure and the economic activities of the Bank. It also conducted appraisals and evaluations on the effectiveness of internal control and risk management, and the effects of governance procedure. The internal audit department reported regularly to the Board and the senior management concerning the audit status.

During the reporting period, focusing on the strategic development goal of the Bank, the internal control department improved its work through regulating the policies and operation flow of the internal control. The on-site audit was supported by the information system for the audit. The internal control department also carried out internal control evaluations, risk prevention and inspection for cases, audit of the large amount of loans, comprehensive audit, audit of the completion of operating target, and the audit of the resignation of leading cadres in each branch and sub-branch, and supervised and investigated the audit of village and township banks. The special inspection team conducted spot check on the operational risks of grass-roots business outlets, and specifically strengthened the operational risk audit for key business procedures, such as counters and credit extension. Meanwhile, the special inspection team also paid attention to risk control for asset operations, investment banks, international business, E-banking and departments such as Information Technology. Such measures prevented systemic risks in key business, key organisations, key staff and key regions effectively and motivated sustainable improvement in the standard of internal control.

Outlook

In 2014, the world economy will continue to experience a slow recovery. China will strive to deepen the reform with focus put on fueling the economy to release more energy for the purpose of adjusting the economic structure and safeguarding people's livelihood. The reform will greatly benefit the economic growth in China. As the only municipality directly supervised by the PRC central government and the national central city in Midwest China, Chongqing will embrace a new round of development in its economy and society along with the strategy implemented concerning the construction of "Five Major Functional Areas" (「五大功能區域」). 2014 is an important year for the Bank to enhance quality and efficiency and achieve transition and development. The Bank will grasp the opportunity and judge the situation through scientific analysis. According to the general guideline of "strengthen the internal control, refine the structure, promote the development and seek the innovation", the Bank will improve its capacities in management, service, coordination and teamwork, strengthen its credit management, enhance the internal control management, continue to build the management team and enrich the cultural connotations of the enterprise. The Bank will take the initiative in promoting the reform and innovation, speeding up the transformation and development, and implementing the "Three-Transformation Strategy". Undertaking the responsibility of serving the local economic development and fueling the construction of "Five Major Functional Areas" (「五大功能區域」), the Bank will contribute more for achieving common prosperity in Chongqing through scientific development.

Corporate Social Responsibility

As the provision of services for the livelihood of the people in Chongqing being part of our historical mission, the Bank further enhanced social responsibility while great efforts were made to boost distinctive operation, sophisticated management and cultivation of corporate culture in 2013, so as to reward the society by fulfilling our obligations through effective actions.

Our economic responsibility was put into practice to facilitate the common prosperity in Chongqing. The Bank voluntarily followed the strategy of “Five Major Functional Regions” set by Chongqing City to implement macro-control and distinctive operation. In particular, the service of agricultural industry was improved by further developing services for agricultural products; the development of the real economy was boosted by focusing on the support of the small and micro-sized enterprises; the upgrade of economic reform was facilitated by offering services to pillar industries, industries with competitive advantages and construction of key projects, which made contribution to the aim of “common prosperity for Chongqing through scientific development (科學發展、富民興渝)” in Chongqing.

Our environmental responsibility was well fulfilled to boost the development of the green environment. The Bank included the development of civilised ecological environment in every aspect and the whole process of its operation and management. It also conscientiously participated in the “Five Major Actions for Environmental Protection” in Chongqing by promoting low-carbon credit allocation, electronic business processing, script-less operation services and whole-staff-participation in environmental protection for public welfare, thereby further enhanced green governance and improved ecological environment. The Bank strived to become a “green bank” featured environmental protection in a friendly and economical manner, so as to promoted harmonious development between business enterprises and the environment.

Our social responsibility was fulfilled to jointly develop and enjoy a harmonious community. Adhered to its mission of “Excellent services to customers, Maximum returns to shareholders, Real success for our people, Great contribution to community”, the Bank paid close attention to humanity development with the purpose to facilitate a co-existence and win-win situation with interested parties. In order to develop in a win-win manner, it carried out the reform in branch networks, disseminated finance education and improved service quality. The Bank treasured the values created by our staff. Therefore, the legal rights of our staff were safeguarded while a good corporate culture to grow together with them was fostered. In addition, with an aim of enjoying harmonious community with the public, the Bank not only persisted in operational integrity, but also ardently participated in charitable activities and dedicated in anti-poverty activities.

The fulfilment of corporate responsibilities matters to our sustainable development and thus persistent efforts are required. In the future, the Bank will stick to the implementation of innovative reform, upgrade and transformation, to further enhance responsibility management, establish relationship with interested parties, balance benefits among economy, environment and society properly, perform corporate’s civil responsibility earnestly, and thereby make contributions to speed up the “scientific development and common prosperity” in Chongqing.

(For details, please visit the official website of the Bank for its Corporate Social Responsibility Report 2013).

Changes in Share Capital and Particulars of Shareholders

MOVEMENT IN SHARES

Unit: share, %

	January 1, 2013		Increase/(Decrease) +/- during the reporting period					31 December 2013		
	Number of shares	Percentage	Private placement	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage
(I) Shares not subject to trading restrictions										
1. Non-overseas listed shares held by legal persons	5,227,930,059	56.21							5,227,930,059	56.21
Including: (1) Shares held by state-owned legal person shareholders ¹	2,084,033,959	22.41							2,084,033,959	22.41
(2) Shares held by private legal person shareholders	3,143,896,100	33.80							3,143,896,100	33.80
2. Non-overseas listed shares held by natural persons	1,558,733,900	16.76							1,558,733,900	16.76
Including: (1) Shares held by employee natural persons	148,227,690	1.59					(262,300)	(262,300)	147,965,390	1.59
(2) Shares held by natural persons other than employees	1,409,243,075	15.16					301,480	301,480	1,409,544,555	15.16
(3) Shares held by shareholders without affirmed ownership ²	1,263,135	0.01					(39,180)	(39,180)	1,223,955	0.01
3. Overseas listed foreign shares	2,513,336,041	27.03							2,513,336,041	27.03
(II) Total number of shares	9,300,000,000	100.00							9,300,000,000	100.00

Notes: 1. Shareholding of state-owned legal person refers to non-overseas listed shares of the Bank held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).

2. Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not affirmed their ownership in the shares of the Bank. (Note: during the reporting period, 39,180 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,223,955 shares held by shareholders without affirmed ownership).

ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the reporting period, neither the Bank nor its subsidiaries had issued, purchased, sold or redeemed any securities of the Bank.

The Bank proposed to issue Tier 2 Capital bonds with a total of no more than RMB5.0 billion to domestic inter-bank bond market players (including but not limited to banks, non-bank financial institutions and enterprises) to replenish Tier 2 Capital. Relevant resolutions were considered and approved at the 2012 annual general meeting of shareholders held by the Bank on 10 May 2013. For details, please refer to the announcements of the Bank dated 22 March 2013 and 10 May 2013, and the circular of the Bank dated 25 March 2013. During the reporting period, the Bank has obtained approval from CBRC, and has reported to the head office of People's Bank of China. As at the end of the reporting period, the Bank had not issued the above bonds.

STATUS OF BONDS ISSUED

During the reporting period, there had been no default by the Bank in respect of either repayment of the principal and interests of the RMB2.3 billion callable subordinated bonds issued in the PRC interbank bonds market on December 29, 2009 or any matters in connection therewith.

PARTICULARS OF SHAREHOLDINGS

At the end of the reporting period, the Bank had a total of 9,300,000,000 shares, comprising 6,786,663,959 non-overseas listed shares and 2,513,336,041 overseas listed H shares.

PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF NON-OVERSEAS LISTED SHARES

Unit: share, %

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Numbers of shares pledged or on hold	Type of share
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned	629,304,418	6.77	—	non-overseas listed shares
02	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	state-owned	621,435,221	6.68	—	non-overseas listed shares
03	Loncin Holding Co., Ltd (隆鑫控股有限公司)	private enterprise	570,000,000	6.13	470,000,000	non-overseas listed shares
04	Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	state-owned	423,431,972	4.55	—	non-overseas listed shares
05	Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	private enterprise	300,000,000	3.23	300,000,000	non-overseas listed shares
06	Xiamen Laiertu Trading Co., Ltd. (廈門來爾富貿易有限責任公司)	private enterprise	200,000,000	2.15	180,000,000	non-overseas listed shares
07	Chongqing Emperor Science & Technology Co., Ltd. (重慶愛普科技有限公司)	private enterprise	190,000,000	2.04	170,000,000	non-overseas listed shares
08	Chongqing Tianqi Industry Management Company Limited (重慶天麒產業管理有限公司)	private enterprise	160,000,000	1.72	160,000,000	non-overseas listed shares
09	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	private enterprise	150,000,000	1.61	150,000,000	non-overseas listed shares
10	Jiangsu Huaxi Group Corporation (江蘇華西集團公司)	private enterprise	150,000,000	1.61	—	non-overseas listed shares
Total			3,394,171,611	36.50	1,430,000,000	

Note: As at 31 December 2013, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of 9.3 billion. In addition, all the shares pledged by shareholders presented above are pledged in nature and no shares are on hold as a result of judicial predures.

Substantial Interests and Short Positions

As at 31 December 2013, to the knowledge of the Bank, the interests and short positions of substantial shareholders other than directors and supervisors (within the meaning of the Securities and Futures Ordinance) in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance of Hong Kong were as follows:

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	8.40	6.13
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	423,431,972	6.24	4.55

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held (Long Position)	% of the total issued H share capital of the Bank	% of the total share capital of the Bank
Blackrock, Inc.	Interest of controlled corporations	146,070,731	5.81	1.57

MAJOR SHAREHOLDERS OF THE BANK

As at the end of the reporting period, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Loncin Holding Co., Ltd (隆鑫控股有限公司) held 629,304,418 shares, 621,435,221 shares and 570,000,000 shares of the Bank, respectively, representing 6.77%, 6.68% and 6.13% of total share capital of the Bank respectively, and are major shareholders of the Bank.

Except for the aforesaid shareholders, there were no other legal person shareholders holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons other than employees holding 5% or more of shares of the Bank.

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly known as Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)) which was established on March 18, 2004, is a solely state-owned comprehensive assets operation and management company organised under the approval of Chongqing Municipal Government. It was under supervision of Chongqing State-owned Assets Supervision and Administration Commission as a municipal state-owned key enterprise. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 28 June 2011, with a current registered capital of RMB10 billion.

Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (formerly known as Chongqing City Construction Investment Company (重慶市城市建設投資公司)) is a solely state-owned enterprise established under the approval of Chongqing Municipal Government in April 1994 and authorised to raise and manage capital for city construction. Under the approval of the Administration for Industry and Commerce of Chongqing, it was renamed as its current name on 7 January 2011, with a current registered capital of RMB6 billion.

Loncin Holding Co., Ltd (隆鑫控股有限公司) is a key private enterprise in Chongqing city. It was established on 22 January 2003 and currently has a registered capital of RMB1 billion. It has been listed among "Top 500 Chinese Enterprises".

As at the end of the reporting period, there were no substantial shareholders holding 10% or more of the shares (as defined under the Hong Kong Listing Rules) of the Bank.

Directors', Supervisors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As at 31 December 2013, the interests or short positions of the directors, supervisors and the chief executive of the Bank or their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total issued share capital of the Bank
Supervisors				
Zuo Ruilan	Beneficial Owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial Owner	37,600	0.00055	0.00040

Other than as disclosed above, none of the directors, supervisors and the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2013.

DIVIDENDS

Under the approval at the 2012 annual general meeting of the Bank, final dividend of 2012 had been distributed by the Bank to the shareholders of H shares and domestic shares whose names appeared on the register of members of the Bank as at 24 May 2013 after close of trading. The dividends of RMB0.17 per share (tax inclusive), totalling RMB1,581 million (tax inclusive) had been distributed in the form of cash.

The Bank puts forth effort to improve its transparency and accountability of corporate governance, ensuring high standard of corporate governance practices to safeguard the interests of shareholders and to enhance corporate value.

The Bank has strictly complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Hong Kong Listing Rules and also most of the recommended best practices therein. The Bank strictly abides by the applicable laws and regulations, and the Hong Kong Listing Rules in respect of management of inside information.

To the best of the directors’ knowledge, there is no reasonable information indicating that the Bank is or was in violation of the CG Code during the year ended 31 December 2013.

The Bank will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of shareholders and investors.

GENERAL MEETINGS

Details of the General Meetings

During the year of 2013, the Bank held one general meeting. Details are as follows:

On 10 May 2013, the Bank held the 2012 annual general meeting, at which 8 resolutions mainly regarding the 2012 work report of the board of directors, the 2012 work report of the board of supervisors, the 2012 profit appropriation plan, the 2013 financial budget proposal and the re-appointment of accounting firm for 2013 were approved. The above general meeting was held in compliance with relevant legal procedures.

During the reporting period, 12 directors of the Bank, namely executive directors Mr. Liu Jianzhong, non-executive directors Mr. Tao Jun, Mr. Hua Yusheng, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng, independent non-executive directors Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili, all attended the 2012 annual general meeting of the Bank in person or through electronic means, and the attendance rate was 100%.

During the reporting period, 2 resigned directors, namely Mr. Tan Yuansheng and Mr Sui Jun, attended the 2012 annual general meeting of the Bank in person, and the attendance rate was 100%.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

The Board of Directors’ Implementation of Resolutions of the General Meeting

In 2013, the board of directors of the Bank strictly implemented the resolutions passed at the general meeting, earnestly implemented the resolutions regarding 2012 profit appropriation, financial budget for 2013 and re-appointment of accounting firm for 2013.

Composition of the Board of Directors

As at the end of the reporting period, the board of directors comprised 12 directors, including 1 executive directors, namely, Mr. Liu Jianzhong (chairman of the board of directors); 6 non-executive directors, namely, Mr. Tao Jun, Mr. Hua Yusheng, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng; and 5 independent non-executive directors, namely, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili.

During the reporting period, Mr. Tu Minghai, the non-executive director of the Bank, resigned as the non-executive director of the Bank, as well as member of the strategic development committee and member of the remuneration committee of the board of directors on 7 February 2013; Mr. Sui Jun, the executive director and vice president of the Bank, resigned as the executive director of the Bank, as well as the member of the risk management committee of the board of directors on 26 September 2013; Mr. Tan Yuansheng, the executive director and president of the Bank, resigned as the executive director of the Bank, as well as the chairman of the risk management committee, member of the strategic development committee, member of the nomination committee and member of the remuneration committee of the board of directors on 11 December 2013.

The list of directors (by category) is disclosed in all corporate communications issued by the Bank pursuant to the Hong Kong Listing Rules.

The board of directors is responsible for establishing the company management system, monitoring the Group's decision-making regarding business activities, financial strategies and business performance, as well as reporting them to shareholders at the general meeting. The board of directors has delegated the management with the power and responsibilities to manage the Group. In addition, the board of directors has designated the audit committee, nomination committee and remuneration committee to perform their respective responsibilities. Details of the aforesaid committees are further described in this report.

The board of directors is also responsible for the performance of the functions of corporate governance. For the year ended 31 December 2013, the board of directors performed the functions of corporate governance as set out in code provision D.3.1 in the CG Code.

Operation of the Board of Directors

The board of directors convenes meetings on a regular basis, generally not less than 4 times a year, and holds extraordinary meetings when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings are scheduled upon consultation with directors. Board papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of the board meetings. All directors maintain communication with the secretary to the board of directors so as to ensure the compliance with board procedures and all applicable rules and regulations. Detailed minutes of the board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors that have attended the meetings will provide comments for modification after receiving the minutes. After the minutes are finalised, the secretary to the board of directors will circulate the minutes to all directors as soon as possible. Minutes of the board meetings are kept by the secretary to the board of directors, and are available for inspection by directors at any time. Communication and reporting mechanism has been established between the board of directors, directors and senior management. The president of the Bank reports his work to the board of directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries. At board meetings, directors can put forward their opinions freely, and major decisions are made after detailed discussions. If any director has material interests in a proposal to be reviewed by the board of directors, the director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal.

The board of directors has set up an office as its acting agency, which is responsible for preparation of the general meetings, board meetings, and meetings of the special committees under the board of directors, information disclosure and other daily work.

Board Meetings

According to the CG Code, the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. A regular meeting does not include obtaining board consent by way of written resolutions.

During the reporting period, the Bank convened a total 18 board meetings including written resolutions. 44 resolutions were considered and passed at such meetings included those regarding 2013 outlets organization plan, reports of 2012 annual results and 2013 interim results. Attendance records of the directors at board meetings (directors who involved in connected transactions and required to be abstained from the meeting are also deemed as attending directors) in 2013 are set out as follows:

Members of the Board of Directors	Number of meetings which shall be attended	Actual number of meetings attended	Attendance rate
Liu Jianzhong	18	18	100%
Tao Jun	18	18	100%
Hua Yusheng	18	18	100%
Wang Yongshu	18	18	100%
Wen Honghai	18	18	100%
Gao Xiaodong	18	18	100%
Wu Xiufeng	18	18	100%
Sun Leland Li Hsun	18	18	100%
Yin Mengbo	18	18	100%
Wu Qing	18	18	100%
Chen Zhengsheng	18	18	100%
Liu Weili	18	18	100%
Resigned Director			
Tan Yuansheng	16	16	100%
Sui Jun	12	12	100%
Tu Minghai	1	1	100%

Independent Non-executive Directors

For the year ended 31 December 2013, the board of directors at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board of directors, with at least one independent non-executive director possessing appropriate professional qualifications of accounting or related financial management expertise.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, nor do they hold any management positions in the Bank. All of the existing independent non-executive directors of the Bank are elected for a term of three years. They are eligible for re-election as the Bank's non-executive directors but not independent non-executive directors upon expiry of the three-year term of office.

Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2013.

Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgement when preparing financial reports for the year ended 31 December 2013.

Continuous Professional Development Programme for Directors

Each newly appointed directors should be given official, comprehensive and tailor made information for their respective appointment upon their first appointment for the assurance of their appropriate understanding on the business and operation of the Bank and sufficient knowledge of the duties and responsibilities under the Hong Kong Listing Rules, laws and relevant regulatory requirements.

The training for directors shall be carried out on an on-going basis. The Bank encourages directors to participate continuous professional development for developing and updating their knowledge and skills. During the reporting period, 12 directors, namely executive directors Mr. Liu Jianzhong, non-executive directors Mr. Tao Jun, Mr. Hua Yusheng, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng, independent non-executive directors Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili, all received relevant trainings on the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the Guidelines for the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) organised by the Bank. The Bank also from time to time provided information to the directors on the latest development of the Hong Kong Listing Rules and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their contribution to the board of directors and satisfactorily comply with the CG Code, as well as to enhance their sense of the corporate governance practices.

Board Committees

There are seven committees established under the board of directors: namely the strategic development committee, risk management committee, related party transaction supervision committee, nomination committee, remuneration committee, audit committee and minority shareholders' interest protection committee. Compositions of these committees are set out as follows:

(I) Strategic Development Committee

At present the strategic development committee of the Bank comprised 3 directors with Mr. Liu Jianzhong as the chairman and Mr. Tao Jun and Mr. Wu Qing being its committee members.

The primary responsibilities of the strategic development committee include:

1. to review the strategies and development plans of the Bank, to monitor and assess the implementation thereof and give advice to the board of directors;
2. to review the annual operation plans and financial budgets of the Bank and submit the same to the board of directors for consideration;
3. to review the reports on the implementation of the annual operation plans and financial budgets;

4. to evaluate the coordinated development of various businesses and give advice to the board of directors;
5. to review the plans for major organizational restructuring and structural plan and give advice to the board of directors;
6. to review significant investment and financing projects and give advice to the board of directors;
7. to make decisions on special issues as authorised by the board of directors; and
8. to handle such other matters as authorised by the board of directors.

During the reporting period, the strategic development committee convened four meetings in total at which four proposals regarding the 2013 outlets organization plan and 2013-2015 interim capital plan were considered. All members of the strategic development committee were present at the four meetings mentioned above.

(II) *Risk Management Committee*

At present the risk management committee of the Bank comprised 4 directors, with Mr. Liu Jianzhong as the chairman, and Mr. Wang Yongshu, Mr. Sun Leland Li Hsun and Mr. Wu Qing being its committee members.

The primary responsibilities of the risk management committee include:

1. to decide on the risk management and internal control policies in accordance with the overall strategy of the Bank, and to monitor and assess the implementation and effectiveness;
2. to provide guidance on establishing the risk management and internal control systems;
3. to monitor and assess the organisational structure, working procedures and effectiveness of risk management department, and to provide opinions on further improvements;
4. to monitor and assess the risk management and risk tolerance of the Bank and provide opinions on further improvements;
5. to review the risk and internal control report, conduct periodic assessments of the risk management and internal control, and provide opinions on further improvements;
6. to evaluate the performance of the Bank's senior management responsible for risk management;
7. to make decisions on special issues as authorised by the board of directors; and
8. to handle such other matters as authorised by the board of directors.

During the reporting period, the risk management committee convened two meetings in total at which three proposals including 2012 risks management assessment report and 2012 compliance management assessment report were considered. All members of the risk management committee were present at the two meetings mentioned above.

(III) *Related Party Transaction Supervision Committee*

At present the related party transaction supervision committee of the Bank comprised 5 directors, with Mr. Wu Qing as the chairman, Mr. Hua Yusheng, Mr. Wang Yongshu, Mr. Wen Honghai and Mr. Chen Zhengsheng being its committee members.

The primary responsibilities of the related party transaction supervision committee include:

1. to identify the related parties of the Bank and report to the board of directors and the board of supervisors in respect thereof, and to notify in a timely manner the relevant staff of the Bank of the related parties it has identified;
2. to receive filing of ordinary related party transactions;
3. to conduct preliminary examination on major related party transactions of the Bank and submit the same to the board of directors for approval, and to the board of supervisors within 10 working days from the date of approval;
4. to make decisions on special issues as authorised by the board of directors; and
5. to handle such other matters as authorised by the board of directors.

During the reporting period, the related party transaction supervision committee convened 6 meetings in total at which 8 resolutions regarding the connected transactions on the new credit and loans granted in favor of Chongqing Huayu Property Service Co., Ltd. (重慶華宇物業(集團)有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)股份有限公司), Chongqing General Trading (Group) Co., Ltd (重慶商社(集團)有限公司) and Chongqing Water Assets Management Co., Ltd. (重慶市水務資產經營有限公司) were considered. All members of the related party transaction supervision committee were present at the 6 meetings mentioned above.

(IV) *Nomination Committee*

At present the nomination committee of the Bank comprised 4 directors, with Mr. Yin Mengbo (independent non-executive director) as the chairman, and Mr. Liu Jianzhong (executive director), Mr. Wu Qing (independent non-executive director) and Mr. Chen Zhengsheng (independent non-executive director) being its committee members. Majority of the members are independent non-executive directors.

The primary responsibilities of the nomination committee include:

1. to assess the structure, size and composition (including skills, knowledge and experience) of the board of directors at least annually and make recommendations on any proposed changes to the board of directors to complement the Bank's corporate strategies;
2. to formulate the criteria, procedures and methods for the selection of directors and senior management of the Bank, as well as submit the same to the board of directors for consideration; to identify individuals suitably qualified to become board members and select or make recommendations to the board of directors on the selection of individuals nominated for directorship;

3. to make recommendations to the board of directors on the appointment or re-appointment of directors and succession planning for directors (particularly chairman of the board of directors and president); to review the qualifications and conditions for director candidates and senior management and make recommendations to the board of directors;
4. to assess the independence of independent non-executive directors;
5. to conduct appraisal for candidates of other members of senior management nominated by the president and provide opinions thereof to the board of directors;
6. to make recommendations on candidates for directors, shareholder representative supervisors and senior management of wholly-owned subsidiaries; to make recommendations on candidates for shareholder representative, directors, shareholder representative supervisors and senior management of controlled subsidiaries and investee subsidiaries;
7. to propose talents pool program to the Bank and make recommendation thereof;
8. to recruit qualified candidates from human resource markets at home and abroad and retain talented personnel of the Bank and make recommendation to the board of directors in respect thereof;
9. to discharge related duties as required under the Hong Kong Listing Rules and relevant legal requirements; and
10. to discharge such other duties as authorised by the board of directors.

During the reporting period, the nomination committee held three meetings in total at which three proposals regarding the appointment of the president and secretary to the board of directors of the Bank and the diversity policy on the composition of the board of directors were considered. All members of the nomination committee were present in person at the three meetings mentioned above.

Diversity Policy on the Composition of the Board of Directors

On 27 August 2013, the Bank adopted the Diversity Policy on the Composition of the Board of directors, the details of which are set out as follows:

1. Purpose

In accordance with the amendments to the CG Code as set out in Appendix 14 of the Hong Kong Listing Rules, to achieve objectives of diversity of the composition of the board of directors of the Bank, the policy was thereby formulated.

2. Prospect

The Bank adhered to the Diversity Policy on the Composition of the Board of Directors, which was beneficial to the improvement of the good corporate governance of the Bank.

3. Policy Statement

- (1) With a view to achieve the development strategy of characteristic operation, streamlining the management and fostering good corporate culture, the Bank regarded the Diversity Policy on the Composition of the Board of Directors as a key factor to support strategic objectives and maintain sustainable development. In determining the composition of members, the board of directors of the Bank considers the diversity of members from various aspects, including but not limited to gender, age, cultural and educational background, nation, professional experience, skills and knowledge.
- (2) The board of director of the Bank consists of executive directors, non-executive directors and independent non-executive directors, proportion of which shall satisfy domestic laws and regulations, administrative rules and the requirements of the Hong Kong Listing Rules.
- (3) The qualifications, standards and terms of the board of directors shall be in accord with the requirements of regulatory authorities and regulations of the Articles of Association and take effect upon the qualification approval by the supervisory organ(s) of the banking industry.

4. Measurable Objectives

- (1) Based on a range of diversified categories, selection of board candidates shall be carried out from various perspectives such as gender, age, cultural and educational background, professional experience, skills, knowledge and so forth, pursuant to nomination ways and procedures of directors specified in the Articles of Association. The final decision of selection will be made according to advantages of candidates and contributions one can bring to the board of directors as well as the regulations of the Articles of Association of the Bank.
- (2) The composition of the board of directors (including gender, age and service tenure) will be disclosed in the corporate governance report each year.

5. Monitoring and Reporting of the Policy

The nomination committee will report the composition of the board of directors on diversity level in the corporate governance report and supervise the implementation of the policy.

6. Review and Revision of the Policy

The nomination committee will examine and review the policy to ensure the effectiveness of the policy. The nomination committee will discuss any necessary revisions and propose such revisions to the board of directors for consideration and approval.

7. Policy to take effect

- (1) The policy will take effect from the date of approval by the board of directors and the board of directors reserves the right of interpretation under the policy.
- (2) The summary of the policy and the measurable objectives for implementation of such policy will be disclosed in the corporate governance report each year.

(V) *Remuneration Committee*

At present the remuneration committee of the Bank comprised 3 directors, with Mr. Sun Leland Li Hsun (independent non-executive director) as the chairman and Mr. Yin Mengbo (independent non-executive director) and Mr. Liu Weili (independent non-executive director) being its committee members. All of the members are independent non-executive members.

The primary responsibilities of the remuneration committee include:

1. to make recommendations to the board of directors on the Bank's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. with authorization granted by the board of directors, to determine the remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of directors on the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance based remuneration;
3. to review and approve performance-based remuneration by reference to goals and objectives of the Bank resolved by the board of directors from time to time;
4. to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms; and to ensure such compensation is fair and reasonable and not excessive for the Bank if otherwise;
5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms; and to ensure that any compensation payment is reasonable and appropriate if not determined in accordance with relevant contractual terms;
6. to monitor the performance evaluation and remuneration level of responsible persons of the Bank's internal departments, branches and subsidiaries (other than person-in-charge of the internal audit department);
7. to ensure neither the directors nor any of his/her associates determine his or her own remuneration;

8. to make recommendations on entering into any service contracts by any group companies and directors thereof and proposed directors and inform shareholders (other than shareholders and their associates served as directorship with substantial interests in such service contracts (as defined under the Hong Kong Listing Rules)) of whether such terms are fair and reasonable and whether such contract is in the interests of the Company and its shareholders as a whole and to advise shareholders on how to vote;
9. to discharge related duties as required under the Hong Kong Listing Rules and relevant legal requirements; and
10. to discharge such other duties as authorised by the board of directors.

During the reporting period, the remuneration committee convened one meeting in total at which one proposal regarding the remuneration of the president at the headquarters was considered. All the members of the remuneration committee were present in person at the meeting.

(VI) *Audit Committee*

At present the audit committee of the Bank comprised 5 directors, with Mr. Chen Zhengsheng (independent non-executive director) as the chairman, and Mr. Tao Jun (non-executive director), Mr. Gao Xiaodong (non-executive director), Mr. Sun Leland Li Hsun (independent non-executive director), and Mr. Liu Weili (independent non-executive director) being its committee members, which is in compliance with the requirement under Rule 3.21 of the Hong Kong Listing Rules.

The primary responsibilities of the audit committee include:

1. to monitor and evaluate related reports such as financial reports, provide independent advice to the board of directors based on the internal control function of the Bank and its subsidiaries, together with the adequacy of the external accounting firm and internal audit, as well as assist the board of directors in performing its duties;
2. to ensure compliance with appropriate accounting standards and reveal truthfulness;
3. to be primarily responsible for making recommendations to the board of directors on the appointment, re-appointment and removal of the external accounting firm, approve the remuneration and terms of employment of the external accounting firm, and to handle any matters arising from its resignation or dismissal;
4. to review and monitor the external accounting firm's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and the audit committee shall discuss with the accounting firm about the nature and scope of the audit and the reporting obligations thereof prior to the audit;
5. to formulate and implement policies on the appointment of external accounting firm for the provision of non-audit services. For the purposes of this provision, "external accounting firm" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the domestic or international business of the audit firm. The audit committee shall report to the board of directors on any matters where action or improvement is needed, and make constructive suggestion thereof;

6. to monitor the completeness of the Bank's financial statements, annual report and account, interim report and quarterly reports, and to review important opinions regarding financial reporting set out therein. Before submitting the annual reports and accounts, interim reports and quarterly reports of the Bank to the board of directors, the audit committee, when reviewing such accounts and reports, shall focus particularly on:
 - (1) any changes in the accounting policies and practices, including changes in accounting standards;
 - (2) areas involving material judgment;
 - (3) areas with significant adjustments, including significant adjustments resulting from audit;
 - (4) going concern assumptions and any qualified opinions, including ongoing operating standard and any qualified opinions given by the external accounting firm;
 - (5) compliance with accounting standards; and
 - (6) compliance with the listing rules of the place where the shares of the Bank are listed and any other requirement stipulated by laws and regulations on financial reporting;
7. For the purposes of the preceding paragraph:
 - (1) the members of the audit committee shall keep contact with the board of directors, senior management of the Bank and certified public accountant appointed by the Bank, and shall hold meeting with the external accounting firm of the Bank at least twice a year; and
 - (2) the audit committee shall consider any significant or unusual items which are, or required to be, reflected in the said report and accounts, it shall give due consideration to any matters which have been put forward by the Bank's certified public accountant or accounting firm, accounting and financial reporting staff or supervision officers under the Bank;
8. to review the effectiveness of the Bank's financial controls, internal control and risk management systems;
9. to discuss the internal control system with senior management so as to ensure that the senior management has performed his/her duties to set up an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Bank's accounting and financial function;
10. to consider major investigation findings on internal control matters as delegated by the board of directors or on its own initiative and senior management's response to these findings;
11. to ensure co-ordination between the internal and external accounting firms, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness;

12. to review the financial and accounting policies and practices of the Bank and its Group;
13. to review the opinion letter to the senior management issued by the external accounting firm, any material queries raised by the external accounting firm in respect of accounting records, financial accounts or control systems and the feedbacks of senior management thereof;
14. to ensure that the board of directors will respond in a timely manner to the issues raised in the opinion letter to the senior management issued by the external accounting firm;
15. to review and carry out arrangements by which employees of the Bank can use to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that clear work measures and requirements are in place for fair and independent investigation of these matters and for appropriate action; and to assess the acting of the key representative body for overseeing the Bank's relations with the external accounting firm;
16. to serve as a focal point for communication between other directors, the external accounting firm and the internal auditors or any person responsible for internal audit function as regards their duties relating to external and internal financial and other reporting, internal audits or any person responsible for internal audit function and such other matters assigned by the board of directors to committees;
17. to report to the board of directors on matters set out herein;
18. to study other topics prescribed by the board of directors;
19. to discharge related duties as required under the Hong Kong Listing Rules and relevant legal requirements; and
20. to discharge other duties as authorised by the board of directors.

During the reporting period, the audit committee held four meetings in total, at which seven proposals regarding 2012 annual report and results announcement, 2012 internal audit assessment report, 2013 interim report and results announcement, 2013 first quarterly report and third quarterly report as well as the appointment of accounting firm for 2013 were considered. Consecutively, in accordance with the requirement of the code provision of the CG Code, the Bank convened two meetings of the audit committee with auditors. All members of the audit committee were present in person at the four meetings mentioned above.

(VII) Minority Shareholders' Interest Protection Committee

As at the end of the reporting period, the minority shareholders' interest protection committee of the Bank comprised 5 directors, with Mr. Liu Weili as the chairman and Mr. Wen Honghai, Mr. Gao Xiaodong, Mr. Wu Xiufeng and Mr. Yin Mengbo being its committee members.

The primary responsibilities of the minority shareholders' interest protection committee include:

1. to ensure that the information of the Bank is disclosed in a timely, accurate and complete manner and contains no false representation, misleading statement or material omission;
2. to safeguard the voting right and enquiry right of the minority shareholders at the general meetings;
3. to safeguard the minority shareholders' right to inspect the Articles of Association, register of members, minutes of the general meetings, minutes of board meetings, minutes of the meetings of the board of supervisors and the financial and accounting reports of the Bank;
4. to assist shareholders in bringing a lawsuit in accordance with the laws and regulations, administrative rules and the Articles of Association of the Bank;
5. to pay close attention to the related transactions of the Bank involving the interests of minority shareholders;
6. to recommend that the board of directors file a suit against the controlling shareholders for their conducts prejudicial to the interests of the Bank;
7. to discuss and put forth measures for safeguarding minority shareholders' interests;
8. to monitor the Bank's support for "Sannong";
9. to make decisions on special issues as authorised by the board of directors; and
10. to handle such other matters as authorised by the board of directors.

Mr. Wu Xiufeng resigned as the non-executive director and member of the minority shareholders' interest protection committee of the board of directors of the Bank on 10 March 2014.

BOARD OF SUPERVISORS

Composition of the board of supervisors

The board of supervisors of the Bank comprised 9 supervisors, including 2 shareholder representative supervisors, namely Mr. Zeng Jianwu and Ms. Zuo Ruilan, 4 external supervisors, namely Ms. Dong Yunling, Mr. Chen Huiming, Mr. Zhang Xinyu and Mr. Shi Bentong; 3 employee representative supervisors, namely Ms. Yang Mingping, Mr. Zheng Yi and Mr. Zhu Yuzhou.

Chairwoman of the board of supervisors

Ms. Yang Mingping serves as the chairwoman of the board of supervisors of the Bank and is responsible for organisation and performance of duties of the board of supervisors.

Meetings of the board of supervisors

In 2013, the board of supervisors of the Bank held eight meetings at which 15 proposals including the 2012 work report of the board of supervisors, report on concentrated supervision and inspection for 2012, various types of special investigation reports and regular quarterly reports were mainly considered and approved.

Attendance records of the supervisors at meetings of the board of supervisors during the reporting period are set out as follows:

Members of the Board of Supervisors	Number of meetings attended/ Number of meetings which shall be attended during their tenure of office	Attendance rate
Yang Mingping	8/8	100%
Zeng Jianwu	8/8	100%
Zuo Ruilan	8/8	100%
Dong Yunling	8/8	100%
Chen Huiming	8/8	100%
Zhang Xinyu	8/8	100%
Shi Bentong	8/8	100%
Zheng Yi	8/8	100%
Zhu Yuzhou	8/8	100%

Chairman and President

The roles and functions of the chairman and the president of the Bank are carried out by different individuals.

The chairman of the board of directors is the legal representative of the Bank, and is responsible for planning the overall strategies of the Bank and leading the board of directors so as to ensure that it functions efficiently and discusses all material matters in a timely manner. The president of the Bank is responsible for the Bank's business development and the management and operation of overall business. The president is appointed by and is accountable to the board of directors and discharges his duties in accordance with the Articles of Association and the authorization of the board of directors. The roles of the chairman and the president are separate and their duties are clearly defined. The management takes charge of the daily operation and management.

Appointment

The term of office of directors of the Bank (including non-executive directors) is three years, and directors may be re-elected upon expiration of their term of office. The term of office of independent non-executive directors is three years, and they are eligible for serving as non-executive directors of the Bank upon expiration of their term of office, but they shall not be re-elected as independent non-executive directors.

Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors, supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors confirmed that they have complied with the Model Code for the year ended 31 December 2013.

External Auditors Remuneration

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report” on pages 131 to 132.

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu have been providing audit services to the Bank for 5 years. The fees paid by the Bank to Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu for the audit of financial statements for the year ended 31 December 2013 were RMB2.27 million. Other fees were RMB1.66 million which mainly included the service fee for the review of financial statement.

Internal Control

The board of directors of the Bank shall be responsible for establishing a sound and effective internal control system, while the board of supervisors shall supervise the establishment and implementation of internal control by the board of directors and senior management, and the senior management shall be accountable to daily operation of internal control across the bank. Meanwhile, the board of directors of the Bank has set up the audit committee, risk management committee and related party transaction supervision committee to discharge respective duties on the management of internal control and evaluate the effectiveness thereof.

The board of directors of the Bank placed utmost emphasis on the establishment of internal control. The Bank adhered to internal control rules such as the Basic Rules on Enterprise Internal Control promulgated by five ministries and commissions including the Ministry of Finance, the Internal Control Guidelines for Commercial Banks (商業銀行內部控制指引) issued by the CBRC, together with the Outline of Internal Control Management (內部控制管理大綱) (“Outline”) formulated by itself as the underlying basis and framework for effecting internal control across the Bank, as well as the guiding principles for carrying out various kinds of business and managerial activities. The Outline constitutes the layout of the internal control system of the Bank and sets out the objectives, policies and principles thereof. It maps out five constituents of the internal control system which include internal control environment, risks identification and assessment, internal control measures, monitoring feedbacks and rectification as well as the principles and requirement for information exchange and feedbacks. In addition, it laid out principles in controlling specifically in the areas of credit, capital, deposits, card business, account management, financial activities and information system.

While actively pushing ahead with restructuring, optimization of system, procedures and IT system, the board of directors, the board of supervisors and the senior management of the Bank will maintain its ongoing focus on the efficiency of internal control to enhance capabilities of its functional departments and branches in terms of risk aversion and control, whereby boosting operation effectiveness and results.

For the year ended 31 December 2013, the board of directors have assessed the effectiveness of the internal control system of the Bank. The assessment covered all the major control of the Group, including financial control, operation control and compliance control as well as the functions of risk management. The board of directors believe that, the staff in charge of the Bank's accounting and financial reporting functions are equipped with sufficient resources, qualifications and experience, their training and budget are also sufficient. No major issues should be concerned with during the year.

Company Secretary

Ms. Yung Mei Yee, the joint company secretary of the Bank, is engaged from external service provider. Ms. Peng Yanxi, secretary to the board of directors of the Bank, is the chief contact person for external company secretary. They have complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules of receiving relevant professional training for not less than 15 hours during the reporting period.

During the reporting period, Mr. Sui Jun has resigned as a joint company secretary of the Bank since 3 July 2013, and Ms. Peng Yanxi has been appointed as a joint company secretary of the Bank since 3 July 2013. Ms. Cheng Pik Yuk, Patsy has resigned as a joint company secretary of the Bank since 23 December 2013, and Ms. Yung Mei Yee has been appointed as a joint company secretary of the Bank since 23 December 2013.

Rights of Shareholders

Request for Convening Extraordinary General Meeting

Shareholders can refer to the existing Articles of Association of the Bank posted on the websites of Hong Kong Exchanges and Clearing Limited and the Bank for the procedures of requesting to convene extraordinary general meetings.

Proposals in General Meeting

Shareholders can also refer to the existing Articles of Association of the Bank posted on the websites of Hong Kong Exchanges and Clearing Limited and the Bank for the procedures of putting forward proposals at general meetings.

Shareholders can refer to the Procedures for Nominating Candidates for Directors (《提名候選董事程序》) posted on the website of the Bank for the procedures of nominating directors.

Shareholders' Enquiries

Any enquiries related to the shareholding of H shares, including the transfer of shares, change of address, loss of share certificates and dividend warrants, should be sent in writing to the following address:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 2863
Facsimile: (852) 2865 0990/(852) 2529 6087

Any enquiries related to the shareholding of domestic shares, including the transfer of shares, change of address, loss of share certificates and dividend warrants, should be sent in writing to the following address:

Office of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.
No. 10 East Yanghe Road, Jiangbei District, Chongqing, China
Telephone: (8623) 6763 7616
Facsimile: (8623) 6763 7932

Information Disclosure

The Bank places great emphasis on the communications with its shareholders and strives to enhance understanding and communication through many channels such as general meetings, results announcement meetings, roadshows, receiving visitors and answering telephone enquiries.

Investor Relations

Shareholders and investors may send enquiries to the board of directors to the following:

Office of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.
No. 10 East Yanghe Road, Jiangbei District, Chongqing, China
Telephone: (8623) 6763 7981
Facsimile: (8623) 6763 7932
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of Chongqing Rural Commercial Bank Co., Ltd.:

8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong

This annual report is available on the websites of the Bank (www.cqrcb.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Other Particulars

The Bank holds a financial license number B0335H250000001 approved by China Banking Regulatory Commission, and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business license with a registration number 50000000001239. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and deposit-taking business in Hong Kong.

During this year, there were no material changes on the constitutional documents of the Bank.



Directors, Supervisors and Senior Management

INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Name	Position	Gender	Age	Term of office
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	Male	50	From December 2011 to December 2014
Tao Jun	Non-executive Director	Male	47	From December 2011 to December 2014
Hua Yusheng	Non-executive Director	Male	60	From December 2011 to December 2014
Wang Yongshu	Non-executive Director	Male	56	From December 2011 to December 2014
Wen Honghai	Non-executive Director	Male	48	From December 2011 to December 2014
Gao Xiaodong	Non-executive Director	Male	51	From December 2011 to December 2014
Wu Xiufeng	Non-executive Director	Male	64	From December 2011 to December 2014 ^(Note)
Sun Leland	Independent	Male	52	From December 2011 to December 2014
Li Hsun	Non-executive Director			
Yin Mengbo	Independent Non-executive Director	Male	58	From December 2011 to December 2014
Wu Qing	Independent Non-executive Director	Male	44	From December 2011 to December 2014
Chen Zhengsheng	Independent Non-executive Director	Male	62	From December 2011 to December 2014
Liu Weili	Independent Non-executive Director	Male	57	From December 2011 to December 2014

Note: Mr. Wu Xiufeng resigned as the non-executive director of the Bank on 10 March 2014.

Supervisors

Name	Position	Gender	Age	Term of office
Yang Mingping	Chairwoman of the Board of Supervisors, Employee Representative Supervisor	Female	60	From December 2011 to December 2014
Dong Yunling	External Supervisor	Female	65	From December 2011 to December 2014
Chen Huiming	External Supervisor	Male	70	From December 2011 to December 2014
Zhang Xinyu	External Supervisor	Male	62	From December 2011 to December 2014
Shi Bentong	External Supervisor	Male	62	From December 2011 to December 2014
Zeng Jianwu	Shareholder Representative Supervisor	Male	38	From December 2011 to December 2014
Zuo Ruilan	Shareholder Representative Supervisor	Female	38	From December 2011 to December 2014
Zheng Yi	Employee Representative Supervisor	Male	48	From November 2011 to November 2014
Zhu Yuzhou	Employee Representative Supervisor	Male	48	From November 2011 to November 2014

Senior Management

Name	Position	Gender	Age	Term of office
Xie Wenhui	President <i>(Note)</i>	Male	41	From December 2013 to December 2014
Bai Guiting	Vice President	Male	58	From December 2011 to December 2014
Wang Rong	Vice President	Male	57	From December 2011 to December 2014
Yang Xiaotao	Vice President	Male	50	From December 2011 to December 2014
Ling Jiaquan	Chief Controller	Male	58	From December 2011 to December 2014
Yuan Xiaobo	Deputy Secretary to the Party Committee and Secretary to the Disciplinary Committee	Male	50	From December 2011 to December 2014
Dong Lu	Vice President	Female	38	From December 2011 to December 2014
Peng Yanxi	Secretary to the Board and Joint Company Secretary	Female	37	From June 2013 to December 2014

Note: Mr. Xie Wenhui was appointed as the president of the Bank by the board of directors of the Bank on 11 December 2013, provided that his qualification for the position is subject to the approval of the China banking regulatory authority.

MAJOR WORK EXPERIENCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors of the Bank

LIU Jianzhong

Chairman, Executive Director

Mr. Liu has been the Chairman of the board of directors, executive director and the secretary to the Party committee of the Bank since June 2008. Mr. Liu is a deputy to the 12th National People's Congress and an alternate member of the 4th municipal committee and a deputy to the 3rd People's Congress of Chongqing. He also serves as the chairman of the strategic development committee, the chairman of the risk management committee and a member of the nomination committee. Between November 2002 and June 2008, Mr. Liu held a number of positions at the Chongqing Rural Credit Cooperative Union, including director-general, secretary and deputy secretary to the Party committee, director-general and deputy director-general. Prior to joining the Bank and between October 1992 and November 2002, Mr. Liu held several positions at the Chongqing business management department of the PBOC Chongqing Operations Office, including division director and deputy division director of the Cooperative Financial Institution Regulatory Division and deputy division director of the Administration Office. Mr. Liu worked for the frontier inspection station at the Chongqing Airport between March 1984 and September 1992. Mr. Liu received a master's degree in Industrial Engineering from Chongqing University in 2005. He is currently a senior economist accredited by Chongqing Municipal Government.

TAO Jun

Non-Executive Director

Mr. Tao has been a non-executive director of the Bank since June 2008. He is also a member of the audit committee and the strategic development committee. Since November 2004, Mr. Tao has been the general manager of Chongqing Yufu Assets Management (Group) Company Limited, our substantial shareholder and one of our state-owned shareholders. Mr. Tao was the Director of Yangtze River Economy United Development (Group) Co., Ltd. from March 2007 to October 2010. From March 2004 to November 2004, Mr. Tao was deputy general manager (take charge of work) of Chongqing Yufu Assets Management (Group) Company Limited. From February 2004 to March 2004, Mr. Tao was a director of the credit union at Bishan County under the Chongqing Rural Credit Cooperative Union. From June 1998 to February 2004, he assumed positions such as the office director and president of Zou Rong Road Branch of the Commercial Bank of Chongqing. From September 1996 to June 1998, he served as deputy director at the Security Department of Chongqing Urban Cooperative Bank and from May 1995 to September 1996, he worked at the Top Sales Department (第一營業部) of the Chongqing Urban Cooperative Union.; from December 1991 to May 1995, Mr. Tao was the assistant director of Chongqing Magnet Wire Plant, the deputy plant director of Chongqing Mining Machinery Factory and was also the secretary of General Office of Chongqing Machinery and Industrial Bureau. From July 1987 to December 1991, Mr. Tao was a technician and the deputy secretary of Youth League committee of Chongqing Tool Factory (take charge of work). Mr. Tao obtained a master's degree in Industrial and Senior Commercial Management from Chongqing University in 2008.

HUA Yusheng

Non-Executive Director

Mr. Hua has been the non-executive director of the Bank since December 2011. He is also a member of the related party transaction supervision committee of the Bank. Mr. Hua held the position of the chairman of Chongqing Financial Support Services Company Limited (重慶金融後援服務有限公司) from September 2011 to November 2012. Mr. Hua was the secretary of the party committee for Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (one of our substantial shareholders and state-owned shareholders) from January 2011 to September 2013 and the chairman of Ancheng Property & Casualty Insurance Co., Ltd. since February 2007. Mr. Hua held a number of positions in Chongqing City Construction Investment Company (重慶市城市建設投資公司) between June 2001 and January 2011, including secretary of the party committee, general manager and chairman. Mr. Hua was the vice president of the Institute of Socialism in Chongqing City (重慶市社會主義學院) between August 1998 and June 2001, the deputy head and head of Chongqing Social Science Consulting Service (重慶市社會科學諮詢服務中心) and Chongqing Social Science Centre (重慶市社會科學活動中心) of CQSKL (重慶市社科聯) between May 1987 and August 1998, the worker, promotion officer and deputy secretary of Youth League Committee of Chongqing Daxigou Power Plant (重慶大溪溝發電廠) between May 1971 and May 1987. Mr. Hua holds a master's degree and is currently a senior economist.

WANG Yongshu

Non-Executive Director

Mr. Wang has been a non-executive director of the Bank since June 2008. He is also a member of the risk management committee and the related party transaction supervision committee of the Bank. Mr. Wang has been the chairman of the board of directors and the secretary to the Party committee of Chongqing Travel Investment Group Co., Ltd. (重慶旅遊投資集團有限公司), one of our substantial holders of domestic shares and state-owned shareholders, since September 2013. Mr. Wang was the chairman of the board of directors of Chongqing Travel Investment Group Co., Ltd. from September 2011 to September 2013. He held a number of positions in Chongqing Transport and Travel Investment Group Co., Ltd. between November 2006 and September 2011, including vice chairman of the board of directors and general manager and chairman of the board of directors. Mr. Wang was the chairman of the board and the secretary of the Party committee for Chongqing Yangtze Agriculture Industry and Commerce Holding Group Co., Ltd. from September 2000 to November 2006; from January 1999 to September 2000, Mr. Wang was the deputy general manager, general manager and the secretary of the Party committee of Chongqing Yangtze Agriculture Industry and Commerce Union Main Office; from April 1998 to January 1999, Mr. Wang was the vice chairman of Qianjiang Development Area Administration Committee; from August 1994 to April 1998, Mr. Wang was the deputy commissioner of Qianjiang Area Administration Commission; from August 1988 to August 1994, Mr. Wang was deputy director-general, director-general and secretary of the Party committee of the Qianjiang Area Finance Bureau; from February 1980 to August 1988, Mr. Wang was an office clerk, chief and deputy director-general of the Finance Bureau of Pengshui County. Mr. Wang graduated from College of Chongqing Municipal Party Committee majoring in Politics and Economics in 1998 and is currently a senior accountant accredited by the competent authority and a certified public accountant.

WEN Honghai

Non-Executive Director

Mr. Wen has been a non-executive director of the Bank since June 2008. He is also a member of the related party transaction supervision committee and minority shareholders' interest protection committee of the Bank. Mr. Wen has also been the director and vice president of the Huaxin Century Investment Group Co., Ltd. (one of our shareholders) since March 2001 and served as deputy finance manager and finance manager of Huaxin Century Investment Group Co., Ltd. from June 2000 to March 2001. From November 1996 to June 2000, Mr. Wen was the finance manager of China Enterprise International Investment Co. Ltd. From April 1992 to November 1996, Mr. Wen worked as the manager of the China Rural Development Trust and Investment Company and lectured in Renmin University of China during the period from September 1988 to April 1992. Mr. Wen obtained a bachelor's degree in Economics and Finance from Renmin University of China in 1988.

GAO Xiaodong

Non-Executive Director

Mr. Gao has been a non-executive director of the Bank since June 2008. He is also a member of the audit committee and minority shareholders' interest protection committee of the Bank. Mr. Gao has been the chairman of Chongqing Emperor Science & Technology Co., Ltd, one of our shareholders since May 2000, the chairman of Chongqing Guangyuan Investment & Development Co., Ltd since 1997 and the chairman of Chongqing New City Develop Build Co., Ltd since October 2006, and is currently the chairman of Chongqing Sun Kingdom International Golf Club Co., Ltd and the chairman of Chongqing Tengxiang Industrials Co., Ltd. Between February 1992 and June 1997, Mr. Gao worked for Chongqing Municipal committee as the secretary to mayor of deputy department level, the secretary to the committee's secretary, the secretary of deputy department level to the municipal committee office and the deputy director of the standing committee office of Chongqing municipal committee; from November 1988 to February 1992, Mr. Gao worked at the office of China Silian Instrument Group; from August 1983 to November 1988, Mr. Gao worked for Sichuan Instrument General Factory. Mr. Gao obtained a bachelor's degree in Precision Equipment and Construction from Shanghai School of Mechanical Engineering in 1983.

SUN Leland Li Hsun

Independent Non-Executive Director

Mr. Sun has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the remuneration committee, a member of the audit committee and risk management committee. Mr. Sun has been an independent non-executive director of New Heritage Holdings Ltd. (Stock Code: 95) since November 2005 and the managing director of Pan Asian Mortgage Company Limited since December 1999. Mr. Sun was the consultant of Merrill Lynch Asia Pacific Limited (美林亞洲有限公司) between April 1998 and December 1999, and was appointed by the Financial Secretary of the Government of the Hong Kong Special Administrative Region as the first Chief Operating Officer of The Hong Kong Mortgage Corporation between February 1997 and April 1998. Mr. Sun was the managing director of ARCH Fixed Income Management Limited between March 1996 and February 1997, a senior managing director of Bear Stearns Asia Limited between October 1994 and February 1996, and executive director of GS (Asia) Securities Limited between July 1986 and September 1994. Mr. Sun obtained a master's degree in Business Administration.

YIN Mengbo

Independent Non-Executive Director

Mr. Yin has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the nomination committee and a member of the remuneration committee and the minority shareholders' interest protection committee. Mr. Yin has been a lecturer of Southwestern University of Finance and Economics since July 1982, the chairman of the Professor Committee of the School of Finance of Southwestern University of Finance and Economics since June 2013, the dean of the Research Institute of Southwestern University of Finance and Economics (西南財經大學研究生院院長) from November 2011 to June 2013, the head of the graduate department of Southwestern University of Finance and Economics (西南財經大學研究生部主任) from September 2007 to November 2011 and the dean of the School of Finance of Southwestern University of Finance and Economics between September 1997 and September 2007. Mr. Yin graduated from the department of finance of Southwestern University of Finance and Economics in 1982 and currently holds a master's degree and a doctorate degree, serving as professor and doctoral supervisor.

WU Qing

Independent Non-Executive Director

Mr. Wu has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the related party transaction supervision committee and a member of the nomination committee, the strategic development committee and the risk management committee. Mr. Wu is currently the researcher of the Development Research Centre of the State Council, as well as deputy head and head of the bank research office of Institute of Finance and Banking (金融研究所). Mr. Wu held a number of positions in Technology and Economics Research Department (技術經濟研究部), Office (辦公廳) and the Institute of Finance and Banking (金融研究所) of the Development Research Center of the State Council (DRC) since July 1997, including intern researcher, research assistant, research associate and researcher, deputy secretary of division level (副處級秘書) as well as deputy head and head of bank research office (銀行研究室), during which Mr. Wu was a Chevening scholar at the department of economics and business school of the University of Manchester, U.K. from September 2005 to September 2006; the visiting researcher at the Tokyo International Monetary Institute (東京國際貨幣研究所) between September 2008 and March 2009. Mr. Wu worked at Chengdu Chemical Engineering Research and Design Institute and Sichuan Chenghong Phosph-chemical plant (四川省成洪磷化工廠) between July 1990 and September 1994. Mr. Wu studied a master's degree of Money and Banking in the department of finance in Southwestern University of Finance and Economics between September 1994 and July 1997 and studied a doctorate degree in Chinese Academy of Social Sciences from September 2001 to July 2004. He also obtained a doctorate degree and a master's degree in Economics as well as a bachelor degree of Engineering.

CHEN Zhengsheng

Independent Non-Executive Director

Mr. Chen has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the audit committee of the Bank and a member of the nomination committee and the related party transaction supervision committee. Mr. Chen has been engaging in banking operation and management for over 30 years and held a number of positions in Chongqing sub-branch of ICBC between May 1984 and April 2011, including inspector, vice president, director of fund planning office (資金計劃處處長), deputy head and jiefangbei branch director (解放碑分理處主任), of the office of Central City District (currently Yuzhong District). He was formerly the deputy director of Chongqing Qixinggang Branch and head of the credit division of the People's Bank of China (原人民銀行重慶七星崗分理處副主任、信貸組長) between April 1972 and May 1984. Mr. Chen obtained a postgraduate degree from the Party School of the Central Committee of C.P.C. and is a senior economist.

LIU Weili

Independent Non-Executive Director

Mr. Liu has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the minority shareholders' interest protection committee and a member of the audit committee and remuneration committee. Mr. Liu has been serving as the chairman of the supervisory committee of Chongqing General Trading (Group) Co., Ltd. since February 2014, the chairman of Chongqing Department Store Co., Ltd. since July 2011 and the chairman and the secretary of the party committee of Chongqing General Trading (Group) Co., Ltd from March 2011 to January 2014. Mr. Liu served as the vice chairman and deputy secretary of the party committee of Chongqing General Trading (Group) Co., Ltd., and secretary of the party committee and general manager of New Century Department Company (新世紀百貨公司) from February 2011 to March 2011. From December 1996 to February 2011, he had served as the deputy general manager and director of Chongqing General Trading (Group) Co., Ltd., and he had been the secretary of the party committee and general manager of New Century Department Company. From March 1993 to December 1996, he served as the secretary of the party committee and general manager of New Century Department Company. From November 1991 to March 1993, he served as the secretary of deputy department level of the General Office of Chongqing Municipal People's Government. From October 1989 to November 1991, he worked as the department head at Finance & Trade Office (財貿辦公室主任科員) of Chongqing Municipal Peoples' Government. From November 1988 to October 1989, he served as the Party Branch secretary and head of flour plant at Chaotianmen, Chongqing. From October 1986 to November 1988, he worked as the chairman of labor union for Food Industry Company in Chongqing (重慶市糧食工業公司工會主席). From August 1985 to October 1986, he served as the Party Branch secretary of flour plant at Chaotianmen, Chongqing. From January 1980 to September 1982, he served as the secretary of General Office of Food Industry Company in Chongqing. Mr. Liu graduated from Institute of Finance and Trade of Chongqing in 1985, majoring in Business Enterprise Management and is currently a senior economist.

2. Supervisors of the Bank

YANG Mingping

Chairwoman of the board of supervisors, Employee Representative Supervisor

Ms. Yang has been the chairwoman of the board of supervisors and an employee representative supervisor of the Bank since June 2008. She was also a member of the Due Diligence Supervisory Committee and a member of nomination committee under the board of supervisors. From June 2008 to March 2010, Ms. Yang served several positions in the Bank such as the deputy secretary of the Party committee and secretary of the Party disciplinary committee. From June 2000 to June 2008, Ms. Yang served in several positions in Chongqing Rural Credit Cooperative Union, including deputy secretary of the Party committee, secretary of the Party disciplinary committee and chairwoman of the board of supervisors. Prior to joining the Bank, Ms. Yang served as the deputy director of Officer Inspection Division of Chongqing Municipal Party Committee Organization Department from February 1998 to June 2000 and was an organizer (Deputy Division Director level) and Party Branch secretary for Party and Administrative Cadres Division of Chongqing Municipal Party Committee Organization Department from May 1985 to February 1998. Ms. Yang was an instructor and a member of Party branch at the Party School of Chongqing Iron and Steel Company from August 1982 to May 1985. Ms. Yang obtained a bachelor's degree in Philosophy in July 1982 from the University of Yunnan and is a senior economist accredited by Chongqing Municipal Government.

ZENG Jianwu

Shareholder Representative Supervisor

Mr. Zeng has been a shareholder representative supervisor of the Bank since June 2008. He is also a member of the audit committee under the board of supervisors of the Bank. Mr. Zeng is currently the deputy general manager of Laierfu Trading Co., Ltd. Mr. Zeng has been serving as director of Xiamen Baiying Finance Leasing Co., Ltd. since May 2011 and the deputy general manager of Laierfu Trading Co., Ltd since May 2001. Mr. Zeng has obtained a PhD in Applied Economics (Financial Engineering) from Xiamen University in June 2008 and a master degree of Science from Xiamen University in July 2000.

ZUO Ruilan

Shareholder Representative Supervisor

Ms. Zuo has been a shareholder representative supervisor of the Bank since June 2008. She is also a member of the nomination committee under the board of supervisors of the Bank. Ms. Zuo has been the chairman of Chongqing Yerui Property Development Co., Ltd. since January 2006 and the chairman of Chongqing Huayu Property Service Co., Ltd. since July 2000. Ms. Zuo worked at the Chongqing Jiangjin Branch office of the Construction Bank of China from July 1995 to July 2000. Ms. Zuo graduated in December 1999 from Southwest University majoring in Economics Management.

DONG Yunling

External Supervisors

Ms. Dong has been an external supervisor of the Bank since June 2008. She also serves as the chairwoman of the Internal Control Review Committee under the board of supervisors of the Bank. From August 2006 to June 2008, Ms. Dong served as deputy inspector of China Banking Regulatory Commission Chongqing Regulatory Bureau. Ms. Dong served as a secretary of the discipline committee of the China Banking Regulatory Commission Chongqing Regulatory Bureau from September 2003 to August 2006. Ms. Dong held a number of positions at the Chongqing Operations Management Division of PBOC from November 1986 to September 2003, including assistant inspector and director of the Discipline Committee General Office and deputy director of the Discipline Inspection and Supervision Division. Ms. Dong was the deputy secretary of the party branch and the chairman of labor union of Chongqing Tiaosu Dianji Factory from December 1974 to November 1986. Ms. Dong was a cadre at Chongqing Battery Factory from November 1973 to December 1974. Ms. Dong was a life insurance officer at the Luzhou Shipbuilding Factory of Chongqing Shipping Company from March 1971 to November 1973. Ms. Dong took a diploma course (2-year-program) and graduated from the Chinese Communist Party and Governmental Officials of Chongqing Municipal Party Committee, majoring in Politics from September 1984 to September 1986 and is a senior administration engineer accredited by PBOC.

CHEN Huiming

External Supervisor

Mr. Chen has been an external supervisor of the Bank since November 2010. He also serves as the chairman of the audit committee under the board of supervisors of the Bank. Mr. Chen has been an independent director of Lifan Industry (Group) Co., Ltd in Chongqing since November 2007; and an independent director of Chongqing ZhiFei Biological Products Co., Ltd. since August 2009. Mr. Chen has retired since April 2003. Mr. Chen was an inspector of Chongqing municipal government office from April 2002 to May 2003, the team leader of Chongqing special commission office of National Audit Office of the PRC from August 2001 to April 2002, and the deputy secretary general of Chongqing municipal government from August 1997 to July 2001. He was chairman and secretary of party committee of Chongqing ITIC (重慶國際信託投資公司) from December 1999 to April 2001, deputy director of Chongqing Fiscal Bureau and director of Chongqing State-owned Assets Supervision and Administration Commission from May 1991 to August 1997, the chief accountant of Chongqing Administration of Taxation from February 1988 to May 1991, deputy director of Chongqing Audit Bureau from August 1983 to February 1988, deputy director of Chongqing Nantong Mining Bureau from December 1982 to August 1983. Mr. Chen graduated from the Central Institute of Finance and Banking (currently Central University of Finance & Economics) as a financial accounting major in August 1968 and is currently a senior economist.

ZHANG Xinyu

External Supervisor

Mr. Zhang has been an external supervisor of the Bank since December 2011. He also serves as the chairman of the Due Diligence Supervisory Committee under the board of supervisors of the Bank. Mr. Zhang has retired since January 2012. He had previously served as a first-class senior manager of Chongqing City Transportation Development & Investment Group from May 2011 to January 2012 and a general manager, director and member of the Party Committee from June 2009 to May 2011. Mr. Zhang held a number of positions at Chongqing Development Investment Co., Ltd., including secretary of party committee, deputy general manager, general manager, director and Chairman from June 1999 to June 2009. From September 1993 to June 1999, he served as the deputy general manager of Chongqing International Economic and Technological Cooperation Co., Ltd. (重慶國際經濟技術合作公司). From September 1988 to September 1993, he worked as a secretary of deputy department level and department level to the municipal government office in Chongqing. From April 1981 to September 1988, he served as the deputy head, chief director and cadre of the Economic and Trade Management Office (經委企業管理處) in Chongqing. He worked at Textile Equipment Factory in Chongqing (重慶紡織器材廠) from January 1971 to April 1981. Mr. Zhang graduated from Southwest University of Political Science as a major of the law of application (應用法學專業) in June 1999, and is currently a senior economist.

SHI Bentong

External Supervisor

Mr. Shi has been an external supervisor of the Bank since December 2011. He also serves as the chairman of the nomination committee under the board of supervisors of the Bank. Mr. Shi has retired since December 2011. Mr. Shi had previously served as a first-class senior manager of Chongqing City Transportation Development & Investment Group from February 2010 to December 2011 and held a number of positions in Chongqing City Construction Investment Company (重慶市城市建設投資公司) between July 1995 and February 2010, including deputy manager, assistant to general manager of State-owned Assets Management Department, manager and deputy general manager of State-owned Assets Management Department. Mr. Shi served as the manager of Chongqing Zhongyu Property Co., Ltd. (重慶市中渝物業公司) between September 1993 and June 1995, and he held a number of positions in Telecommunications Bureau of Chongqing between September 1973 and April 1992, including director and deputy director of sub-division (分局局長、副局長), chief of general division (綜合科科長), deputy chief at operation division (經營科副科長) and deputy chief at telecommunications division (電信科副科長), Mr. Shi graduated from Sichuan Radio and TV University in 1985 majoring in Chinese and is currently an economist.

ZHENG Yi

Employee Representative Supervisor

Mr. Zheng has been an employee representative supervisor of the Bank since November 2011. He is also a member of the audit committee and the Internal Control Review Committee under the board of supervisors of the Bank. Mr. Zheng currently serves as the General Manager of Credit Management Department of the Bank. Mr. Zheng has been the General Manager of Compliance Department of the Bank from August 2008 to April 2011. Mr. Zheng had served as the general manager of Operation Management Department of the Chongqing Rural Credit Cooperative Union from July 2007 to August 2008. Mr. Zheng had served as the vice general manager of Operation Management Department of the Chongqing Rural Credit Cooperative Union from January 2007 to July 2007. Mr. Zheng had been the vice general manager of Risk Management Department of the Chongqing Rural Credit Cooperative Union from December 2006 to January 2007. Mr. Zheng had served as the deputy director of the Credit Management Division of the Chongqing Rural Credit Cooperative Union from June 2004 to December 2006. Mr. Zheng had been engaged in the credit management work of Chongqing Rural Credit Cooperative Union from March 2000 to June 2004. From August 1998 to March 2000, he worked at the Leading Group for Reform of Chongqing Rural Financial System. From April 1984 to August 1998, he engaged in credit work at Chongqing Hechuan Rural Credit Cooperative Union (重慶市合川農村信用聯社). Mr. Zheng graduated from the Correspondence College of Chongqing Municipal Party Committee in December 1999, majoring in Economics and Management, and is currently an economist.

ZHU Yuzhou

Employee Representative Supervisor

Mr. Zhu has been an employee representative supervisor of the Bank since November 2011. He is also a member of the Due Diligence Supervisory Committee and the Internal Control Review Committee under the board of supervisors of the Bank. Mr. Zhu currently serves as the Director of Security Monitoring Department of the Bank. Mr. Zhu had worked as the General Manager of Small Enterprise Business Department of the Bank from April 2011 to October 2011. Mr. Zhu had been the General Manager of Small Enterprises Credit Department of the Bank from January 2010 to April 2011. Mr. Zhu had served as the General Manager of Real Estate Business Department of the Bank from August 2008 to January 2010, the chairman, secretary to the Party committee of Fuling Rural Credit Cooperative Union (涪陵農村信用聯社) from June 2002 to August 2008 and the chairman, director and secretary to the Party committee of Fengdu Rural Credit Cooperative Union (豐都縣農村信用合作聯社) from June 1998 to May 2002. From October 1992 to June 1998, he worked as the deputy director and director of the Sales Department of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社). From July 1983 to October 1992, he worked at Chongqing Fulingqu Rural Credit Cooperative Union (重慶涪陵區農村信用聯合聯社). Mr. Zhu graduated from College of Chongqing Municipal Party Committee (中共重慶市委黨校) in June 2001, majoring in regional economics, and is currently an economist.

3. Senior Management of the Bank

XIE Wenhui

President (qualification for the position is subject to the approval of the China banking regulatory authority)

The board of directors of the Bank has appointed Mr. Xie as the president since December 2013. He is also the deputy secretary to the Party committee, whose qualification for the positions is subject to the approval of the China banking regulatory authority. Mr. Xie had been the vice president of the Bank from June 2011 to December 2013. Mr. Xie was a general manager of the Information Technology Department at the headquarters of the Bank from January 2010 to October 2011, deputy general manager (in charge of work) of the Technology Department at the headquarters of the Bank from August 2008 to January 2010. Mr. Xie held several positions in Chongqing Rural Credit Cooperative Union from February 2007 to August 2008, including the deputy general manager and assistant to general manager at the Technology Department. Prior to joining the Bank, Mr. Xie served as a deputy director of the Technology Division at the Chongqing Branch of Industrial and Commercial Bank of China from March 1998 to February 2007. Mr. Xie worked in Zhuhai Software Development Centre of Industrial and Commercial Bank of China from July 1997 to March 1998. Mr. Xie obtained a master's degree in engineering from Chongqing University in July 1997 and is currently an economist and engineer.

BAI Guiting

Vice President

Mr. Bai has been a vice president and member of the Party committee of the Bank since June 2008. He was the deputy director and a member of the Party committee of the Chongqing Rural Cooperative Union from February 2000 to June 2008. Prior to joining the Bank, Mr. Bai was the deputy director of the Cooperative Financial Institutions Supervision Section of the PBOC Chongqing Operations Office from January 1999 to February 2000; the deputy division director of the Agricultural Financing Division of the PBOC Chongqing Operations Office from November 1997 to January 1999; an assistant to the director at the Leading Group for Reform of Chongqing Rural Financial System from October 1996 to November 1997; and deputy division director of the Credit Cooperative Division of Agricultural Bank of China Chongqing branch and the director of suburban sales department of the Chongqing Rural Credit Cooperative from May 1995 to October 1996. Mr. Bai was the director of the suburban sales department of the Chongqing Rural Credit Cooperative from October 1993 to May 1995. Mr. Bai worked for the Chongqing branch credit cooperative of the Agricultural Bank of China from September 1985 to October 1993, during which he studied at the department of the agricultural credit management of the Changchun Cadre Institute of the Agricultural Bank general headquarters from September 1988 to July 1989 before graduation. From October 1975 to September 1985, Mr. Bai worked at several banks and credit cooperatives as an accountant and cashier. Mr. Bai graduated from the Correspondence College of Chongqing Municipal Party Committee, majoring in Economics and Management in 1998 and is currently a senior economist accredited by Agricultural Bank of China Limited.

WANG Rong

Vice President

Mr. Wang has been a vice president and member of the party committee of the Bank since June 2008. He was the deputy director and a member of the Party committee of the Chongqing Rural Credit Cooperative Union from May 2004 to June 2008, and was the chairman, director and secretary of the Party committee of Chongqing Jiulongpo Rural Credit Cooperative Union from October 1996 to May 2004. Prior to joining the Bank, Mr. Wang served as the leader of Agricultural Bank of China Chongqing Jiulongpo branch Discipline Inspection Team of the Party Organization from August 1994 to October 1996. Mr. Wang graduated from the Correspondence College of Chongqing Municipal Party Committee majoring in Public Finance in 1998 and is currently a senior economist accredited by Chongqing Municipal Government.

YANG Xiaotao

Vice President

Mr. Yang has been a vice president and member of the Party committee of the Bank since June 2008. From July 2003 to June 2008, Mr. Yang held a number of positions in the Chongqing Rural Credit Cooperative Union, including the deputy director-general, member of the Party committee, the director and secretary of the Party committee of Chongqing Changshou District Rural Credit Cooperative Union. Prior to joining the Bank, Mr. Yang held a number of positions at Agricultural Bank of China from November 1979 to July 2003. In that time, he has served as vice president for Chongqing Fuling Branch; president and secretary of the party committee of the Wulong County branch; vice president of the Wulong County branch. Mr. Yang graduated from the Correspondence College of Chongqing Municipal Party Committee majoring in law in 1998. Mr. Yang graduated from Xiamen University in July 2011 with a major in finance and obtained an EMBA from Xiamen University in June 2013. He is currently a senior economist accredited by Chongqing Municipal Government.

LING Jiaquan

Chief Controller

Mr. Ling has been the chief controller and a member of the Party committee of the Bank since February 2009. Prior to joining the Bank, Mr. Ling assumed a number of positions as division director of the 3rd Site Inspection Division, division director of the 2nd State-owned Bank Regulation Division and Agricultural Bank Regulation Division at Banking Regulatory Commission Chongqing Bureau from October 2003 to December 2008. Mr. Ling also held a number of positions at the Chongqing business management department of the PBOC Chongqing Operations Office from August 1988 to October 2003 including, the division director and deputy division director of the Regulation Division of Agricultural Banks as well as deputy division director of the 1st Bank Regulation Division (銀行監管一處) and deputy division director of the 2nd Bank Regulation Division (銀行監管二處). Mr. Ling worked for the Chongqing Yuzhong sub-branch of the Industrial and Commercial Bank of China from June 1984 to August 1988. Mr. Ling worked for the Chongqing Yuzhong sub-branch of the PBOC from December 1972 to June 1984. Mr. Ling graduated from the Correspondence College of Centre Party Committee in 1998 majoring in economic management and is currently an accountant.

YUAN Xiaobo

Deputy secretary to the Party committee, secretary to the Discipline committee

Mr. Yuan has been a deputy secretary to the Party committee of the Bank since December 2008. Mr. Yuan is currently the deputy secretary to the Party committee and secretary to the discipline committee of the Bank. Prior to joining the Bank, Mr. Yuan was the division director (training division, human resources division) of Entrepreneur administration Division of Chongqing State-owned Assets Supervision from October 2003 and December 2008. Mr. Yuan was principal staff member, research assistant and deputy division director of the Cadres Division and the principal member of the Working Committee of Industrial Transport and the Cadres Division of Enterprise Executive Committee of Chongqing Municipal Party Committee from June 1998 to October 2003. Mr. Yuan worked for the Chongqing Electronics Industry Authority from March 1992 to June 1998. Mr. Yuan worked at the State-owned 907 Factory from July 1984 to March 1992. Mr. Yuan obtained a Master's degree in Project Management from Chongqing University in 2008 and is currently a senior administration engineer and an economist.

DONG Lu

Vice President

Ms. Dong has been the vice president of the Bank since June 2011. Ms. Dong was the general manager of the Treasury Operation Department at headquarters of the Bank from August 2008 to October 2011 and assumed a number of positions in Chongqing Rural Credit Cooperative Union from October 2004 to August 2008 including general manager, vice general manager of the Business Department and deputy head of the Financial Planning Division. Prior to joining the Bank, Ms. Dong worked in the Financial Planning Department at Chongqing Branch of the China Everbright Bank from December 2000 to October 2004, business manager of the Customer Manager Department at Yuzhong Sub-branch of China Everbright Bank from March 1998 to December 2000 and worked in Business Department at Yuzhong Sub-branch of China Everbright Bank from June 1997 to March 1998. Ms. Dong obtained a master's degree in engineering from Chongqing University in December 2011 and is currently an economist.

PENG Yanxi

Secretary to the Board and Joint Company Secretary

Ms. Peng has been appointed as the Secretary to the Board of the Bank since June 2013 and a joint company secretary of the Bank since July 2013. Ms. Peng was the chief of the Board office from March 2012 to September 2013 and the chief of the office of the Bank since October 2011. Ms. Peng has held various positions in the Bank including deputy general manager of the human resources department (in charge of work), general manager of the human resources department, head of the listing office from August 2008 to March 2012. Ms. Peng held several positions in Chongqing Rural Credit Cooperative Union including deputy division chief of the retail banking department and deputy chief of the office from January 2003 to August 2008. Ms. Peng served in business department and the office of Chongqing Rural Credit Cooperative Union (Nan'an Branch) from July 1998 to January 2003. Ms. Peng graduated from Southwest China Normal University with a bachelor's degree in economics in July 1998. She is a senior economist at present.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, Mr. Tu Minghai, the non-executive director of the Bank, resigned from the positions of the non-executive director of the Bank, member of the strategic development committee and member of the remuneration committee of the Board on 7 February 2013. Mr. Sui Jun, an executive director and vice president of the Bank resigned from the positions of executive director of the Bank and member of the risk management committee of the Board on 26 September 2013. Mr. Tan Yuansheng, an executive director and president of the Bank, resigned from the positions of executive director of the Bank, chairman of the risk management committee, member of the strategic development committee, member of the nomination committee and member of the remuneration committee of the Board on 11 December 2013.

During the reporting period, there was no change in the supervisors of the Bank.

During the reporting period, Mr. Sui Jun has retired from the position of the secretary to the board of directors of the Bank since 28 June 2013 and retired from the position of the joint company secretary of the Bank since 3 July 2013. Ms. Peng Yanxi has been appointed as the secretary to the board of directors of the Bank since 28 June 2013 and appointed as the joint company secretary of the Bank since 3 July 2013. Mr. Sui Jun has retired from the position of the vice president of the Bank since 26 September 2013. Mr. Tan Yuansheng has retired from the position of the president of the Bank since 11 December 2013. Mr. Xie Wenhui has been appointed as the president of the Bank since 11 December 2013, whose qualification for the position is subject to the approval of the banking regulatory authority.

REMUNERATION FOR DIRECTORS OF THE BANK IN 2013

Unit: RMB'000

Name	Position	Paid remuneration (before tax)(1)	Social insurance, housing funds, the portion of supplementary health insurance contributed by the Bank (2)	Part-time fees(3)	Total remuneration before tax (4)=(1)+(2)+(3)
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	1,118	99	—	1,217
Tao Jun	Non-executive Director	—	—	60	60
Hua Yusheng	Non-executive Director	—	—	60	60
Wang Yongshu	Non-executive Director	—	—	60	60
Wen Honghai	Non-executive Director	—	—	60	60
Gao Xiaodong	Non-executive Director	—	—	60	60
Wu Xiufeng	Non-executive Director	—	—	60	60
Sun Leland	Independent	—	—	120	120
Li Hsun	Non-executive Director	—	—	—	—
Yin Mengbo	Independent	—	—	120	120
Wu Qing	Independent	—	—	120	120
Chen Zhengsheng	Independent	—	—	120	120
Liu Weili	Independent	—	—	120	120
	Non-executive Director				
Retired/Resigned Directors					
Tan Yuansheng		1,118	99	—	1,217
Sui Jun		683	72	—	755
Tu Minghai		—	—	—	—

REMUNERATION FOR SUPERVISORS AND SENIOR MANAGEMENT

For the year ended 31 December 2013, the total remuneration before tax paid by the Bank to its supervisors and senior management amounted to RMB3,282,000 and RMB9,347,000, respectively, details of which are set out below:

Remuneration for Supervisors of the Bank in 2013

Unit: RMB'000

Name	Position	Paid remuneration (before tax) (1)	Social insurance, housing funds, the portion of supplementary health insurance contributed by the Bank (2)	Part-time fees(3)	Total remuneration before tax (4)=(1)+(2)+(3)
Yang Mingping	Chairwoman of the Board of Supervisors, Employee Representative Supervisor	960	99	—	1,059
Zeng Jianwu	Shareholder Representative Supervisor	—	—	50	50
Zuo Ruilan	Shareholder Representative Supervisor	—	—	50	50
Dong Yunling	External Supervisor	—	—	80	80
Chen Huiming	External Supervisor	—	—	80	80
Zhang Xinyu	External Supervisor	—	—	80	80
Shi Bentong	External Supervisor	—	—	80	80
Zheng Yi	Employee Representative Supervisor	688	99	—	787
Zhu Yuzhou	Employee Representative Supervisor	917	99	—	1,016

Remuneration for Senior Management of the Bank in 2013:

	Number of individuals Year ended 31 December 2013
RMBnil-RMB1,000,000	12
RMB1,000,001-RMB1,500,000	—
RMB1,500,001-RMB2,000,000	—
RMB2,000,001-RMB2,500,000	—
RMB2,500,001-RMB3,000,000	—
RMB3,000,001-RMB3,500,000	—
RMB3,500,001-RMB4,000,000	—



Report of The Board of Directors

The board of directors of the Bank is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in a range of banking services and related financial services in China.

PROFIT AND DIVIDENDS

The income of the Group for the year ended 31 December 2013 and the Group's financial position as at that date are set out in the section entitled "Financial Statements" of this annual report.

Pursuant to the resolutions passed at the annual general meeting of 2012 on 10 May 2013, the Bank recommended a distribution of cash dividends of RMB1,581 million (tax inclusive) for 2012 to all the shareholders at a par value of RMB0.17 per share (tax inclusive). Such dividend was distributed to holders of domestic shares and holders of H shares whose names appeared on the register of members on 24 May 2013. Such proposed dividends were denominated in RMB. Dividends payable to holders of domestic shares were paid in RMB, whereas dividends payable to holders of H shares were paid in HKD. The exchange rate of RMB to HKD adopted was the average middle rates of the five business days preceding the date of declaration of such dividends at the 2012 annual general meeting of the Bank (10 May 2013, including the date thereof) as announced by the PBOC. The abovementioned dividends were distributed on 5 July 2013.

The board of directors of the Bank recommended a distribution of cash dividends of RMB1,767 million (tax inclusive) for 2013 to all the shareholders at a par value of RMB0.19 per share (tax inclusive). The dividend distribution plan will be submitted to the annual general meeting of 2013 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2013, the dividend will be distributed to holders of domestic shares and holders of H shares whose names appear on the register of members on 13 June 2014. Such proposed dividends will be denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The exchange rate of RMB to HKD to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends at the 2013 annual general meeting of the Bank (30 May 2014, including the date thereof) as announced by the PBOC.

The amounts of cash dividends and ratios of cash dividends to profit for the year of the Bank for the previous three years are as follows:

<i>(RMB, in million)</i>	2012	2011	2010
Cash dividends	1,581.0	1,302.0	403.6
As a percentage of profit for the year	29.40%	30.66%	13.18%

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Bank for the year 2013 will be held on Friday, 30 May 2014. In order to determine the holders of shares who are eligible to attend and vote at the Annual General Meeting, the register of members of the Bank will be closed from Wednesday, 30 April 2014 to Friday, 30 May 2014, both days inclusive, during which period no transfer of shares will be registered. Holders of H shares of the Bank who wish to attend and vote at the annual general meeting for 2013 must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 29 April 2014.

RESERVES

Please refer to the consolidated statement of changes in equity for details of the movements in the reserves of the Group for the year ended 31 December 2013.

SUMMARY OF FINANCIAL INFORMATION

Please refer to the "Financial Summary" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2013.

DONATIONS

During the year ended 31 December 2013, the Group made charitable and other donations amounting to approximately RMB5,174,000.

PROPERTY AND EQUIPMENT

Please refer to Note 28 "Property and Equipment" to the section entitled "Financial Statements" of this annual report for details of movements in the property and equipment of the Group during the year ended 31 December 2013.

RETIREMENT BENEFITS

Please refer to Note 37 "Accrued Staff Costs" to the section entitled "Financial Statements" of this Annual Report for details of the retirement benefits provided to employees of the Group.

ULTIMATE PARENT COMPANY AND SUBSIDIARIES

Please refer to "Major Shareholders of the Bank" in the section entitled "Changes in Share Capital and Particulars of Shareholders" and the related notes to the section entitled "Financial Statements" of this annual report for details of the Bank's ultimate parent company and subsidiaries as at 31 December 2013.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE BANK

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any listed securities of the Bank during the reporting period.

PRE-EMPTIVE RIGHTS

Neither the Articles of Association of the Bank nor relevant PRC laws has such provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association provide that if the Bank wishes to increase its capital, it may issue new shares to non-specified investors, may place or allot new shares to existing shareholders, issue new shares to target investors, or through other means as permitted by laws or administrative regulations.

MAJOR CUSTOMERS

In 2013, the aggregate amount of interest income and other operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total interest income and other operating income of the Bank.

SHARE CAPITAL

Please refer to Note "Share Capital" to the "Financial Statements" of this annual report for details of the movement in share capital of the Bank during the reporting period.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

The top ten shareholders of the Bank and their respective shareholdings at the end of 2013 are stated in "Changes in Share Capital and Particulars of Shareholders" of this annual report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The directors of the Bank during the year and up to the date of this report were:

As of the end of the reporting period, the board of directors the Bank comprised 12 directors in total, including 1 executive directors, namely Mr. Liu Jianzhong (chairman); 6 non-executive directors, namely Mr. Tao Jun, Mr. Hua Yusheng, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng; 5 independent non-executive directors, namely Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili.

During the reporting period, Mr. Tu Minghai, the non-executive director, resigned as non-executive director of the Bank on 7 February 2013. Mr. Sui Jun, the executive director, resigned as executive director of the Bank on 26 September 2013. Mr. Tan Yuansheng, the executive director, resigned as executive director of the Bank on 11 December 2013.

Non-executive director Mr. Wu Xiufeng resigned as the non-executive director of the Bank on 10 March 2014.

Please refer to the "Profiles of Directors, Supervisors and Senior Management" of this annual report for details of directors, supervisors and senior management of the Bank.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of the independent non-executive directors an annual confirmation of his independence. The Bank considers that all of the independent non-executive directors are in compliance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and are independent accordingly.

DIRECTORS', THE CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK

As at 31 December 2013, the interests of the directors, the chief executive and supervisors of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held	% of the total issued domestic shares of the Bank	% of the total issued share capital of the Bank
Supervisors				
Zuo Ruilan	Beneficial owner	11,900	0.00017	0.00013
Zhu Yuzhou	Beneficial owner	37,600	0.00055	0.00040

Other than as disclosed above, none of the directors, the chief executive or supervisors of the Bank nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2013.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

There are no relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material relationships.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the reporting period was the Bank, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors and supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

Save for those continuing connected transactions which can be exempted from the reporting annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director or supervisor of the Bank had a material interest, whether directly or indirectly, in material contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party at any time during the year (excluding service contracts).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

None of the directors and supervisors of the Bank entered into service contracts with the Bank that cannot be terminated by the Bank or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

For the year ended 31 December 2013, there was no management and administrative contracts in respect of all or any of the principal activities being entered into or existed in the Bank.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the directors and supervisors of the Bank had any interest in businesses that constitutes or may compete, directly or indirectly, with the business of the Bank.

SUBSTANTIAL SHAREHOLDERS

To the knowledge of the Bank, as at 31 December 2013, the interests and short positions of substantial shareholders (within the meaning of the Securities and Futures Ordinance), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance were as follows:

Domestic Shares

Unit: share, %

Name of shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin Holding Co., Ltd (隆鑫控股有限公司)	Beneficial Owner	570,000,000	8.40	6.13
Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司)	Beneficial Owner	423,431,972	6.24	4.55

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held (1)	% of the total issued H share capital of the Bank	% of the total share capital of the Bank
Blackrock. Inc.	Interest of controlled corporations	146,070,731	5.81	1.57

CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. The manner in which the principles and code provisions in the Corporate Governance Code are applied and implemented by the Bank is set out in details in the "Corporate Governance Report" of this annual report.

CONNECTED TRANSACTIONS

Transactions between the Bank and the Bank's connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. However, the relevant connected transactions can be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB. The related party transactions set out in Note 49 to the consolidated financial statement did not constitute connect transaction for the Company under Chapter 14A of the Hong Kong Listing Rules.

REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has endeavored to improve its remuneration management measures and performance assessment systems for its directors, supervisors and senior management.

The Bank's remuneration policy for directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and market adjustment and governmental regulation, and has defined a structured remuneration system comprising basic annual salary, performance annual salary, mid-term and long-term incentives, allowances and welfare income. The Bank participates in the relevant PRC mandatory retirement schemes for its employees including directors, supervisors and senior management. Since the state has not issued relevant policies, the Bank does not implement mid-term and long-term incentive plan for directors, supervisors and senior management.

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange exercised its discretion under Rule 8.08(1)(d) of the Hong Kong Listing Rules and accepted the minimum percentage of shares held (from time to time) by the public in the issued share capital of the Bank be reduced to the relevant percentage of shares listed on the Hong Kong Stock Exchange in the form of H shares upon completion of the global offering (representing no less than 24% of the Bank's enlarged share capital immediately upon the global offering), provided that the value of H Shares held by the public shall not be less than HK\$1.5 billion. As at 31 December 2013, the public float of the Bank is 27.02%.

Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the date of this report.

Tax Relief (H Share Holders)

Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its relevant implementation rules which came into effect on January 1, 2008, the Bank withholds the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of members in respect of H shares of the Bank on 24 May 2013.

Non-resident Individual Shareholders

According to Guoshuihan [2011] No. 348 documents issued by the State Administration of Taxation, PRC, the Bank is required to withhold individual income tax for non-resident individual H Share Holders, who are entitled to relevant preferential tax arrangement pursuant to the taxation agreements between the countries where they are residing with China and the regulation on taxation arrangement between the Mainland and Hong Kong (Macau).

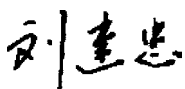
1. As for non-resident individual H Share Holders in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank applies for the relevant entitlements thereunder on their behalf, according to the provision under the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)” (Guo Shui Fa [2009] No.124) (國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知)(國稅發[2009]124號)).
2. As for Hong Kong/Macau residents and other non-resident individual H Share Holders in countries and regions which have entered into an agreement with China in respect of a 10% tax rate, the Bank withholds individual income tax at the rate of 10%.
3. As for non-resident individual H Share Holders in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank withholds individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual H Share Holders in countries which have entered into a 20% tax agreement with China or have no tax agreement with China or are under any other circumstances, the Bank withholds individual income tax at the tax rate of 20%.

AUDITORS

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu have been the Bank's domestic and overseas auditors for 2013.

The Bank's financial report for the year 2013 prepared in accordance with International Financial Reporting Standards had been audited by Deloitte Touche Tohmatsu, who had issued an unqualified audit opinion.

On behalf of the Board



Liu Jianzhong
Chairman

28 March 2014



Report of the Board of Supervisors

MAJOR WORK

Supervision on Meetings

In accordance with the responsibilities authorised by the Articles of Association, the board of supervisors convened eight supervisory meetings in total, including four on-site conferences and four off-site conferences, at which fifteen resolutions were considered and approved. The board of supervisors convened eleven meetings of the special committees, at which nine items were considered. The supervisors attended one on-site general meeting as observers and six on-site board meetings and as observers, at which they presented supervisory comments on the relevant issues. The chairman of the board of supervisors attended more than forty on-site president working meetings, banking meetings and other important meetings of the entire bank as observers, which improved the supervisory quality and efficiency.

Daily Supervision

In addition to attending on-site board meetings and operation strategy meetings as observers, the board of supervisors also followed the auditors' audit process, consulted financial information and audited regular reports. And they carried out interviews to analyse operation data and carried out on-site researches and studies in enterprises. All of the above methods helped them to dynamically supervise the material financial condition, asset operation, asset quality as well as the behaviours of the operation management, etc.

Concentrated Supervision

The concentrated supervision mainly focused on the execution of national policies, laws, regulations and the "Three Material and One Large" system for 2012. The supervisors concentrated on the major operation standards, sustainable development capacity, internal control and management, risk management and the duty performance of directors and senior management. Through the annual concentrated supervision and inspection on the above matters, the board of supervisors continuously followed the reform and correction of the disclosed problems and suggestions to conduct assessment on the results.

Special Inspection

The board of supervisors focused on the major domains and major business of operation management to conduct their supervisions. They carried out three special inspections on risk management of small and minor loans, financial situations for the half year, execution of state-owned assets supervision and management system and etc. to identify hidden risks, evaluate operation strategies and enhance supervision results. They continuous followed the reform and correction evaluation of the disclosed problems during 2012 special inspection. As a result, the supervision results were used effectively.

Self-establishment of the board of supervisors

The board of supervisors adhered to the philosophy of “harmonious supervision” to further integrate supervision sources and embed their supervision into each business link. The chairman of the board of supervisors led the team to conduct on-site researches and studies in branches in Changshou, Jiangjin, Yubei and etc. as well as enterprises of Linsheng Industry and Trade (林盛工貿), Jiangjin Steel Mould (江津鋼模) and etc., which broadened their horizons. Through the further optimization of supervisors’ duty performance files and conducting supervisor duty evaluations, the supervisors’ duty performing consciences has been enhanced consistently and duty performing capacity has been improved persistently as well.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in Compliance with Laws and Regulations

During the reporting period, the Bank had been operating in compliance with relevant laws and regulations. Its decision making procedures complied with the provisions of laws, regulations and the Articles of Association of the Bank. The directors and senior management were faithful and honest, and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the articles of association of the Bank; neither did they commit any acts detrimental to the interests of the Bank.

Financial Reporting

The 2013 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

Acquisition and Disposal of Assets

During the reporting period, the board of supervisors was not aware of any insider transactions or any acts in acquisition or disposal of assets detrimental to the interests of the shareholders of leading to a drain on the Bank’s assets.

Related Party Transactions

During the reporting period, the Bank’s related party transactions had been conducted in accordance with relevant regulations and systems and the board of supervisors was not aware of any actions in the transactions that were detrimental to the interests of the Bank.

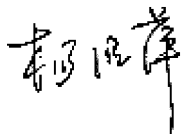
Internal Control

During the reporting period, the Bank continued to intensify and improve its internal control. The board of supervisors was not aware of any material defect in the Bank's internal control system and its implementation.

Social Responsibility

During the reporting period, the Bank vigorously undertook social responsibilities. The board of supervisors has no disagreement with the 2013 Report on Social Responsibilities of Corporate (2013年度企業社會責任報告) of the Bank.

On behalf of the board of supervisors



YANG Mingping

Chairman of the board of supervisors

28 March 2014

CORPORATE GOVERNANCE

During the reporting period, the Bank continued to strengthen the construction of corporate governance mechanism, actively improved various systems such as internal control, and constantly enhanced corporate governance capability in strict compliance with laws and regulations as well as regulatory documents of regulatory authorities including the Company Law of the People's Republic of China and the Commercial Banking Law of the People's Republic of China and in line with actual conditions of the Bank.

Optimization of corporate governance documents. During the reporting period, in accordance with the relevant laws and regulations and the Hong Kong Listing Rules, and in line with corporate governance practices of the Bank, the Bank stipulated documents of policies including the Diversification Policy of Board Members of Chongqing Rural Commercial Bank Co. Ltd. (重慶農村商業銀行股份有限公司董事會成員多元化政策) and others.

Corporate governance code. During the reporting period, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules. The Bank purchased Directors' Liability Insurance, commenced training for the Directors and published discloseable documents and information on the websites of the Bank and HKEx pursuant to the code provisions. Meanwhile, the Bank also complied with most of the recommended best practices in the aforementioned code. For details, please refer to Corporate Governance Report.

MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the reporting period, the loan balance of material related party transactions with related parties amounted to RMB5,447 million, accounting for 2.65% of the total loan of the Bank. Loans under the material related party transaction between the Bank and related parties have no negative impact on operating results and the financial position of the Bank.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the reporting period, there were no material legal proceedings or arbitration which had substantial impact on the operation activities of the Bank.

As of the end of the reporting period, pending legal proceedings in which the Bank was a defendant or a third party involved an amount of RMB24,416,300. In the opinion of the Bank, it will not have any material effect on the Bank's operating activities.

PENALTIES IMPOSED ON THE BANK AND DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

During the reporting period, the Bank, all directors, supervisors and senior management had no record of being subject to inspections, administrative penalties and circulating criticisms by China Securities Regulatory Commission or public censures by stock exchanges, or penalties by relevant regulatory bodies that posed significant impact on the Bank's operation.

PERFORMANCE OF UNDERTAKINGS BY THE BANK OR SHAREHOLDERS HOLDING 5% OR MORE OF THE SHARES

As of the end of the reporting period, neither the Bank nor the shareholders holding more than 5% of the total shares in issue gave any undertakings.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the reporting period, the Group has no material contracts to be performed.

ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

During the reporting period, the Group had no material acquisition and disposal of assets and merger of enterprises.

SUBSEQUENT EVENT

Non-executive director Mr. Wu Xiufeng resigned as the non-executive director of the Bank on 10 March 2014; meanwhile, he also resigned as the member of the minority shareholders' interest protection committee of the board of directors.

Independent Auditor's Report

**TO THE MEMBERS OF
CHONGQING RURAL COMMERCIAL BANK CO., LTD.
重慶農村商業銀行股份有限公司**

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 133 to 289, which comprise the consolidated and Bank's statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Year ended 31 December	
		2013	2012
Interest income	5	27,179,811	22,331,609
Interest expense	5	(11,476,618)	(9,239,415)
Net interest income		15,703,193	13,092,194
Fee and commission income	6	739,079	488,375
Fee and commission expense	6	(59,399)	(52,651)
Net fee and commission income		679,680	435,724
Net trading (losses) gain	7	(197,640)	13,008
Share of profit of an associate	27	268	—
Other operating income, net	8	130,248	112,392
Operating income		16,315,749	13,653,318
Operating expenses	9	(7,207,796)	(6,074,773)
Impairment on assets	11	(1,181,279)	(511,412)
Net (losses) gain on disposal of available-for-sale financial assets		(9,952)	629
Profit before tax		7,916,722	7,067,762
Income tax expense	12	(1,901,605)	(1,690,059)
Profit for the year		6,015,117	5,377,703
Attributable to:			
Equity holders of the Bank		5,991,048	5,361,497
Non-controlling interests		24,069	16,206
		6,015,117	5,377,703
Earnings per share (Expressed in RMB yuan per share)			
— Basic and diluted	13	0.64	0.58

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2013	2012
Profit for the year	6,015,117	5,377,703
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on defined benefit plans	61,830	4,241
Income tax relating to items not reclassified	(4,592)	(1,061)
	<u>57,238</u>	<u>3,180</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses) gain on available-for-sale financial assets		
— fair value losses arising during the year	(173,664)	(10,357)
— amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	9,952	(629)
— reclassification upon impairment	—	18,610
Income tax relating to available-for-sale financial assets	40,928	(1,906)
	<u>(122,784)</u>	<u>5,718</u>
Other comprehensive (losses) income for the year (net of tax)	<u>(65,546)</u>	<u>8,898</u>
Total comprehensive income for the year	<u><u>5,949,571</u></u>	<u><u>5,386,601</u></u>
Total comprehensive income attributable to:		
Equity holders of the Bank	5,925,502	5,370,395
Non-controlling interests	<u>24,069</u>	<u>16,206</u>
Total comprehensive income for the year	<u><u>5,949,571</u></u>	<u><u>5,386,601</u></u>

Consolidated Statement of Financial Position

At 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	31/12/2013	31/12/2012 (restated)	1/1/2012 (restated)
ASSETS				
Cash and balances with central bank	15	68,782,134	58,964,060	50,662,768
Deposits with banks and other financial institutions	16	23,655,929	12,263,068	11,444,958
Placements with banks and other financial institutions	17	25,056,277	29,748,852	11,460,716
Financial assets held for trading	18	2,690,994	3,774,309	400,880
Financial assets designated as at fair value through profit or loss	19	19,127,488	18,112,605	13,033,648
Derivative financial assets	20	455	—	—
Financial assets held under resale agreements	21	70,828,936	51,765,062	42,296,805
Loans and advances to customers	22	198,150,565	167,614,916	138,821,830
Available-for-sale financial assets	23	5,168,334	4,598,972	1,617,749
Held-to-maturity investments	24	50,251,518	45,773,802	40,236,422
Debt securities classified as receivables	25	28,745,383	32,614,365	27,053,280
Interest in an associate	27	100,268	100,000	—
Property and equipment	28	3,574,211	3,153,823	2,711,120
Deferred tax assets	39	1,866,903	1,456,545	1,523,325
Goodwill	29	440,129	440,129	440,129
Other assets	31	4,006,448	3,446,551	3,122,044
Total assets		502,445,972	433,827,059	344,825,674

Consolidated Statement of Financial Position (Continued)

At 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	31/12/2013	31/12/2012 (restated)	1/1/2012 (restated)
LIABILITIES				
Borrowings from central bank		185,000	110,000	30,000
Deposits from banks and other financial institutions	32	63,557,058	42,064,439	25,107,105
Placements from banks	33	2,787,829	7,029,432	2,149,818
Financial liabilities designated as at fair value through profit or loss	34	1,040,000	5,076,419	365,625
Derivative financial liabilities	20	239	—	—
Financial assets sold under repurchase agreements	35	37,240,636	42,639,291	32,759,721
Due to customers	36	347,883,413	294,510,490	246,141,374
Accrued staff costs	37	3,071,804	2,708,032	2,420,661
Tax liabilities		980,797	651,756	905,384
Debt securities issued	38	2,300,000	2,300,000	2,300,000
Other liabilities	40	6,509,891	4,521,466	4,652,053
Total liabilities		465,556,667	401,611,325	316,831,741

Consolidated Statement of Financial Position (Continued)

At 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	31/12/2013	31/12/2012 (restated)	1/1/2012 (restated)
EQUITY				
Share capital	41	9,300,000	9,300,000	9,300,000
Capital reserve	42	9,201,954	9,201,954	9,201,954
Investment revaluation reserve	43	(135,945)	(13,161)	(18,879)
Actuarial changes reserve		43,460	(13,778)	(16,958)
Surplus reserve	44	6,394,534	5,797,650	3,650,944
General reserve	45	5,497,269	2,847,848	1,919,803
Retained earnings		5,950,176	4,786,433	3,801,687
Equity attributable to equity holders of the Bank		36,251,448	31,906,946	27,838,551
Non-controlling interests		637,857	308,788	155,382
Total equity		36,889,305	32,215,734	27,993,933
Total equity and liabilities		502,445,972	433,827,059	344,825,674

The consolidated financial statements on pages 133 to 289 were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

LIU JIANZHONG
CHAIRMAN

CHEN ZHENGSHEG
DIRECTOR

Statement of Financial Position

At 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	31/12/2013	31/12/2012 (restated)	1/1/2012 (restated)
ASSETS				
Cash and balances with central bank	15	68,556,217	58,841,432	50,585,888
Deposits with banks and other financial institutions	16	24,200,834	12,264,057	11,319,519
Placements with banks and other financial institutions	17	25,056,277	29,748,852	11,460,716
Financial assets held for trading	18	2,690,994	3,774,309	400,880
Financial assets designated as at fair value through profit or loss	19	19,127,488	18,102,605	13,018,648
Derivative financial assets	20	455	—	—
Financial assets held under resale agreements	21	70,828,936	51,765,062	42,296,805
Loans and advances to customers	22	195,453,208	166,588,124	138,222,341
Available-for-sale financial assets	23	5,168,334	4,598,972	1,617,749
Held-to-maturity investments	24	50,251,518	45,773,802	40,236,422
Debt securities classified as receivables	25	28,745,383	32,614,365	27,053,280
Investments in subsidiaries	26	663,000	306,000	163,200
Interest in an associate	27	100,268	100,000	—
Property and equipment	28	3,497,417	3,130,656	2,689,360
Deferred tax assets	39	1,854,921	1,455,510	1,523,325
Goodwill	29	440,129	440,129	440,129
Other assets	31	3,977,076	3,440,586	3,116,784
Total assets		500,612,455	432,944,461	344,145,046

Statement of Financial Position (Continued)

At 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	31/12/2013	31/12/2012 (restated)	1/1/2012 (restated)
LIABILITIES				
Deposits from banks and other financial institutions	32	63,766,159	42,246,050	25,124,040
Placements from banks	33	2,787,829	7,029,432	2,149,818
Financial liabilities designated as at fair value through profit or loss	34	1,040,000	5,076,419	365,625
Derivative financial liabilities	20	239	—	—
Financial assets sold under repurchase agreements	35	37,240,636	42,639,291	32,666,590
Due to customers	36	346,746,592	293,904,767	245,732,836
Accrued staff costs	37	3,043,754	2,698,582	2,415,437
Tax liabilities		974,870	646,605	904,868
Debt securities issued	38	2,300,000	2,300,000	2,300,000
Other liabilities	40	6,498,538	4,511,761	4,645,805
Total liabilities		464,398,617	401,052,907	316,305,019
EQUITY				
Share capital	41	9,300,000	9,300,000	9,300,000
Capital reserve	42	9,201,954	9,201,954	9,201,954
Investment revaluation reserve	43	(135,945)	(13,161)	(18,879)
Actuarial changes reserve		43,460	(13,778)	(16,958)
Surplus reserve	44	6,394,534	5,797,650	3,650,944
General reserve	45	5,497,269	2,847,848	1,919,803
Retained earnings	46	5,912,566	4,771,041	3,803,163
Total equity		36,213,838	31,891,554	27,840,027
Total equity and liabilities		500,612,455	432,944,461	344,145,046

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Attributable to equity holders of the Bank							Non-controlling interests	Total	
		Share capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Investment revaluation reserve	Actuarial changes reserve			
As at 1 January 2012 (as previously reported)		9,300,000	9,201,954	3,650,944	1,919,803	3,801,687	(18,879)	—	27,855,509	155,382	28,010,891
Adjustments		—	—	—	—	—	—	(16,958)	(16,958)	—	(16,958)
As at 1 January 2012 (restated)		9,300,000	9,201,954	3,650,944	1,919,803	3,801,687	(18,879)	(16,958)	27,838,551	155,382	27,993,933
Profit for the year		—	—	—	—	5,361,497	—	—	5,361,497	16,206	5,377,703
Other comprehensive income for the year (restated)		—	—	—	—	—	5,718	3,180	8,898	—	8,898
Total comprehensive income for the year (restated)		—	—	—	—	5,361,497	5,718	3,180	5,370,395	16,206	5,386,601
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	137,200	137,200
Appropriation to surplus reserve	44	—	—	2,146,706	—	(2,146,706)	—	—	—	—	—
Appropriation to general reserve	45	—	—	—	928,045	(928,045)	—	—	—	—	—
Dividend distribution	14	—	—	—	—	(1,302,000)	—	—	(1,302,000)	—	(1,302,000)
As at 31 December 2012 (restated)		<u>9,300,000</u>	<u>9,201,954</u>	<u>5,797,650</u>	<u>2,847,848</u>	<u>4,786,433</u>	<u>(13,161)</u>	<u>(13,778)</u>	<u>31,906,946</u>	<u>308,788</u>	<u>32,215,734</u>
Profit for the year		—	—	—	—	5,991,048	—	—	5,991,048	24,069	6,015,117
Other comprehensive (losses) income for the year		—	—	—	—	—	(122,784)	57,238	(65,546)	—	(65,546)
Total comprehensive income for the year		—	—	—	—	5,991,048	(122,784)	57,238	5,925,502	24,069	5,949,571
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	305,000	305,000
Appropriation to surplus reserve	44	—	—	596,884	—	(596,884)	—	—	—	—	—
Appropriation to general reserve	45	—	—	—	2,649,421	(2,649,421)	—	—	—	—	—
Dividend distribution	14	—	—	—	—	(1,581,000)	—	—	(1,581,000)	—	(1,581,000)
As at 31 December 2013		<u>9,300,000</u>	<u>9,201,954</u>	<u>6,394,534</u>	<u>5,497,269</u>	<u>5,950,176</u>	<u>(135,945)</u>	<u>43,460</u>	<u>36,251,448</u>	<u>637,857</u>	<u>36,889,305</u>

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Year ended 31 December	
		2013	2012
OPERATING ACTIVITIES			
Profit before tax		7,916,722	7,067,762
Adjustments for:			
Depreciation and amortisation		492,611	374,308
Impairment on assets		1,181,279	511,412
Interest income arising from debt securities		(4,762,465)	(4,117,733)
Interest income arising from impaired financial assets		(34,546)	(36,023)
Interest expense arising from debt securities issued		126,500	126,500
Net losses (gain) on disposal of investment securities		9,952	(629)
Share of profit of an associate		(268)	—
Dividend income from investment securities		(1,700)	(105)
Net gain on disposal of property and equipment		(70,381)	(30,254)
Net losses on financial assets held for trading		182,065	1,129
Exchange (gain) losses		(12,946)	10,787
Operating cash flows before movements in working capital		5,026,823	3,907,154
Increase in balances with central bank and deposits with banks and other financial institutions		(15,827,316)	(5,737,008)
Decrease (increase) in placements with banks and other financial institutions		8,628,587	(13,814,414)
Increase in financial assets held under resale agreements		(21,453,678)	(8,193,150)
Decrease (increase) in financial assets held for trading		901,466	(3,374,558)
Increase in loans and advances to customers		(31,792,760)	(29,368,647)
Increase in financial assets designated as at fair value through profit or loss		(1,014,883)	(5,078,957)
(Decrease) increase in financial assets sold under repurchase agreements		(5,398,655)	9,879,570
Increase in due to customers and deposits from banks and other financial institutions		74,870,739	65,332,425
Increase in borrowings from central bank		75,000	80,000
(Decrease) increase in placements from banks		(4,241,641)	4,880,000
(Decrease) increase in financial liabilities designated as at fair value through profit or loss		(4,036,419)	4,710,794
Decrease in other operating assets		153,763	367,915
Increase in other operating liabilities		2,346,236	89,888
Cash generated by operating activities		8,237,262	23,681,012
Income tax paid		(1,946,587)	(1,879,874)
Net cash from operating activities		6,290,675	21,801,138

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Year ended 31 December	
		2013	2012
INVESTING ACTIVITIES			
Cash received from disposal and redemption of investment securities		22,017,066	12,015,400
Cash received from disposal of property and equipment and other assets		231,236	102,475
Cash paid for purchase of investment securities		(23,490,621)	(26,265,400)
Payment for investment in an associate		—	(100,000)
Cash paid for purchase of property and equipment and other assets		(1,180,940)	(912,501)
Interest income received from investment securities		4,486,513	3,713,844
Government grants received		—	63,884
Dividend income from investment securities		1,700	105
Net cash generated by (used in) investing activities		<u>2,064,954</u>	<u>(11,382,193)</u>
FINANCING ACTIVITIES			
Contribution from non-controlling shareholders		305,000	137,200
Interest expenses paid for debt securities issued		(126,500)	(126,500)
Dividends paid to shareholders of the Bank		(1,580,197)	(1,301,108)
Net cash used in financing activities		<u>(1,401,697)</u>	<u>(1,290,408)</u>
Net increase in cash and cash equivalents		6,953,932	9,128,537
Cash and cash equivalents at 1 January		27,353,070	18,220,635
Effect of foreign exchange rate changes		(26,677)	3,898
Cash and cash equivalents at 31 December	47	<u><u>34,280,325</u></u>	<u><u>27,353,070</u></u>
Year ended 31 December			
		2013	2012
Net cash from operating activities include:			
Interest received		22,097,058	18,461,957
Interest paid		(10,367,638)	(8,874,059)
Net interest received from operating activities		<u><u>11,729,420</u></u>	<u><u>9,587,898</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in the People’s Republic of China (“PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

Pursuant to the promoters’ agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank.

The Bank was listed on The Stock Exchange of Hong Kong Limited on 16 December 2010.

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the “CBRC”), and business license No.500000000001239 issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise the provision of banking services, which includes deposits, loans, payment and settlement services, and other services as approved by the CBRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Bank and its subsidiaries.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and revised IFRSs effective and have been adopted by the Group in 2013

In the current year, the Group has applied the following amendments to IFRSs:

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about:

- recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation; and
- recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs effective and have been adopted by the Group in 2013 (Continued)

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance.

The impact of the application of these standards that is relevant to the Group is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when: (a) it has power over an investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The directors have assessed the Bank’s investments and concluded that the application of IFRS 10 has no material impact on the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or consolidated and unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 26 and 27 for details).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs effective and have been adopted by the Group in 2013 (Continued)

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. However, the Group has provided the comparative information for better understanding. Disclosures of fair value information are set out in note 53 of the consolidated financial statements. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income” and the “income statement” is renamed as the “statement of profit or loss”. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs effective and have been adopted by the Group in 2013 (Continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (Continued)

However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 (as revised in 2011) Employee Benefits

In the current year, the Group has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gain and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a “net interest” amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The application of IAS 19 (as revised in 2011) has had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures, which are set out in note 37. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs effective and have been adopted by the Group in 2013 (Continued)

IAS 19 (as revised in 2011) Employee Benefits (Continued)

Impact on total comprehensive income for the year

	Year ended 31 December	
	2013	2012
<i>Impact on profit for the year</i>		
Decrease in profit for the year	52,220	—
Decrease in profit for the year attributable to:		
Equity holders of the Bank	52,220	—
Non-controlling interests	—	—
<i>Impact on other comprehensive income for the year</i>		
Increase in actuarial gain of defined benefit obligation	61,830	4,241
Decrease in income tax relating to actuarial gain	(4,592)	(1,061)
Increase in other comprehensive income for the year	57,238	3,180
Increase in other comprehensive income for the year attributable to:		
Equity holders of the Bank	57,238	3,180
Non-controlling interests	—	—
<i>Impact on total comprehensive income for the year</i>		
Increase in total comprehensive income for the year	5,018	3,180
Increase in total comprehensive income for the year attributable to:		
Equity holders of the Bank	5,018	3,180
Non-controlling interests	—	—

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs effective and have been adopted by the Group in 2013
(Continued)

IAS 19 (as revised in 2011) Employee Benefits (Continued)

Impact on assets, liabilities and equity at 1 January 2012

Items	As previously reported	IAS 19 adjustments	As restated
Deferred tax assets	1,517,672	5,653	1,523,325
Accrued staff costs	(2,398,050)	(22,611)	(2,420,661)
Total effect on net assets	<u>(880,378)</u>	<u>(16,958)</u>	<u>(897,336)</u>
Actuarial changes reserve and total effect on equity	<u>—</u>	<u>(16,958)</u>	<u>(16,958)</u>

Impact on assets, liabilities and equity at 31 December 2012

Items	As previously reported	IAS 19 adjustments	As restated
Deferred tax assets	1,451,953	4,592	1,456,545
Accrued staff costs	(2,689,662)	(18,370)	(2,708,032)
Total effect on equity	<u>(1,237,709)</u>	<u>(13,778)</u>	<u>(1,251,487)</u>
Actuarial changes reserve and total effect on equity	<u>—</u>	<u>(13,778)</u>	<u>(13,778)</u>

The application of IAS 19 (as revised in 2011) has no impact on cash flows and earnings per share for both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs issued but not yet effective and have been early adopted by the Group in 2013

In the current year, the Group has also early applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets in accordance with its effective date.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has early adopted the amendments to IAS 36 in advance of its effective date, 1 January 2014. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Group has prepared the disclosure in relation to CGU to which goodwill or other intangible assets with indefinite useful lives had been allocated where there has been no impairment or reversal of the related CGU. Other than the disclosure, the early adoption does not have any effect on the Group’s consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ²
IFRS 9	Financial Instruments ³
IFRS 14	Regulatory Deferral Accounts ⁵
IFRIC 21	Levies ¹

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

² Effective for annual periods beginning on or after 1 July 2014

³ Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁵ Effective for first annual IFRS financial statements beginning on or after 1 January 2016

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The directors do not anticipate that the investment entities amendments will have any effect on the Group’s consolidated financial statements as the Bank is not an investment entity.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans that are either constructive or set out in the formal terms of the plan based on whether those contributions are linked to service or not linked to service.

Such contributions that are not linked to service would affect the remeasurement of net defined benefit liability (or asset). For contributions that are linked to service, they would reduce service cost as follows:

- Contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees’ periods of service using the projected unit credit method;
- Contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees’ periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Group’s consolidated financial statements as the Group’s current defined benefit plans have no contributions made by employees or third parties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The directors do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group’s consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors do not anticipate that the application of these amendments to IAS 39 will have any effect on the Group’s consolidated financial statements as the Group does not have any derivative hedging instrument that are subject to novation.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

Annual Improvements to IFRSs 2010-2012 Cycle (Continued)

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2010-2012 Cycle will have a material effect on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to IFRSs 2011-2013 Cycle will have a material effect on the Group’s consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors anticipate that the application of IFRS 9 will affect the classification and measurement of the Group’s available-for-sale investments and may have impact on the Group’s other financial assets and the Group’s financial liabilities.

The original effective date of IFRS 9 Financial Instruments was 1 January 2013 and later amended to be 1 January 2015. In November 2013, the IASB removed the mandatory effective date completely and decided to revisit the effective date when all phases of the project are complete and a final version of IFRS 9 is issued.

The directors of the Company have not yet completed the assessment of financial impact to the Group.

IFRIC 21 Levies

IFRIC 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors do not anticipate that the application of IFRIC 21 will have a material effect on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in note 53.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the subsidiaries controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses 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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Investments in associates

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 results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale is accounted for using the equity method.

Upon disposal or partial disposal of the Group's interest in an associate in which the Group lost significant influence and discontinued the use of equity method, any retained interest that is within the scope of IAS 39 is measured at fair value on that date, the difference between the carrying amount of the associate at the date, and the proceeds from disposing of such interest (or partial interest) in the associate and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the Group lost significant influence over the investee.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement of the previously held interest or the retained interest to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the Bank's statement of financial position, its investment in an associate is stated at cost, less impairment losses, if any.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Specific recognition criteria for different nature of revenue are disclosed below.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows after considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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.

Fee and commission income

The Group earns fee and commission income from a range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are accrued over that period when the services are rendered. For other services, fee and commission income are recognised when the transactions are completed.

Dividend income

Dividend income from investments is recognised when the Group's right to receive payment is established.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Employee benefits

In the period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the year in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the relevant periods.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

The Group provides supplementary retirement benefits to its employee classified as defined benefit retirement plans. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in equity and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "Operating expenses". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Early retirement benefits

The Group provides early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of early retirement benefits are calculated by an independent actuary using the projected unit credit method at the end of the reporting period. All resulting gains or losses are charged or credited to profit or loss immediately as "Operating expenses" when they occur.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the year in which they become receivable.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and debt securities classified as receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Held-to-maturity investments

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

- a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) those that the entity designates as available for sale; and
- c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, the objective evidence of impairment could include:

- (1) significant financial difficulty of the issuer or obligor;
- (2) breach of contract, such as a default or delinquency in interest or principal payments;
- (3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (4) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (5) the disappearance of an active market for that financial asset because of financial difficulties; or
- (6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets carried at amortised cost

An impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

The carrying amount of the financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of available-for-sale financial assets

A decline in the fair value of an available-for-sale financial asset is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. Where there is objective evidence that asset is impaired, the cumulative loss that had been recognised directly in the investment revaluation reserve is reclassified to profit or loss.

Impairment loss on available-for-sale equity investments at fair value is not reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

The criteria for a financial liability to be classified as held for trading and designated as at FVTPL are the same as those for a financial asset to be classified as held for trading and designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

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

Equity instruments

Equity instruments issued by the Bank for cash are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Repurchase agreements and agreements to resell

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded as “available-for-sale financial assets”, “debt securities classified as receivables”, “held-to-maturity investments” or “loans and advances to customers” as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”.

The difference between purchase and sale price is recognised as interest expense or income in profit or loss over the life of the agreements using the effective interest method.

Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful live	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	3%	4.85%
Electronic equipment	5 years	3%	19.40%
Motor vehicles	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and other directly attributable costs. Such properties are classified to the appropriate category of property and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at lower of its carrying amount and fair value less costs to sell at the end of the reporting period. When the fair value less costs to sell is lower than the foreclosed asset's carrying amount, an impairment loss is recognised in profit or loss.

Any gain or loss arising from disposal of the foreclosed asset is included in profit or loss in the year in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at carrying amount.

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) that is accounted for as operating leases and is amortised over the lease term on a straight-line basis.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gain or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the functional currency of the Group (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and/or in the next twelve months.

Impairment losses on financial assets

The directors of the Bank review its loan portfolio, debt securities and other debt instruments issued by financial institutions to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the directors of the Bank make judgement as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio. When the decrease may not have been identified individually or the individual financial asset is not significant, the directors of the Bank use estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity were classified as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the directors of the Bank evaluate its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of assets as available-for-sale financial assets.

Fair value of financial instruments

The directors of the Bank use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as the credit risk of the Bank and counterparties, volatilities and correlations require the directors of the Bank to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Supplementary retirement benefit and early retirement benefit obligation

The directors of the Bank recognise liabilities in connection with retirement benefits of employees using the projected unit credit method based on various assumptions, including the discount rate and average medical expense increase rate for early retirement and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of other comprehensive income for supplementary retirement benefit obligation and expense recognised in profit or loss for early retirement benefit obligation, and the corresponding liabilities.

Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the year during which such a determination is made.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	Year ended 31 December	
	2013	2012
Interest income:		
Loans and advances to customers	13,684,255	12,126,964
Including: Corporate loans and advances	8,083,469	7,536,485
Personal loans and advances	5,348,977	4,311,827
Discounted bills	251,809	278,652
Financial assets held under resale agreements	4,024,872	2,379,572
Held-to-maturity investments	2,187,343	1,981,226
Debt securities classified as receivables	2,253,219	1,980,718
Balances with central bank	1,007,516	828,195
Financial assets designated as at fair value through profit or loss	1,024,603	608,522
Deposits with banks and other financial institutions	503,344	579,433
Placements with banks and other financial institutions	1,929,378	1,487,629
Available-for-sale financial assets	321,903	155,789
Financial assets held for trading	243,378	203,561
Subtotal	27,179,811	22,331,609
Interest expense:		
Due to customers	(6,774,946)	(5,623,237)
Financial assets sold under repurchase agreements	(2,006,148)	(1,843,958)
Deposits from banks and other financial institutions	(2,237,952)	(1,565,340)
Debt securities issued	(126,500)	(126,500)
Placements from banks	(326,546)	(78,597)
Borrowings from central bank	(4,526)	(1,783)
Subtotal	(11,476,618)	(9,239,415)
Net interest income	15,703,193	13,092,194
Included: interest income on impaired financial assets	34,546	36,023
Included within interest income		
Interest income on listed investments	2,804,999	2,424,788
Interest income on unlisted investments	3,225,447	2,505,028
	6,030,446	4,929,816

Listed investments included securities traded on the China Interbank Bond Market.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2013	2012
Fee and commission income		
Consultancy and advisory fees	269,251	181,705
Agency commissions	214,179	125,936
Bank card fees	174,635	114,471
Settlement and clearing fees	51,601	41,067
Custodian and other fiduciary service fees	14,610	14,519
Others	14,803	10,677
Subtotal	739,079	488,375
Fee and commission expense		
Bank card fees	(37,683)	(28,991)
Settlement and clearing fees	(16,451)	(14,759)
Other service fees	(5,265)	(8,901)
Subtotal	(59,399)	(52,651)
Total	679,680	435,724

7. NET TRADING (LOSSES) GAIN

	Year ended 31 December	
	2013	2012
Net (losses) gain on held-for-trading debt securities	(197,856)	13,008
Net gain on derivatives	216	—
Total	(197,640)	13,008

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	Year ended 31 December	
	2013	2012
Net gain on disposal of property and equipment	70,381	30,254
Net gain on disposal of foreclosed assets	10,181	3,619
Rental income	10,011	9,505
Dividend income from listed available-for-sale investments	580	—
Dividend income from unlisted available-for-sale investments	1,120	105
Exchange gain (losses)	18,940	(248)
Government subsidy	12,411	59,599
Penalty and compensation income	7,106	7,266
Others	(482)	2,292
Total	<u>130,248</u>	<u>112,392</u>

9. OPERATING EXPENSES

	Year ended 31 December	
	2013	2012
Staff costs (Note)	4,373,763	3,719,365
General operating and administrative expenses	1,038,088	892,658
Business tax and surcharges	1,062,987	928,140
Depreciation and amortisation	492,611	374,308
Auditor's remuneration	3,930	3,620
Others	236,417	156,682
Total	<u>7,207,796</u>	<u>6,074,773</u>

Note:

Staff costs

	Year ended 31 December	
	2013	2012
Salaries, bonuses and allowances	3,088,794	2,598,458
Social insurance	574,405	444,390
Housing funds	249,959	193,156
Staff welfare	103,741	167,191
Labor union fees and staff education expenses	103,174	85,920
Supplementary retirement benefits	181,620	166,600
Early retirement benefits	72,070	63,650
Total	<u>4,373,763</u>	<u>3,719,365</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB):

THE GROUP AND THE BANK

Year ended 31 December 2013

Name	Fees	Paid basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	Total
Executive director				
Liu Jianzhong	—	1,118	99	1,217
Non-executive directors				
Tao Jun	60	—	—	60
Hua Yusheng	60	—	—	60
Wang Yongshu	60	—	—	60
Wen Honghai	60	—	—	60
Gao Xiaodong	60	—	—	60
Wu Xiufeng ⁽¹⁾	60	—	—	60
Independent non-executive directors				
Sun Leland Li Hsun	120	—	—	120
Yin Mengbo	120	—	—	120
Wu Qing	120	—	—	120
Chen Zhengsheng	120	—	—	120
Liu Weili	120	—	—	120
Supervisors				
Yang Mingping	—	960	99	1,059
Zeng Jianwu	50	—	—	50
Zuo Ruilan	50	—	—	50
Dong Yunling	80	—	—	80
Chen Huiming	80	—	—	80
Zhang Xinyu	80	—	—	80
Shi Bentong	80	—	—	80
Zheng Yi	—	688	99	787
Zhu Yuzhou	—	917	99	1,016
Executive directors resigned				
Tan Yuansheng ⁽²⁾	—	1,118	99	1,217
Sui Jun ⁽³⁾	—	683	72	755
Non-executive directors resigned				
Tu Minghai ⁽⁴⁾	—	—	—	—
Total	1,380	5,484	567	7,431

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB):
(Continued)

THE GROUP AND THE BANK (Continued)

Year ended 31 December 2012

Name	Fees	Basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	Total
Executive directors				
Liu Jianzhong	—	1,025	92	1,117
Tan Yuansheng	—	1,026	92	1,118
Sui Jun ⁽⁵⁾	—	993	92	1,085
Non-executive directors				
Tao Jun	60	—	—	60
Hua Yusheng ⁽⁵⁾	60	—	—	60
Wang Yongshu	60	—	—	60
Wen Honghai	60	—	—	60
Gao Xiaodong	60	—	—	60
Wu Xiufeng	60	—	—	60
Tu Minghai ⁽⁴⁾	60	—	—	60
Independent non-executive directors				
Sun Leland Li Hsun ⁽⁵⁾	120	—	—	120
Yin Mengbo ⁽⁵⁾	120	—	—	120
Wu Qing ⁽⁵⁾	120	—	—	120
Chen Zhengsheng ⁽⁵⁾	120	—	—	120
Liu Weili ⁽⁵⁾	120	—	—	120
Supervisors				
Yang Mingping	—	1,030	92	1,122
Zeng Jianwu	50	—	—	50
Zuo Ruilan	50	—	—	50
Dong Yunling	80	—	—	80
Chen Huiming	80	—	—	80
Zhang Xinyu	80	—	—	80
Shi Bentong	80	—	—	80
Zheng Yi	—	862	92	954
Zhu Yuzhou	—	779	92	871
Total	1,440	5,715	552	7,707

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB):
(Continued)

THE GROUP AND THE BANK (Continued)

- (1) In March 2014, Mr. Wu Xiufeng resigned as non-executive directors of the Bank as he reached the age of retirement.
- (2) Mr. Tan Yuansheng ceased to serve as executive director of the Bank from December 2013 as he reached the age of retirement. He served as president of the Bank before his resignation.
- (3) Mr. Sui Jun ceased to serve as executive director of the Bank from September 2013 due to his re-designation of duties. He served as vice president of the Bank before his re-designation of duties.
- (4) In February 2013, Mr. Tu Minghai resigned as non-executive directors of the Bank due to personal reasons.
- (5) Upon the election at the 2011 first Extraordinary General Meeting of the Bank, Mr. Sui Jun commenced his position as an executive director of the Bank from December 2011, Mr. Hua Yusheng and Mr. Tu Minghai commenced their positions as non-executive directors of the Bank from December 2011, and Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili commenced their positions as independent non-executive directors of the Bank from December 2011. The new directors are subject to the ratification of the eligibility by CBRC Chongqing Bureau.

In July 2012, CBRC Chongqing Bureau has approved the qualifications of the aforementioned directors.

The total compensation packages for the directors, supervisors and senior management are determined based on the performances.

The total compensation package for certain directors and supervisors for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group at 31 December 2013. The amount of actual remuneration will be announced after approval.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the relevant periods are as follows:

	Year ended 31 December	
	2013	2012
Basic salaries, bonuses and allowances	5,743	5,870
Contribution to pension schemes	498	449
Total	6,241	6,319

Emoluments of the individuals were within the following bands:

	Number of individuals	
	Year ended 31 December	
	2013	2012
HKD1,000,001–HKD1,500,000	3	2
HKD1,500,001–HKD2,000,000	2	3

During the years 2013 and 2012, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

11. IMPAIRMENT ON ASSETS

	Year ended 31 December	
	2013	2012
Loans and advances to customers		
Net additions	1,309,103	718,381
Recovery of loans	(335,778)	(447,259)
Subtotal	973,325	271,122
Held-to-maturity investments	3,360	61,150
Debt securities classified as receivables	204,594	160,530
Available-for-sale financial assets	—	18,610
Total	<u>1,181,279</u>	<u>511,412</u>

12. INCOME TAX EXPENSE

	THE GROUP	
	Year ended 31 December	
	2013	2012
Income tax expense comprises:		
Current income tax		
— PRC Enterprise Income Tax	2,275,627	1,626,246
Deferred tax (note 39)	(374,022)	63,813
Total	<u>1,901,605</u>	<u>1,690,059</u>

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE (Continued)

The tax charges for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss as follows:

	Year ended 31 December	
	2013	2012
Profit before tax	7,916,722	7,067,762
Tax calculated at applicable statutory tax rate of 25%	1,979,181	1,766,941
Tax effect of expenses not deductible for tax purpose	55,567	62,331
Tax effect of income not taxable for tax purpose (Note)	(133,143)	(139,213)
Income tax expense	1,901,605	1,690,059

Note: The income not taxable for tax purpose mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Year ended 31 December	
	2013	2012
Earnings:		
Profit for the year attributable to equity holders of the Bank	5,991,048	5,361,497
Numbers of shares:		
Number of shares in issue (thousand)	9,300,000	9,300,000
Basic and diluted earnings per share (RMB yuan)	0.64	0.58

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

14. DIVIDENDS

	Year ended 31 December	
	2013	2012
Dividends recognised as distribution during the year		
2012 Final		
— RMB17 cents	1,581,000	—
2011 Final		
— RMB14 cents	—	1,302,000

A dividend of RMB19 cents per share (tax inclusive) in respect of the year end 31 December 2013 in total of RMB1,767 million has been proposed by the directors on 28 March 2014 and is subject to approval by the shareholders in the forthcoming 2013 annual general meeting.

A final dividend of RMB17 cents per share (tax inclusive) in respect of the year ended 31 December 2012 in total of RMB1,581 million has been proposed by the board of directors on 22 March 2013, and was approved by 2012 annual general meeting on 10 May 2013.

A final dividend of RMB14 cents per share (tax inclusive) in respect of the year ended 31 December 2011 in total of RMB1,302 million has been proposed by the board of directors on 19 March 2012, and was approved by 2011 annual general meeting on 7 May 2012.

15. CASH AND BALANCES WITH CENTRAL BANK

	NOTES	THE GROUP	
		At 31 December	
		2013	2012
Cash		3,363,889	3,289,508
Mandatory reserve deposits with central bank	(1)	62,388,225	52,873,721
Surplus reserve deposits with central bank	(2)	2,282,698	2,279,504
Other deposits with central bank	(3)	747,322	521,327
Total		68,782,134	58,964,060

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK (Continued)

	NOTES	THE BANK	
		At 31 December	
		2013	2012
Cash		3,352,311	3,286,701
Mandatory reserve deposits with central bank	(1)	62,230,330	52,785,528
Surplus reserve deposits with central bank	(2)	2,226,254	2,247,876
Other deposits with central bank	(3)	747,322	521,327
Total		68,556,217	58,841,432

Notes:

- (1) The Group places mandatory reserve deposits with the People's Bank of China ("PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

At 31 December 2013, mandatory reserve deposits with the PBOC were calculated at 18% (31 December 2012: 18%) of eligible RMB deposits for the Bank, while for the subsidiaries at 14% or 13% (31 December 2012: 14% or 13%); and 5% of foreign currency deposits from customers for both years. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.
- (3) This mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	THE GROUP	
	At 31 December	
	2013	2012
Deposits with:		
Domestic banks and other financial institutions	23,616,351	12,165,426
Overseas banks	39,578	97,642
Total	23,655,929	12,263,068

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

	THE BANK	
	At 31 December	
	2013	2012
Deposits with:		
Domestic banks and other financial institutions	24,161,256	12,166,415
Overseas banks	39,578	97,642
Total	<u>24,200,834</u>	<u>12,264,057</u>

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Placements with:		
Domestic banks	3,101,110	1,099,999
Other domestic financial institutions	21,955,167	28,648,853
Total	<u>25,056,277</u>	<u>29,748,852</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL ASSETS HELD FOR TRADING

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Debt securities issued by:		
Financial Institution	188,878	—
Corporations	2,502,116	3,774,309
Totals	2,690,994	3,774,309

All held-for-trading debt securities are traded on the China Interbank Bond Market.

19. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	At 31 December	
	2013	2012
Unlisted debt instruments issued by financial institutions	19,127,488	18,112,605

	THE BANK	
	At 31 December	
	2013	2012
Unlisted debt instruments issued by financial institutions	19,127,488	18,102,605

There was no significant change during the years ended 31 December 2013 and 2012 and thus no significant change in the fair value of the debt instruments that were attributable to changes in the credit risk.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	At 31 December 2013			At 31 December 2012		
	Contractual/ notional amount	Fair value Assets	Liabilities	Contractual/ notional amount	Fair value Assets	Liabilities
Currency forwards	171,396	455	239	—	—	—

21. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	THE GROUP AND THE BANK	
	At 31 December 2013	2012
Analysed by collateral type:		
Bills	14,648,809	26,389,114
Trust beneficial rights and assets management plans (Note)	55,960,227	25,375,948
Bonds	219,900	—
Total	70,828,936	51,765,062

Note:

The underlying investments were debt instruments with fixed or determinable return and fixed maturity.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers

	THE GROUP	
	At 31 December	
	2013	2012
Gross loans and advances	205,167,956	173,447,600
Individually assessed for impairment losses	(355,341)	(449,611)
Collectively assessed for impairment losses	<u>(6,662,050)</u>	<u>(5,383,073)</u>
Allowance for impairment losses	<u>(7,017,391)</u>	<u>(5,832,684)</u>
Loans and advances to customers	<u><u>198,150,565</u></u>	<u><u>167,614,916</u></u>

	THE BANK	
	At 31 December	
	2013	2012
Gross loans and advances	202,398,777	172,411,760
Individually assessed for impairment losses	(353,231)	(449,611)
Collectively assessed for impairment losses	<u>(6,592,338)</u>	<u>(5,374,025)</u>
Allowance for impairment losses	<u>(6,945,569)</u>	<u>(5,823,636)</u>
Loans and advances to customers	<u><u>195,453,208</u></u>	<u><u>166,588,124</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of loans and advances to customers by collective and individual assessments

THE GROUP

	Loans and advances for which allowance is collectively assessed ⁽¹⁾	Identified impaired loans and advances ⁽²⁾			Subtotal	Total	Identified impaired loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed				
At 31 December 2013							
Gross loans and advances	203,602,966	653,986	911,004	1,564,990	205,167,956	0.76	
Allowance for impairment losses	(6,156,144)	(505,906)	(355,341)	(861,247)	(7,017,391)		
Loans and advances to customers, net	<u>197,446,822</u>	<u>148,080</u>	<u>555,663</u>	<u>703,743</u>	<u>198,150,565</u>		
At 31 December 2012							
Gross loans and advances	171,861,328	736,680	849,592	1,586,272	173,447,600	0.91	
Allowance for impairment losses	(4,804,889)	(578,184)	(449,611)	(1,027,795)	(5,832,684)		
Loans and advances to customers, net	<u>167,056,439</u>	<u>158,496</u>	<u>399,981</u>	<u>558,477</u>	<u>167,614,916</u>		

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of loans and advances to customers by collective and individual assessments (Continued)

THE BANK

	Loans and advances for which allowance is collectively assessed ⁽¹⁾	Identified impaired loans and advances ⁽²⁾		Subtotal	Total	Identified impaired loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed			
At 31 December 2013						
Gross loans and advances	200,852,989	639,225	906,563	1,545,788	202,398,777	0.76
Allowance for impairment losses	(6,092,239)	(500,099)	(353,231)	(853,330)	(6,945,569)	
Loans and advances to customers, net	<u>194,760,750</u>	<u>139,126</u>	<u>553,332</u>	<u>692,458</u>	<u>195,453,208</u>	
At 31 December 2012						
Gross loans and advances	170,825,488	736,680	849,592	1,586,272	172,411,760	0.92
Allowance for impairment losses	(4,795,841)	(578,184)	(449,611)	(1,027,795)	(5,823,636)	
Loans and advances to customers, net	<u>166,029,647</u>	<u>158,496</u>	<u>399,981</u>	<u>558,477</u>	<u>166,588,124</u>	

Notes:

- (1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (2) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements of allowance for impairment losses on loans and advances to customers

THE GROUP

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2012	407,790	4,867,557	5,275,347
Charge for the year	201,592	3,547,305	3,748,897
Reverse for the year	(117,238)	(2,913,278)	(3,030,516)
Written off	(17,784)	(107,237)	(125,021)
Unwinding of discount on allowance	(24,749)	(11,274)	(36,023)
As at 31 December 2012	449,611	5,383,073	5,832,684
Charge for the year	205,892	5,065,464	5,271,356
Reverse for the year	(251,122)	(3,711,131)	(3,962,253)
Written off	(22,218)	(67,632)	(89,850)
Unwinding of discount on allowance	(26,822)	(7,724)	(34,546)
As at 31 December 2013	<u>355,341</u>	<u>6,662,050</u>	<u>7,017,391</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements of allowance for impairment losses on loans and advances to customers (Continued)

THE BANK

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2012	407,790	4,861,261	5,269,051
Charge for the year	201,592	3,544,553	3,746,145
Reverse for the year	(117,238)	(2,913,278)	(3,030,516)
Written off	(17,784)	(107,237)	(125,021)
Unwinding of discount on allowance	(24,749)	(11,274)	(36,023)
As at 31 December 2012	449,611	5,374,025	5,823,636
Charge for the year	203,782	4,997,705	5,201,487
Reverse for the year	(251,122)	(3,704,036)	(3,955,158)
Written off	(22,218)	(67,632)	(89,850)
Unwinding of discount on allowance	(26,822)	(7,724)	(34,546)
As at 31 December 2013	<u>353,231</u>	<u>6,592,338</u>	<u>6,945,569</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	NOTES	THE GROUP AND THE BANK	
		At 31 December	
		2013	2012
Debt securities issued by:			
Financial institutions		111,250	—
Corporations		4,984,884	4,550,131
Subtotal		5,096,134	4,550,131
Equity instruments			
— at fair value		64,200	19,576
— at cost	(1)	8,000	29,265
Subtotal		72,200	48,841
Total		5,168,334	4,598,972
Analysed as:			
Listed in Hong Kong		47,539	—
Listed outside Hong Kong	(2)	5,112,795	4,569,707
Unlisted		8,000	29,265
Total		5,168,334	4,598,972

Notes:

- (1) The unlisted equity securities are measured at cost because their fair value cannot be reliably measured.
- (2) All available-for-sale debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

24. HELD-TO-MATURITY INVESTMENTS

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Debt securities issued by:		
Government	8,011,431	8,355,758
Public sector and quasi-governments	24,672,542	21,416,453
Financial institutions	3,868,643	2,288,499
Corporations	13,763,412	13,774,242
Subtotal	50,316,028	45,834,952
Less: Collectively assessed allowance for impairment losses	(64,510)	(61,150)
Total	50,251,518	45,773,802

All held-to-maturity investments are traded on the China Interbank Bond Market.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

25. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	NOTES	THE GROUP AND THE BANK	
		At 31 December	
		2013	2012
Certificate treasury bonds		107,709	340,880
Debt securities issued by public sector and quasi-governments		47,983	47,722
Financial institution bonds		762,319	761,439
Corporate bonds		2,033,170	1,539,190
Debt instruments issued by financial institutions	(1)	26,452,542	30,378,880
Subtotal		29,403,723	33,068,111
Less: Collectively assessed allowance for impairment losses		(658,340)	(453,746)
Total		28,745,383	32,614,365
Analysed as:			
Listed outside Hong Kong	(2)	2,837,162	2,342,111
Unlisted		25,908,221	30,272,254
Total		28,745,383	32,614,365

Notes:

- (1) The debt instruments issued by financial institutions are non-callable before maturity with fixed interest rate and not quoted in active market.
- (2) Debt securities classified as receivables traded on the China Interbank Bond Market are included in "Listed outside Hong Kong".

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

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26. INVESTMENT IN SUBSIDIARIES

	THE BANK	
	At 31 December 2013	2012
Investment cost	663,000	306,000

At 31 December 2013, details of the Bank's subsidiaries are set out below.

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital	Proportion of equity interest %	Proportion of voting power on the board of directors %	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港滄農商村鎮銀行股份有限公司)	23 April 2010	Jiangsu	RMB200,000,000	51.00	51.00	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹滄農商村鎮銀行股份有限公司)	12 November 2010	Sichuan	RMB100,000,000	51.00	51.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理滄農商村鎮銀行有限責任公司)	14 December 2010	Yunnan	RMB200,000,000	51.00	51.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲滄農商村鎮銀行有限責任公司)	4 December 2012	Yunnan	RMB100,000,000	51.00	51.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶滄農商村鎮銀行有限責任公司)	9 January 2013	Yunnan	RMB100,000,000	51.00	51.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨滄農商村鎮銀行有限責任公司)	9 January 2013	Guangxi	RMB100,000,000	51.00	51.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣滄農商村鎮銀行有限責任公司)	4 February 2013	Fujian	RMB100,000,000	51.00	51.00	Banking
Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安滄農商村鎮銀行有限責任公司)	5 February 2013	Fujian	RMB200,000,000	51.00	51.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉滄農商村鎮銀行有限責任公司)	23 April 2013	Yunnan	RMB62,000,000	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭滄農商村鎮銀行有限責任公司)	9 August 2013	Fujian	RMB100,000,000	51.00	51.00	Banking

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

26. INVESTMENT IN SUBSIDIARIES (Continued)

From the establishment date on to the reporting date, the proportion of equity interest and proportion of voting power on the board of directors remained the same as above.

At 31 December 2013 and 2012, for the subsidiary with non-controlling interests, the amount of non-controlling interests is not material to the Group. Hence no further information is presented.

There are no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

27. INTEREST IN AN ASSOCIATE

Pursuant to CBRC's approval (Yin Jian Fu [2011] No.518), the Bank participated in the establishment of Chongqing Auto Finance Co., Ltd. (重慶汽車金融有限公司, "CAF") and contributed capital of RMB100 million.

Details of the Group's interests in an associate are as follows:

	At 31 December 2013	2012
Cost of investment in an associate:		
Unlisted	100,000	100,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	268	—
	<u>100,268</u>	<u>100,000</u>

Details of the Group's associate at 31 December 2013 and 2012 are as follow:

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital	Proportion of equity interest %	Proportion of voting power on the board of directors %	Principal activities
Chongqing Auto Finance Co., Ltd. (重慶汽車金融有限公司)	13 August 2012	Chongqing	RMB500,000,000	20.00	20.00	Auto financing

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

27. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of the CAF is set out below.

	At 31 December 2013	2012
Assets	564,079	531,487
Liabilities	62,737	31,487
Net assets	501,342	500,000
	Year ended 31 December 2013	2012
Revenue	1,626	226
Net profit	1,342	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate in the consolidated financial statements:

	At 31 December 2013	2012
Net assets of the associate	501,342	500,000
Proportion of the Group's ownership interest	20.00%	20.00%
Carrying amount of the Group's interest in the CAF	100,268	100,000

There are no significant restrictions on the ability of the associate to transfer funds to the Group in form of cash dividends, or to repay loans or advances made by the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

28. PROPERTY AND EQUIPMENT

THE GROUP

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
COST						
As at 1 January 2012	2,381,307	475,161	82,571	226,814	398,165	3,564,018
Additions	235,363	116,292	18,761	83,429	423,504	877,349
Transfers	196,454	23	—	1,900	(198,377)	—
Transfers to other assets	—	—	—	—	(28,674)	(28,674)
Disposals	(62,398)	(20,955)	(9,394)	(12,890)	—	(105,637)
As at 31 December 2012	2,750,726	570,521	91,938	299,253	594,618	4,307,056
Additions	145,819	179,330	21,197	130,020	520,321	996,687
Transfers	462,086	120	—	3,250	(465,456)	—
Transfers to other assets	—	—	—	—	(57,326)	(57,326)
Disposals	(85,925)	(26,511)	(7,757)	(13,052)	—	(133,245)
As at 31 December 2013	3,272,706	723,460	105,378	419,471	592,157	5,113,172
ACCUMULATED DEPRECIATION						
As at 1 January 2012	(536,278)	(191,477)	(43,710)	(81,433)	—	(852,898)
Provided for the year	(194,067)	(90,567)	(11,223)	(41,551)	—	(337,408)
Eliminated on disposals	8,379	14,818	7,279	6,597	—	37,073
As at 31 December 2012	(721,966)	(267,226)	(47,654)	(116,387)	—	(1,153,233)
Provided for the year	(262,986)	(107,232)	(13,629)	(61,090)	—	(444,937)
Eliminated on disposals	20,007	21,336	6,940	10,926	—	59,209
As at 31 December 2013	(964,945)	(353,122)	(54,343)	(166,551)	—	(1,538,961)
CARRYING VALUES						
As at 31 December 2013	2,307,761	370,338	51,035	252,920	592,157	3,574,211
As at 31 December 2012	2,028,760	303,295	44,284	182,866	594,618	3,153,823

The carrying amounts of buildings are located on land use rights with the following remaining leases terms:

	THE GROUP	
	At 31 December 2013	2012
Held in the PRC		
over 50 years	14,516	17,265
10-50 years	1,752,822	1,554,077
less than 10 years	540,423	457,418
Total	2,307,761	2,028,760

The land use rights are under long or medium term lease.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

28. PROPERTY AND EQUIPMENT (Continued)

THE BANK

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
COST						
As at 1 January 2012	2,362,058	473,406	81,331	224,844	398,165	3,539,804
Additions	234,737	116,128	18,094	82,472	422,086	873,517
Transfers	196,454	23	—	1,900	(198,377)	—
Transfers to other assets	—	—	—	—	(28,674)	(28,674)
Disposals	(62,398)	(20,955)	(9,394)	(12,890)	—	(105,637)
As at 31 December 2012	2,730,851	568,602	90,031	296,326	593,200	4,279,010
Additions	95,965	174,545	17,930	123,571	503,715	915,726
Transfers	457,379	120	—	3,250	(460,749)	—
Transfers to other assets	—	—	—	—	(47,415)	(47,415)
Disposals	(77,261)	(25,383)	(7,166)	(12,291)	—	(122,101)
As at 31 December 2013	3,206,934	717,884	100,795	410,856	588,751	5,025,220
ACCUMULATED DEPRECIATION						
As at 1 January 2012	(535,036)	(190,993)	(43,451)	(80,964)	—	(850,444)
Provided for the year	(192,778)	(90,090)	(10,952)	(41,163)	—	(334,983)
Eliminated on disposals	8,379	14,818	7,279	6,597	—	37,073
As at 31 December 2012	(719,435)	(266,265)	(47,124)	(115,530)	—	(1,148,354)
Provided for the year	(258,826)	(106,420)	(12,914)	(59,784)	—	(437,944)
Eliminated on disposals	19,293	21,336	6,940	10,926	—	58,495
As at 31 December 2013	(958,968)	(351,349)	(53,098)	(164,388)	—	(1,527,803)
Carrying values						
As at 31 December 2013	<u>2,247,966</u>	<u>366,535</u>	<u>47,697</u>	<u>246,468</u>	<u>588,751</u>	<u>3,497,417</u>
As at 31 December 2012	<u>2,011,416</u>	<u>302,337</u>	<u>42,907</u>	<u>180,796</u>	<u>593,200</u>	<u>3,130,656</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

28. PROPERTY AND EQUIPMENT (Continued)

THE BANK (Continued)

The carrying amounts of buildings are located on land use rights with the following remaining leases terms:

	THE BANK	
	At 31 December 2013	2012
Held in the PRC		
over 50 years	14,516	17,265
10-50 years	1,699,382	1,538,306
less than 10 years	534,068	455,845
Total	<u>2,247,966</u>	<u>2,011,416</u>

The land use rights are under long or medium term lease.

29. GOODWILL

	THE GROUP AND THE BANK	
	At 31 December 2013	2012
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

Particulars regarding impairment testing on goodwill are disclosed in note 30.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

30. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in note 29 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill at 31 December 2013 and 31 December 2012 allocated to these units are as follows:

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	97,176	97,176
Total	440,129	440,129

During the years ended 31 December 2013 and 31 December 2012, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill, as the recoverable amount is higher than the carrying amount and no impairment is considered necessary.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 9% at 31 December 2013 and 31 December 2012. The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

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31. OTHER ASSETS

	NOTES	THE GROUP	
		At 31 December	
		2013	2012
Interest receivable	(1)	2,844,706	2,251,414
Land use rights	(2)	605,473	480,943
Foreclosed assets	(3)	121,706	151,045
Intangible assets	(4)	51,208	47,194
Others	(5)	383,355	515,955
Total		4,006,448	3,446,551

	NOTES	THE BANK	
		At 31 December	
		2013	2012
Interest receivable	(1)	2,834,651	2,248,245
Land use rights	(2)	605,473	480,943
Foreclosed assets	(3)	121,706	151,045
Intangible assets	(4)	51,126	47,104
Others	(5)	364,120	513,249
Total		3,977,076	3,440,586

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

31. OTHER ASSETS (Continued)

Notes:

(1) Interest receivable

Analysed by type

	THE GROUP	
	At 31 December	
	2013	2012
Held-to-maturity investments	1,008,833	860,430
Loans and advances to customers	480,809	398,946
Debt securities classified as receivables	331,292	274,797
Financial assets held under resale agreements	439,295	246,633
Placements with banks and other financial institutions	216,942	165,085
Available-for-sale financial assets	101,029	116,134
Financial assets held for trading	94,289	102,782
Financial assets designated as at fair value through profit or loss	52,150	42,694
Balances with central bank	31,620	26,866
Deposits with banks and other financial institutions	88,447	17,047
Total	2,844,706	2,251,414
	THE BANK	
	At 31 December	
	2013	2012
Held-to-maturity investments	1,008,833	860,430
Loans and advances to customers	472,087	395,947
Debt securities classified as receivables	331,292	274,797
Financial assets held under resale agreements	439,295	246,633
Placements with banks and other financial institutions	216,942	165,085
Available-for-sale financial assets	101,029	116,134
Financial assets held for trading	94,289	102,782
Financial assets designated as at fair value through profit or loss	52,150	42,694
Balances with central bank	31,609	26,852
Deposits with banks and other financial institutions	87,125	16,891
Total	2,834,651	2,248,245

At 31 December 2013 and 31 December 2012, all interest receivable is due within 1 year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

31. OTHER ASSETS (Continued)

Notes: (Continued)

(2) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Held in the PRC		
over 50 years	19,189	20,456
10-50 years	577,222	449,720
less than 10 years	9,062	10,767
Total	605,473	480,943

The land use rights are under long or medium term lease.

(3) Foreclosed assets

Analysed by type

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Land use rights and buildings	130,915	169,151
Others	1,348	1,348
Subtotal	132,263	170,499
Allowance for impairment losses	(10,557)	(19,454)
Total	121,706	151,045

(4) Intangible assets

Intangible assets include computer software which are amortised over 10 years.

(5) The amounts mainly represent deposits paid for purchase of properties/premises and prepayment for investments in village and township banks.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

32. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	THE GROUP	
	At 31 December	
	2013	2012
Deposits from domestic banks	59,466,306	40,203,372
Deposits from other domestic financial institutions	4,090,752	1,861,067
Total	63,557,058	42,064,439

	THE BANK	
	At 31 December	
	2013	2012
Deposits from domestic banks	59,675,407	40,384,983
Deposits from other domestic financial institutions	4,090,752	1,861,067
Total	63,766,159	42,246,050

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rate.

33. PLACEMENTS FROM BANKS

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Placements from domestic banks	2,448,191	7,029,432
Placements from overseas banks	339,638	—
Total	2,787,829	7,029,432

Notes to the Consolidated Financial Statements (Continued)

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34. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Principal guaranteed wealth management products (Note)	1,040,000	5,076,419

Note:

The Group designates certain amounts received through the principal protected guaranteed return wealth management products sold to their customers as financial liabilities at FVTPL. At 31 December 2013, the fair value of these products issued by the Group approximates the contractual amount payable upon maturity to the holders of these products.

There were no significant changes in the Bank's credit risk and therefore there were no significant gain or losses attributed to changes in credit risk for those financial liabilities designated as at fair value through profit or loss during the years ended 31 December 2013 and 2012.

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Analysed by collateral type:		
Bonds	34,870,963	35,925,768
Bills	2,369,673	6,713,523
Total	37,240,636	42,639,291

Notes to the Consolidated Financial Statements (Continued)

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36. DUE TO CUSTOMERS

	THE GROUP	
	At 31 December	
	2013	2012
Demand deposits		
Corporate customers	71,788,827	64,069,062
Individual customers	71,691,531	60,527,950
Time deposits		
Corporate customers	12,442,809	8,411,066
Individual customers	186,948,749	156,881,442
Pledged deposits (Note)	4,923,462	4,476,991
Others (including outward remittance and remittance outstanding)	88,035	143,979
Total	<u>347,883,413</u>	<u>294,510,490</u>

	THE BANK	
	At 31 December	
	2013	2012
Demand deposits		
Corporate customers	71,581,041	63,934,233
Individual customers	71,503,804	60,464,606
Time deposits		
Corporate customers	12,188,342	8,200,406
Individual customers	186,823,709	156,847,519
Pledged deposits (Note)	4,572,583	4,319,906
Others (including outward remittance and remittance outstanding)	77,113	138,097
Total	<u>346,746,592</u>	<u>293,904,767</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

36. DUE TO CUSTOMERS (Continued)

Note:

Analysed by products for which deposit is required:

	THE GROUP	
	At 31 December 2013	2012
Acceptances	3,164,133	3,032,770
Loans and receivables	1,658,231	1,328,168
Letters of guarantee	49,328	37,175
Letters of credit	23,104	49,552
Others	28,666	29,326
Total	<u>4,923,462</u>	<u>4,476,991</u>

	THE BANK	
	At 31 December 2013	2012
Acceptances	2,913,988	2,918,451
Loans and receivables	1,557,497	1,285,402
Letters of guarantee	49,328	37,175
Letters of credit	23,104	49,552
Others	28,666	29,326
Total	<u>4,572,583</u>	<u>4,319,906</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

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37. ACCRUED STAFF COSTS

	NOTES	THE GROUP	
		At 31 December 2013	2012 (restated)
Salaries, bonuses and allowances		1,498,861	1,154,242
Supplementary retirement benefits	(1)	1,024,560	981,450
Early retirement benefits	(2)	436,840	478,960
Labor union fees and staff education expenses		111,543	93,380
Total		3,071,804	2,708,032

	NOTES	THE BANK	
		At 31 December 2013	2012 (restated)
Salaries, bonuses and allowances		1,471,968	1,145,151
Supplementary retirement benefits	(1)	1,024,560	981,450
Early retirement benefits	(2)	436,840	478,960
Labor union fees and staff education expenses		110,386	93,021
Total		3,043,754	2,698,582

Notes:

(1) Supplementary retirement benefits

The Group sponsors unfunded defined benefit plans for qualifying employees. The defined benefit plans include supplementary retirement benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

Interest risk A decrease in the bond interest rate will increase the plan liability.
Longevity risk The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality or survival ages of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Employee benefit risk The present value of the defined benefit plan liabilities are calculated by reference to the future benefits of plan participants. As such, an increase in the benefit of the plan participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected unit credit method by Towers Watson Management Consulting (Shenzhen) Co., Ltd. (韬睿惠悦管理諮詢(深圳)有限公司), an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

Notes to the Consolidated Financial Statements (Continued)

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37. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(1) Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of the actuarial valuations for supplementary retirement benefits were as follows:

	THE GROUP AND THE BANK	
	At 31 December 2013	2012
Discount rate	5.00%	4.00%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiary	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2000-2003	

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	THE GROUP AND THE BANK	
	At 31 December 2013	2012 (restated)
Service cost:		
— Past service cost	144,730	137,060
Net interest expense	36,890	29,540
Components of supplementary retirement benefit costs recognised in profit or loss(included in staff costs)	181,620	166,600
Remeasurement on the defined benefit liability included in staff costs:		
— Actuarial gain arising from changes in financial assumptions	(61,830)	(4,241)
Components of supplementary retirement benefit cost recognised in other comprehensive income	(61,830)	(4,241)
Total	119,790	162,359

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its supplementary retirement benefit is as follows:

	THE GROUP AND THE BANK	
	At 31 December 2013	2012 (restated)
Accrued staff costs		
— supplementary retirement benefit	1,024,560	981,450

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

37. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(1) Supplementary retirement benefits (Continued)

Movement in the present value of the supplementary retirement benefit obligation in the current year were as follows:

	THE GROUP AND THE BANK	
	At 31 December 2013	2012 (restated)
Opening defined benefit obligation	981,450	887,171
Interest cost	36,890	29,540
Remeasurement on the defined benefit liability:		
— Actuarial gain arising from changes in financial assumptions	(61,830)	(4,241)
Past service cost	144,730	137,060
Benefits paid	(76,680)	(68,080)
Closing defined benefit obligation	<u>1,024,560</u>	<u>981,450</u>

A sensitivity analyse on the discount rate below have been determined based on reasonably possible changes of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 25 basis points higher (lower), the defined benefit obligation would decrease by RMB25 million (increase by RMB27 million).

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program until they reach their normal retirement age.

During the year, the Group recognised RMB72 million (2012: RMB64 million) as staff costs and paid RMB114 million (2012: RMB130 million) in respect of the early retirement benefits plan.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

38. DEBT SECURITIES ISSUED

	THE GROUP AND THE BANK	
	At 31 December 2013	2012
Subordinated bonds issued	2,300,000	2,300,000

As approved by the PBOC and CBRC, the Group issued callable subordinated fixed rate bonds of RMB2,300 million on 29 December 2009.

The subordinated fixed rate bonds issued in December 2009 have a maturity of 10 years, with a fixed coupon rate of 5.5%, payable annually. The Group has an option to redeem all of the bonds at par value on 30 December 2014. If the Group does not exercise this option, the coupon rate of the bonds will increase by 3% to 8.5% per annum from 30 December 2014 for the next five years.

39. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset.

The following are the major deferred tax assets and liabilities recognised and movements thereon:

THE GROUP

	Allowance for impairment losses	Retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Interest income/ expense	Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of Business	Total
As at 1 January 2012(restated)	1,016,134	141,903	227,989	3,188	6,204	15,216	112,691	1,523,325
(Charge) credit to profit or loss	(28,885)	(16,510)	59,334	(2,633)	282	(58,697)	(16,704)	(63,813)
Charge to other comprehensive income	—	(1,061)	—	—	(1,906)	—	—	(2,967)
As at 31 December 2012 (restated)	987,249	124,332	287,323	555	4,580	(43,481)	95,987	1,456,545
Credit (charge) to profit or loss	226,111	(10,530)	84,936	(117)	45,516	43,481	(15,375)	374,022
(Charge) credit to other comprehensive income	—	(4,592)	—	—	40,928	—	—	36,336
As at 31 December 2013	1,213,360	109,210	372,259	438	91,024	—	80,612	1,866,903

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

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39. DEFERRED TAXATION (Continued)

THE BANK

	Allowance for impairment losses	Retirement benefits	Accrued salaries, bonuses and allowances	Provision	Fair value changes of financial instruments	Interest income/ expense	Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of Business	Total
As at 1 January 2012 (restated)	1,016,134	141,903	227,989	3,188	6,204	15,216	112,691	1,523,325
(Charge) credit to profit or loss	(28,885)	(16,510)	58,299	(2,633)	282	(58,697)	(16,704)	(64,848)
Charge to other comprehensive income	—	(1,061)	—	—	(1,906)	—	—	(2,967)
As at 31 December 2012 (restated)	987,249	124,332	286,288	555	4,580	(43,481)	95,987	1,455,510
Credit (charge) to profit or loss	214,738	(10,530)	85,362	(117)	45,516	43,481	(15,375)	363,075
(Charge) credit to other comprehensive income	—	(4,592)	—	—	40,928	—	—	36,336
As at 31 December 2013	<u>1,201,987</u>	<u>109,210</u>	<u>371,650</u>	<u>438</u>	<u>91,024</u>	<u>—</u>	<u>80,612</u>	<u>1,854,921</u>

40. OTHER LIABILITIES

	NOTES	THE GROUP	
		At 31 December 2013	2012
Interest payable	(1)	3,666,150	2,682,451
Other payables	(2)	2,416,494	1,445,375
Business and other tax payables		300,778	266,602
Deferred income	(3)	101,985	102,887
Dividends payable		22,734	21,931
Provision		1,750	2,220
Total		<u>6,509,891</u>	<u>4,521,466</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

40. OTHER LIABILITIES (Continued)

	NOTES	THE BANK	
		At 31 December	
		2013	2012
Interest payable	(1)	3,657,759	2,676,621
Other payables	(2)	2,418,044	1,444,203
Business and other tax payables		298,496	265,629
Deferred income	(3)	99,755	101,157
Dividends payable		22,734	21,931
Provision		1,750	2,220
Total		<u>6,498,538</u>	<u>4,511,761</u>

Notes:

(1) Interest payable

	THE GROUP	
	At 31 December	
	2013	2012
Due to customers	2,622,381	2,145,159
Financial assets sold under repurchase agreements	524,336	266,521
Deposits from banks and other financial institutions	483,033	224,698
Placements from banks	36,272	45,698
Borrowings from central bank	128	375
Total	<u>3,666,150</u>	<u>2,682,451</u>

	THE BANK	
	At 31 December	
	2013	2012
Due to customers	2,618,640	2,141,610
Financial assets sold under repurchase agreements	524,336	266,521
Deposits from banks and other financial institutions	478,511	222,792
Placements from banks	36,272	45,698
Total	<u>3,657,759</u>	<u>2,676,621</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

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40. OTHER LIABILITIES (Continued)

Notes: (Continued)

(2) Other payables

	THE GROUP	
	At 31 December	
	2013	2012
Payables from providing agency services	1,296,855	611,767
Payables to National Council for Social Security Fund ("NCSSF") of the PRC	—	10,717
Dormant accounts	55,982	49,264
Items in process of clearing and settlement	515,944	129,571
Subsidies payable on behalf of government	237,045	287,890
Long term loan (Note)	46,444	53,560
Others	264,224	302,606
Total	2,416,494	1,445,375

	THE BANK	
	At 31 December	
	2013	2012
Payables from providing agency services	1,301,490	611,767
Payables to NCSSF of the PRC	—	10,717
Dormant accounts	55,937	49,264
Items in process of clearing and settlement	515,944	129,571
Subsidies payable on behalf of government	237,045	287,890
Long term loan (Note)	46,444	53,560
Others	261,184	301,434
Total	2,418,044	1,444,203

Note:

The amounts represent special purpose loans from International Fund for Agriculture Development ("IFAD") to support the micro financing in the PRC. At 31 December 2013, the loans carried fixed interest of 0.75% per annum.

At 31 December 2013, the remaining maturity of the loans is about 33 years. The terms are similar to the related loans granted to customers.

Notes to the Consolidated Financial Statements (Continued)

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40. OTHER LIABILITIES (Continued)

Notes: (Continued)

(3) Deferred income

Deferred income mainly represents government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	THE GROUP	
	At 31 December	
	2013	2012
Government grants	94,650	97,134
Consultancy and advisory fees	2	2,900
Other deferred income	7,333	2,853
Total	101,985	102,887

	THE BANK	
	At 31 December	
	2013	2012
Government grants	94,537	97,134
Consultancy and advisory fees	2	2,900
Other deferred income	5,216	1,123
Total	99,755	101,157

41. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 1 January 2012, 31 December 2012 and 31 December 2013	9,300,000	9,300,000

Note:

On 5 January 2011, the Bank issued additional 300,000,000 H shares with par value of RMB1 per share at offer price of HKD5.25 per share under the over-allotment options granted during the initial public offering which were fully exercised.

42. CAPITAL RESERVE

The Bank issued shares at share premium. Share premium was recorded in the capital reserve after deducting direct issue costs which mainly included underwriting fees and professional fees directly attributable to issue of shares.

Notes to the Consolidated Financial Statements (Continued)

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43. INVESTMENT REVALUATION RESERVE

THE GROUP AND THE BANK

	Gross amount	Tax effect	Net effect
As at 1 January 2012	(25,172)	6,293	(18,879)
Losses on fair value changes of available-for-sale financial assets	(10,357)	2,589	(7,768)
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	(629)	157	(472)
Amount reclassified to the profit or loss upon impairment of available-for-sale financial assets	18,610	(4,652)	13,958
As at 31 December 2012	(17,548)	4,387	(13,161)
Losses on fair value changes of available-for-sale financial assets	(173,664)	43,416	(130,248)
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	9,952	(2,488)	7,464
As at 31 December 2013	<u>(181,260)</u>	<u>45,315</u>	<u>(135,945)</u>

44. SURPLUS RESERVE

Under relevant PRC Laws, the Group is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under the generally accepted accounting principles of the PRC ("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.

For the year ended 31 December 2013 and 31 December 2012, the Bank appropriated approximately RMB597 million and RMB534 million to the statutory surplus reserve respectively. Pursuant to the approved 2012 profit appropriation resolution by the general meeting on 10 May 2013, the Bank appropriated none million to discretionary surplus reserve (2012: 1,612 million).

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45. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the PRC, in addition to the specific and collective allowances for impairment losses, the Bank is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate certain amounts of their net profit as general reserve.

During the year ended 31 December 2013, the Group transferred approximately RMB2,649 million to general reserve pursuant to regulatory requirement in the PRC (2012: approximately RMB928 million).

46. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

	THE BANK	
	2013	2012
As at 1 January	4,771,041	3,803,163
Profit for the year	5,968,830	5,344,629
Appropriation to surplus reserve	(596,884)	(2,146,706)
Appropriation to general reserve	(2,649,421)	(928,045)
Dividends recognised as distribution	(1,581,000)	(1,302,000)
As at 31 December	<u>5,912,566</u>	<u>4,771,041</u>

47. CASH AND CASH EQUIVALENTS

For the purpose of statements of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	THE GROUP	
	At 31 December 2013	2012
Cash	3,363,889	3,289,508
Balances with central bank	2,282,698	2,279,504
Deposits with banks and other financial institutions	14,273,352	8,966,979
Placements with banks and other financial institutions	8,654,993	4,721,882
Financial assets held under resale agreements	5,705,393	8,095,197
Total	<u>34,280,325</u>	<u>27,353,070</u>

Notes to the Consolidated Financial Statements (Continued)

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48. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Bank and the Group that are regularly reviewed by the Board of the directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group mainly operates in Chongqing, PRC, in which majority of its customers and non-current assets are located. The Group has expanded its operation to other mainland provinces like Jiangsu, Sichuan, Yunnan, Fujian and Guangxi through setting up branches and subsidiaries. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

The Group has no major customers which contribute 10 per cent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions, and debt instruments investment for its own accounts or on behalf of customers.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

48. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

THE GROUP

	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Year ended 31 December 2013						
External interest income	8,260,470	5,348,977	13,570,364	27,179,811	—	27,179,811
External interest expense	(1,047,992)	(5,726,954)	(4,701,672)	(11,476,618)	—	(11,476,618)
Inter-segment interest (expense) income	(1,480,222)	5,343,016	(3,862,794)	—	—	—
Net interest income	5,732,256	4,965,039	5,005,898	15,703,193	—	15,703,193
Fee and commission income	269,508	292,149	177,422	739,079	—	739,079
Fee and commission expense	(9,434)	(38,368)	(11,597)	(59,399)	—	(59,399)
Net fee and commission income	260,074	253,781	165,825	679,680	—	679,680
Net trading losses	—	—	(197,640)	(197,640)	—	(197,640)
Share of profit of an associate	—	—	—	—	268	268
Other operating income, net	—	—	18,940	18,940	111,308	130,248
Operating income	5,992,330	5,218,820	4,993,023	16,204,173	111,576	16,315,749
Operating expenses	(3,131,740)	(2,489,829)	(1,586,227)	(7,207,796)	—	(7,207,796)
Impairment on assets	(754,454)	(218,871)	(207,954)	(1,181,279)	—	(1,181,279)
Net losses on disposal of available- for-sale financial assets	—	—	(9,952)	(9,952)	—	(9,952)
Profit before tax	2,106,136	2,510,120	3,188,890	7,805,146	111,576	7,916,722
Income tax expense	—	—	—	—	—	(1,901,605)
Profit for the year	—	—	—	—	—	<u>6,015,117</u>
Depreciation and amortisation included in operating expenses	212,811	174,449	105,351	492,611	—	492,611
Capital expenditure	510,172	418,209	252,559	1,180,940	—	<u>1,180,940</u>
At 31 December 2013						
Segment assets	116,706,314	81,954,111	297,139,355	495,799,780	6,646,192	502,445,972
Segment liabilities	93,100,082	262,953,512	108,397,557	464,451,151	1,105,516	465,556,667
Supplementary information Credit commitment	6,026,090	2,261,078	—	8,287,168	—	<u>8,287,168</u>

Notes to the Consolidated Financial Statements (Continued)

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48. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

THE GROUP (Continued)

	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Year ended 31 December 2012						
External interest income	7,614,744	4,311,827	10,405,038	22,331,609	—	22,331,609
External interest expense	(650,600)	(4,972,637)	(3,616,178)	(9,239,415)	—	(9,239,415)
Inter-segment interest (expense) income	(1,666,379)	4,791,274	(3,124,895)	—	—	—
Net interest income	5,297,765	4,130,464	3,663,965	13,092,194	—	13,092,194
Fee and commission income	202,627	175,567	110,181	488,375	—	488,375
Fee and commission expense	(9,228)	(36,884)	(6,539)	(52,651)	—	(52,651)
Net fee and commission income	193,399	138,683	103,642	435,724	—	435,724
Net trading gain	—	—	13,008	13,008	—	13,008
Other operating (losses) income, net	—	—	(248)	(248)	112,640	112,392
Operating income	5,491,164	4,269,147	3,780,367	13,540,678	112,640	13,653,318
Operating expenses	(3,284,226)	(1,825,451)	(965,096)	(6,074,773)	—	(6,074,773)
Impairment on assets	(214,629)	(56,493)	(240,290)	(511,412)	—	(511,412)
Net gain on disposal of available-for-sale financial assets	—	—	629	629	—	629
Profit before tax	1,992,309	2,387,203	2,575,610	6,955,122	112,640	7,067,762
Income tax expense	—	—	—	—	—	(1,690,059)
Profit for the year	—	—	—	—	—	5,377,703
Depreciation and amortisation included in operating expenses	207,056	114,637	52,615	374,308	—	374,308
Capital expenditure	520,631	288,247	132,297	941,175	—	941,175
At 31 December 2012 (restated)						
Segment assets	106,239,403	59,575,173	262,315,697	428,130,273	5,696,786	433,827,059
Segment liabilities	79,839,559	221,043,224	99,951,969	400,834,752	776,573	401,611,325
Supplementary information Credit commitment	5,346,140	1,573,824	—	6,919,964	—	6,919,964

Unallocated assets mainly include property and equipment of the Group, equity investments, goodwill and deferred tax assets. Unallocated liabilities mainly include tax liabilities and dividends payable.

Notes to the Consolidated Financial Statements (Continued)

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49. RELATED PARTY TRANSACTIONS

Related parties of the Group and the Bank

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares hold	
	At 31 December	
	2013 %	2012 %
Chongqing Yufu Assets Management Group Company Limited	6.77	6.77
Chongqing City Construction Investment (Group) Co., Ltd.	6.68	6.68
Loncin Holding Co., Ltd.	6.13	6.13

There are several entities controlled or jointly controlled by the above shareholders and member of the key management personnel of the Group which are considered as related parties of the Group (“other related parties”).

Related party transactions

During the year, the Bank and the Group entered into the following material transactions with related parties:

THE GROUP AND THE BANK

	Interest Income		Interest expense	
	Year ended 31 December		Year ended 31 December	
	2013	2012	2013	2012
Shareholders of the Bank	151,545	130,221	1,746	13,030
Other related parties	140,644	147,679	25,767	4,086

	Operating expense	
	Year ended 31 December	
	2013	2012
Shareholders of the Bank	5,700	7,040

During the year, the Bank repaid RMB26 million to a shareholder of the Bank due to sales of non-performing assets in previous years and recognised in “Other operating income, net”.

Notes to the Consolidated Financial Statements (Continued)

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49. RELATED PARTY TRANSACTIONS (Continued)

Related party transactions (Continued)

At the end of each reporting period, the bank and the group had the following material outstanding balances with related parties:

	Loans and advances to related parties		Customer deposits from related parties	
	At 31 December 2013	2012	At 31 December 2013	2012
Shareholders of the Bank	2,691,500	3,030,450	543,065	115,501
Other related parties	2,755,469	2,664,982	2,329,014	1,738,521

	Interest receivable from related parties		Interest payable to related parties	
	At 31 December 2013	2012	At 31 December 2013	2012
Shareholders of the Bank	5,209	5,797	64	9
Other related parties	5,614	5,356	5,548	335

	Guarantee provided by related parties	
	At 31 December 2013	2012
Other related parties	4,510,298	3,455,135

At 31 December 2013, the debt instruments issued by financial institutions of RMB1,335 million (31 December 2012: RMB1,000 million) included in debt securities classified as receivables were used to lend trust loans to a shareholder of the Bank and other related parties.

Transactions between the Bank and its associate

The Group entered into various transactions with its associate.

At 31 December 2013, the Bank has placements with its associate, the CAF, totaling RMB50 million (31 December 2012: nil), with the interest receivable and interest income of RMB0.05 million and RMB0.09 million respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

49. RELATED PARTY TRANSACTIONS (Continued)

Transactions between the Bank and subsidiaries

The Group entered into various transactions with its subsidiaries.

At 31 December 2013, the Bank's deposits with subsidiaries and from subsidiaries amounted to RMB1,090 million and RMB209 million, respectively (31 December 2012: RMB100 million and RMB182 million, respectively), with the Bank's interest income and expense totaling RMB24 million and RMB0.1 million, respectively (year ended 31 December 2012: RMB4 million and RMB1 million, respectively).

Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year were as follows:

	THE GROUP	
	Year ended 31 December	
	2013	2012
Basic salaries, bonuses and allowances	13,767	14,872
Contribution to pension schemes	1,631	1,469
Fees	1,380	1,440
Total	16,778	17,781

The key management personnel's final emoluments for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group at 31 December 2013. The amount of actual remuneration will be announced after approval.

50. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. At 31 December 2013, provisions of RMB1.75 million (31 December 2012: RMB2.22 million) were made based on court judgements or the advice of counsel. Provision for litigation losses as advised by in-house or the external legal professionals is disclosed in note 40 "Other liabilities-Provision". The directors of the Bank believe, based on legal advice, other than the provisions recognised, the final result of the lawsuits will not have a material impact on the financial position or operations of the Group.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

50. CONTINGENT LIABILITIES AND COMMITMENTS

Capital commitments

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Contracted but not provided for	546,768	854,570
Authorised but not contracted for	640,952	601,475
Total	<u>1,187,720</u>	<u>1,456,045</u>

Credit commitments

	THE GROUP	
	At 31 December	
	2013	2012
Acceptances	5,807,724	4,666,545
Undrawn credit card limit	2,261,078	1,573,824
Letters of credit issued	93,798	594,941
Letters of guarantee	124,568	84,654
Total	<u>8,287,168</u>	<u>6,919,964</u>

	THE BANK	
	At 31 December	
	2013	2012
Acceptances	5,459,121	4,244,713
Undrawn credit card limit	2,261,078	1,573,824
Letters of credit issued	93,798	594,941
Letters of guarantee	124,568	84,654
Total	<u>7,938,565</u>	<u>6,498,132</u>

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The Directors are of the opinion that such commitments are conditional and revocable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

50. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Operating lease commitment

At the end of each reporting period, the Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	THE GROUP	
	At 31 December 2013	2012
Within 1 year	42,328	37,549
1 to 2 years	31,482	34,899
2 to 3 years	22,411	23,364
3 to 4 years	17,025	16,144
4 to 5 years	11,479	12,696
Above 5 years	30,850	38,569
Total	155,575	163,221

	THE BANK	
	At 31 December 2013	2012
Within 1 year	37,789	35,944
1 to 2 years	26,353	33,196
2 to 3 years	17,259	21,536
3 to 4 years	13,987	15,648
4 to 5 years	10,932	12,175
Above 5 years	29,040	36,212
Total	135,360	154,711

The leases are negotiated for a lease term of 1 to 18 years.

Credit risk weighted amounts for credit commitments

	THE GROUP	
	At 31 December 2013	2012
Credit commitments	2,939,002	1,547,496

	THE BANK	
	At 31 December 2013	2012
Credit commitments	2,856,088	1,374,265

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

50. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amounts for credit commitments (Continued)

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

In accordance with the Administrative Measures on the Capital of Commercial Banks (Trial) (「商業銀行資本管理辦法(試行)」) promulgated by CBRC, which has come into force from 1 January 2013, new methods have been introduced to compute the credit risk weighted amounts for credit commitments. Thus the Group restated the comparative figure.

Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement by the Group and the bank is as follows:

	THE GROUP AND THE BANK	
	At 31 December	
	2013	2012
Bonds	36,862,005	36,563,645
Bills	2,358,808	6,713,523
Total	<u>39,220,813</u>	<u>43,277,168</u>

At 31 December 2013 and 31 December 2012, the carrying amount of financial assets sold under repurchase agreements by the Group and the Bank was RMB37,241 million and RMB42,639 million, respectively (note 35).

All repurchase agreements are due within twelve months from inception.

Collateral accepted

Bills and other documents received as collateral can be resold or re-pledged in connection with bills and other documents purchased under resale agreements. The fair value of collateral accepted by the Group and the Bank is RMB14,649 million at 31 December 2013 (31 December 2012: RMB26,389 million). The fair value of collateral sold or re-pledged by the Group is RMB2,401 million at 31 December 2013 (31 December 2012: RMB6,703 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

51. TRANSFER OF FINANCIAL ASSETS

The Group and the Bank entered into repurchase agreements with certain counterparties to sell debt securities classified as available-for-sale financial assets of carrying amount of RMB184 million(31 December 2012: RMB600 million), debt securities classified as held-to-maturity investments of carrying amount of RMB35,968 million(31 December 2012: RMB35,578 million), debt securities classified as receivables of carrying amount of RMB710 million(31 December 2012: RMB386 million), and bills of carrying amount of RMB2,359 million(31 December 2012: RMB6,714 million) at 31 December 2013, respectively, which subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such debt securities and bills totaling RMB37,241 million at 31 December 2013(31 December 2012: RMB42,639 million) are presented as “financial assets sold under repurchase agreements”(note 35).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group and the Bank are not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group and the Bank have determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognized from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

The counterparty’s recourse is not limited to the transferred assets.

52. FINANCIAL RISK MANAGEMENT

Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management framework

The Group has a risk management committee under the Board of Directors. risk management committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available. In addition, the Group also provides financial guarantee service to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

Impairment assessment

Key factors on impairment assessment

The Group generally measures and manages the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC, which requires the Group to classify loans into the following five category loan classification: normal, special mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relates to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowances for impairment losses are assessed collectively or individually as appropriate.

The Group assesses the impairment for loans and advances to customers at the end of reporting period in accordance with the accounting policies set out in note 3. In addition, analysis based on the contractual amounts of the loans and advances to customers at the end of reporting period are provided internally to management for the purpose of assessing financial risks. Hence, certain quantitative disclosure in financial risk management has been prepared based on the original contractual amounts of those instruments particularly, loans and advances to customers.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Impairment assessment (Continued)

Key factors on impairment assessment (Continued)

The five category loan classification in which the Group classifies its loans and advances to customers is set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding the Group's estimation of impairment losses on financial assets are set out in note 3 "Impairment of financial assets".

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in note 50 "Contingent liabilities and commitments".

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

A summary of the maximum exposure to credit risk is as follows:

	THE GROUP	
	At 31 December	
	2013	2012
Financial assets		
Balances with central bank	65,418,245	55,674,552
Deposits with banks and other financial institutions	23,655,929	12,263,068
Placements with banks and other financial institutions	25,056,277	29,748,852
Financial assets held for trading	2,690,994	3,774,309
Financial assets designated as at fair value through profit or loss	19,127,488	18,112,605
Derivative financial assets	455	–
Financial assets held under resale agreements	70,828,936	51,765,062
Loans and advances to customers	198,150,565	167,614,916
Available-for-sale financial assets	5,096,134	4,550,131
Held-to-maturity investments	50,251,518	45,773,802
Debt securities classified as receivables	28,745,383	32,614,365
Other financial assets	3,177,274	2,728,361
Subtotal	492,199,198	424,620,023
Off-balance sheet items	8,287,168	6,919,964
Total	500,486,366	431,539,987

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	THE BANK	
	At 31 December	
	2013	2012
Financial assets		
Balances with central bank	65,203,906	55,554,731
Deposits with banks and other financial institutions	24,200,834	12,264,057
Placements with banks and other financial institutions	25,056,277	29,748,852
Financial assets held for trading	2,690,994	3,774,309
Financial assets designated as at fair value		
through profit or loss	19,127,488	18,102,605
Derivative financial assets	455	—
Financial assets held under resale agreements	70,828,936	51,765,062
Loans and advances to customers	195,453,208	166,588,124
Available-for-sale financial assets	5,096,134	4,550,131
Held-to-maturity investments	50,251,518	45,773,802
Debt securities classified as receivables	28,745,383	32,614,365
Other financial assets	3,157,475	2,724,478
Subtotal	489,812,608	423,460,516
Off-balance sheet items	7,938,565	6,498,132
Total	497,751,173	429,958,648

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The main types of collateral obtained are as follows:

- Mortgage loans to personal customers are generally collateralised by mortgages over residential properties;
- Other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- Reverse repurchase transactions are mainly collateralised by bonds, bills, or loans and advances to customers.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

Loans and advances to customers

Under the IFRS, the restructuring of the Bank was accounted for as an acquisition of the Business from the 39 Rural Credit Unions and CRCCU by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCCU and the Bank before and after the restructuring. The following disclosures (note(1) to (5)) in relation to loans and advances to customers have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (1) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows:

THE GROUP

	At 31 December 2013		At 31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Production and supply of electricity, gas and water	6,904,592	5.74	6,685,128	6.00
Real estate	13,897,209	11.55	15,962,106	14.32
Construction	6,917,420	5.75	9,186,714	8.24
Financial concerns	468,658	0.39	2,648,902	2.38
Retail and wholesale	9,593,155	7.97	7,277,005	6.53
Water, environment and public utilities management	22,453,470	18.66	18,415,560	16.52
Manufacturing	36,234,720	30.11	30,032,533	26.94
Leasing and commercial services	3,752,317	3.12	3,098,547	2.78
Transportation, logistics and postal services	2,614,516	2.17	1,890,361	1.70
Education	3,013,888	2.50	2,642,887	2.37
Agriculture	6,535,587	5.43	4,997,618	4.48
Others	7,939,117	6.61	8,623,848	7.74
Subtotal	120,324,649	100.00	111,461,209	100.00
Personal loans and advances				
Mortgages	46,279,708	54.49	35,184,452	56.66
Loans to private business and employment assistance loans	28,854,682	33.98	18,764,920	30.22
Credit card	2,099,843	2.47	1,222,609	1.97
Others	7,693,574	9.06	6,926,165	11.15
Subtotal	84,927,807	100.00	62,098,146	100.00
Contractual amount of loans and advances to customers	205,252,456		173,559,355	

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (1) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

THE BANK

	At 31 December 2013		At 31 December 2012	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Production and supply of electricity, gas and water	6,894,592	5.81	6,685,128	6.03
Real estate	13,897,209	11.70	15,962,106	14.40
Construction	6,866,120	5.78	9,151,914	8.26
Financial concerns	468,658	0.39	2,648,902	2.39
Retail and wholesale	9,143,505	7.70	7,172,155	6.47
Water, environment and public utilities management	22,453,470	18.91	18,415,560	16.61
Manufacturing	35,544,931	29.93	29,758,008	26.84
Leasing and commercial services	3,725,817	3.14	3,082,547	2.78
Transportation, logistics and postal services	2,595,516	2.19	1,885,361	1.70
Education	3,013,888	2.54	2,642,887	2.38
Agriculture	6,275,177	5.28	4,846,818	4.37
Others	7,875,032	6.63	8,603,748	7.77
Subtotal	118,753,915	100.00	110,855,134	100.00
Personal loans and advances				
Mortgages	46,229,226	55.21	35,182,435	57.05
Loans to private business and employment assistance loans	27,847,879	33.26	18,371,130	29.79
Credit card	2,099,843	2.51	1,222,609	1.98
Others	7,552,414	9.02	6,892,207	11.18
Subtotal	83,729,362	100.00	61,668,381	100.00
Contractual amount of loans and advances to customers	202,483,277		172,523,515	

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (1) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

Details of impaired loans, impairment allowances, charges (reverses) and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

THE GROUP

	Year ended 31 December 2013				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Provision charge (reverse) for the year	Written off for the year
Real estate	43,828	(20,822)	(780,578)	(515,006)	4,564
Water, environment and public utilities management	—	—	(301,984)	259,532	350
Manufacturing	251,939	(158,595)	(1,256,040)	310,153	25
	Year ended 31 December 2012				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Provision charge (reverse) for the year	Written off for the year
Real estate	403,646	(158,454)	(1,118,661)	131,553	1,767
Water, environment and public utilities management	350	—	(42,355)	(25,836)	—
Manufacturing	281,550	(221,225)	(886,925)	34,757	28,220

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (1) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

THE BANK

	Year ended 31 December 2013				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Provision charge (reverse) for the year	Written off for the year
Real estate	43,828	(20,822)	(780,578)	(488,412)	4,564
Water, environment and public utilities management	—	—	(301,984)	259,583	350
Manufacturing	247,497	(156,485)	(1,212,436)	283,907	25
	Year ended 31 December 2012				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Provision charge (reverse) for the year	Written off for the year
Real estate	403,646	(158,454)	(1,118,661)	131,553	1,767
Water, environment and public utilities management	350	—	(42,355)	(25,836)	—
Manufacturing	281,550	(221,225)	(880,193)	32,003	28,220

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (2) The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

THE GROUP

	At 31 December 2013			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	6,124,363	6,670,642	5,263,630	18,058,635
Guaranteed loans	18,722,743	12,438,350	7,101,914	38,263,007
Collateralised and other secured loans				
— loans secured by property and other immovable assets	25,250,315	50,453,556	58,779,669	134,483,540
— other pledged loans	6,209,135	4,315,771	3,922,368	14,447,274
Total	56,306,556	73,878,319	75,067,581	205,252,456

	At 31 December 2012			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	4,167,880	7,320,997	4,824,631	16,313,508
Guaranteed loans	13,014,107	13,900,166	7,455,232	34,369,505
Collateralised and other secured loans				
— loans secured by property and other immovable assets	15,864,856	47,484,803	44,809,535	108,159,194
— other pledged loans	6,698,999	4,624,403	3,393,746	14,717,148
Total	39,745,842	73,330,369	60,483,144	173,559,355

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (2) The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows: (Continued)

THE BANK

	At 31 December 2013			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	6,108,783	6,668,062	5,263,630	18,040,475
Guaranteed loans	17,624,805	12,105,207	7,101,245	36,831,257
Collateralised and other secured loans				
— loans secured by property and other immovable assets	24,781,460	49,896,162	58,688,789	133,366,411
— other pledged loans	6,011,847	4,310,919	3,922,368	14,245,134
Total	54,526,895	72,980,350	74,976,032	202,483,277

	At 31 December 2012			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	4,167,880	7,320,997	4,824,631	16,313,508
Guaranteed loans	12,517,753	13,791,006	7,455,232	33,763,991
Collateralised and other secured loans				
— loans secured by property and other immovable assets	15,696,882	47,268,584	44,780,130	107,745,596
— other pledged loans	6,682,271	4,624,403	3,393,746	14,700,420
Total	39,064,786	73,004,990	60,453,739	172,523,515

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52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(3) Past due loans at contractual amount

THE GROUP

	At 31 December 2013				
	Up to 90 days	90 - 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	150,520	25,332	78,872	180,148	434,872
Guaranteed loans	205,451	36,893	14,848	62,308	319,500
Collateralised and other secured loans					
— loans secured by property and other immovable assets	1,180,480	127,858	120,057	302,194	1,730,589
— other pledged loans	7,869	7,069	3,691	19,346	37,975
Total	1,544,320	197,152	217,468	563,996	2,522,936

	At 31 December 2012				
	Up to 90 days	90 - 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	238,908	45,391	173,093	151,936	609,328
Guaranteed loans	96,149	17,547	34,576	84,089	232,361
Collateralised and other secured loans					
— loans secured by property and other immovable assets	986,116	134,311	442,240	404,360	1,967,027
— other pledged loans	1,955	10,040	11,383	48,302	71,680
Total	1,323,128	207,289	661,292	688,687	2,880,396

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(3) Past due loans at contractual amount (Continued)

THE BANK

	At 31 December 2013				
	Up to 90 days	90 - 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	150,520	25,332	78,872	180,148	434,872
Guaranteed loans	120,244	29,393	14,848	62,308	226,793
Collateralised and other secured loans					
— loans secured by property and other immovable assets	1,151,924	120,152	118,157	302,194	1,692,427
— other pledged loans	7,869	7,069	3,691	19,346	37,975
Total	1,430,557	181,946	215,568	563,996	2,392,067

	At 31 December 2012				
	Up to 90 days	90 - 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	238,908	45,391	173,093	151,936	609,328
Guaranteed loans	94,226	17,547	34,576	84,089	230,438
Collateralised and other secured loans					
— loans secured by property and other immovable assets	972,834	130,111	442,240	404,360	1,949,545
— other pledged loans	1,955	10,040	11,383	48,301	71,679
Total	1,307,923	203,089	661,292	688,686	2,860,990

Note: Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount

	NOTES	THE GROUP	
		At 31 December	
		2013	2012
Neither past due nor impaired	(i)	202,182,919	170,544,600
Past due but not impaired	(ii)	1,420,255	1,319,225
Impaired	(iii)	1,649,282	1,695,530
Subtotal		205,252,456	173,559,355
Allowances for impairment losses		(7,101,891)	(5,944,439)
Loans and advances to customers		<u>198,150,565</u>	<u>167,614,916</u>
	NOTES	THE BANK	
		At 31 December	
		2013	2012
Neither past due nor impaired	(i)	199,544,610	169,528,166
Past due but not impaired	(ii)	1,308,587	1,299,819
Impaired	(iii)	1,630,080	1,695,530
Subtotal		202,483,277	172,523,515
Allowances for impairment losses		(7,030,069)	(5,935,391)
Loans and advances to customers		<u>195,453,208</u>	<u>166,588,124</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(i) Loans and advances neither past due nor impaired

THE GROUP

	At 31 December 2013		
	Normal	Special mention	Total
Corporate loans and advances	115,354,106	3,853,173	119,207,279
Personal loans and advances	82,573,814	401,826	82,975,640
Total	<u>197,927,920</u>	<u>4,254,999</u>	<u>202,182,919</u>

	At 31 December 2012		
	Normal	Special mention	Total
Corporate loans and advances	107,653,781	2,825,360	110,479,141
Personal loans and advances	59,846,403	219,056	60,065,459
Total	<u>167,500,184</u>	<u>3,044,416</u>	<u>170,544,600</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(i) Loans and advances neither past due nor impaired (Continued)

THE BANK

	At 31 December 2013		
	Normal	Special mention	Total
Corporate loans and advances	113,884,821	3,849,573	117,734,394
Personal loans and advances	81,429,490	380,726	81,810,216
Total	<u>195,314,311</u>	<u>4,230,299</u>	<u>199,544,610</u>

	At 31 December 2012		
	Normal	Special mention	Total
Corporate loans and advances	107,051,905	2,825,360	109,877,265
Personal loans and advances	59,431,845	219,056	59,650,901
Total	<u>166,483,750</u>	<u>3,044,416</u>	<u>169,528,166</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(ii) Loans and advances past due but not impaired

THE GROUP

	At 31 December 2013				Total	Fair value of collateral
	Up to 30 days (including 30 days)	30–60 days (including 60 days)	60–90 days (including 90 days)	More than 90 days		
Corporate loans and advances	124,140	26,374	6,890	50	157,454	80,730
Personal loans and advances	970,586	199,913	89,304	2,998	1,262,801	1,661,265
Total	1,094,726	226,287	96,194	3,048	1,420,255	1,741,995

	At 31 December 2012				Total	Fair value of collateral
	Up to 30 days (including 30 days)	30–60 days (including 60 days)	60–90 days (including 90 days)	More than 90 days		
Corporate loans and advances	35,120	—	100	7,580	42,800	31,757
Personal loans and advances	1,029,044	168,891	69,698	8,792	1,276,425	1,454,061
Total	1,064,164	168,891	69,798	16,372	1,319,225	1,485,818

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(ii) Loans and advances past due but not impaired (Continued)

THE BANK

	At 31 December 2013				Total	Fair value of collateral
	Up to 30 days (including 30 days)	30–60 days (including 60 days)	60–90 days (including 90 days)	More than 90 days		
Corporate loans and advances	62,232	1,374	390	50	64,046	48,705
Personal loans and advances	954,850	198,133	88,560	2,998	1,244,541	1,642,485
Total	1,017,082	199,507	88,950	3,048	1,308,587	1,691,190

	At 31 December 2012				Total	Fair value of collateral
	Up to 30 days (including 30 days)	30–60 days (including 60 days)	60–90 days (including 90 days)	More than 90 days		
Corporate loans and advances	35,120	—	100	3,380	38,600	25,684
Personal loans and advances	1,015,761	166,968	69,698	8,792	1,261,219	1,454,061
Total	1,050,881	166,968	69,798	12,172	1,299,819	1,479,745

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(iii) Impaired loans and advances

THE GROUP

	At 31 December 2013		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	946,591	(390,928)	555,663
Collectively assessed	702,691	(554,611)	148,080
Total	1,649,282	(945,539)	703,743

	At 31 December 2012		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	897,574	(497,593)	399,981
Collectively assessed	797,956	(639,460)	158,496
Total	1,695,530	(1,137,053)	558,477

Including:

	At 31 December	
	2013	2012
Individually assessed and impaired	946,591	897,574
Individually assessed and impaired %	0.46%	0.52%
Fair value of collateral	562,629	378,913

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(iii) Impaired loans and advances (Continued)

THE BANK

	At 31 December 2013		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	942,150	(388,818)	553,332
Collectively assessed	687,930	(548,804)	139,126
Total	1,630,080	(937,622)	692,458

	At 31 December 2012		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	897,574	(497,593)	399,981
Collectively assessed	797,956	(639,460)	158,496
Total	1,695,530	(1,137,053)	558,477

Including:

	At 31 December	
	2013	2012
Individually assessed and impaired	942,150	897,574
Individually assessed and impaired %	0.47%	0.52%
Fair value of collateral	559,629	378,913

(5) Rescheduled loans and advances

Rescheduled loans and advances arise from rescheduling and deferral of repayment terms. Rescheduled loans and advances are under continuous monitoring. Contractual amount of rescheduled loans and advances at 31 December 2013 were RMB 147 million (31 December 2012: RMB 237 million), of which loans and advances overdue for more than 90 days were RMB 30 million (31 December 2012: RMB 37 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(6) Assets foreclosed under credit enhancement arrangement

Details of such assets are disclosed in note 31. The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

Debt securities

(1) Credit quality of debt securities

	NOTE	THE GROUP	
		At 31 December	
		2013	2012
Neither past due nor impaired		106,634,367	105,340,108
Impaired		—	—
Subtotal	(i)	106,634,367	105,340,108
Less: Collectively assessed allowance for impairment losses		(722,850)	(514,896)
Debt securities, net		<u>105,911,517</u>	<u>104,825,212</u>

	NOTE	THE BANK	
		At 31 December	
		2013	2012
Neither past due nor impaired		106,634,367	105,330,108
Impaired		—	—
Subtotal	(i)	106,634,367	105,330,108
Less: Collectively assessed allowance for impairment losses		(722,850)	(514,896)
Debt securities, net		<u>105,911,517</u>	<u>104,815,212</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(1) Credit quality of debt securities (Continued)

(i) Debt securities neither past due nor impaired

THE GROUP

	At 31 December 2013					Total
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	—	—	—	8,011,431	—	8,011,431
Public sector, quasi-government bonds	—	—	—	24,672,542	47,983	24,720,525
Financial institution bonds	188,878	—	111,250	3,868,643	762,319	4,931,090
Corporate bonds	2,502,116	—	4,984,884	13,763,412	2,033,170	23,283,582
Certificate treasury bonds	—	—	—	—	107,709	107,709
Debt instruments issued by financial institutions	—	19,127,488	—	—	26,452,542	45,580,030
Total	2,690,994	19,127,488	5,096,134	50,316,028	29,403,723	106,634,367

	At 31 December 2012					Total
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	—	—	—	8,355,758	—	8,355,758
Public sector, quasi-government bonds	—	—	—	21,416,453	47,722	21,464,175
Financial institution bonds	—	—	—	2,288,499	761,439	3,049,938
Corporate bonds	3,774,309	—	4,550,131	13,774,242	1,539,190	23,637,872
Certificate treasury bonds	—	—	—	—	340,880	340,880
Debt instruments issued by financial institutions	—	18,112,605	—	—	30,378,880	48,491,485
Total	3,774,309	18,112,605	4,550,131	45,834,952	33,068,111	105,340,108

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(1) Credit quality of debt securities (Continued)

(i) Debt securities neither past due nor impaired (Continued)

THE BANK

	At 31 December 2013					Total
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	—	—	—	8,011,431	—	8,011,431
Public sector, quasi-government bonds	—	—	—	24,672,542	47,983	24,720,525
Financial institution bonds	188,878	—	111,250	3,868,643	762,319	4,931,090
Corporate bonds	2,502,116	—	4,984,884	13,763,412	2,033,170	23,283,582
Certificate treasury bonds	—	—	—	—	107,709	107,709
Debt instruments issued by financial institutions	—	19,127,488	—	—	26,452,542	45,580,030
Total	2,690,994	19,127,488	5,096,134	50,316,028	29,403,723	106,634,367

	At 31 December 2012					Total
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	—	—	—	8,355,758	—	8,355,758
Public sector, quasi-government bonds	—	—	—	21,416,453	47,722	21,464,175
Financial institution bonds	—	—	—	2,288,499	761,439	3,049,938
Corporate bonds	3,774,309	—	4,550,131	13,774,242	1,539,190	23,637,872
Certificate treasury bonds	—	—	—	—	340,880	340,880
Debt instruments issued by financial institutions	—	18,102,605	—	—	30,378,880	48,481,485
Total	3,774,309	18,102,605	4,550,131	45,834,952	33,068,111	105,330,108

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic

The Group relied on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

THE GROUP

	At 31 December 2013				
	AAA	AA	A	Unrated	Total
Financial assets held for trading					
Financial institution bonds	—	188,878	—	—	188,878
Corporate bonds	1,403,040	1,099,076	—	—	2,502,116
Subtotal	1,403,040	1,287,954	—	—	2,690,994
Financial assets designated as at fair value through profit or loss					
Debt instruments issued by financial institutions	—	—	—	19,127,488	19,127,488
Subtotal	—	—	—	19,127,488	19,127,488
Available-for-sale financial assets					
Financial institution bonds	111,250	—	—	—	111,250
Corporate bonds	1,527,045	3,457,839	—	—	4,984,884
Subtotal	1,638,295	3,457,839	—	—	5,096,134
Held-to-maturity investments					
Government bonds	—	—	—	8,011,431	8,011,431
Public sector, quasi-government bonds	2,987,183	—	—	21,685,359	24,672,542
Financial institution bonds	1,068,738	2,799,083	—	—	3,867,821
Corporate bonds	10,951,187	2,599,362	149,175	—	13,699,724
Subtotal	15,007,108	5,398,445	149,175	29,696,790	50,251,518
Debt securities classified as receivables					
Public sector, quasi-government bonds	—	—	—	47,983	47,983
Financial institution bonds	238,905	523,414	—	—	762,319
Corporate Bonds	344,727	1,503,673	178,460	—	2,026,860
Certificate treasury bonds	—	—	—	107,709	107,709
Debt instruments issued by financial institutions	—	—	—	25,800,512	25,800,512
Subtotal	583,632	2,027,087	178,460	25,956,204	28,745,383
Total	18,632,075	12,171,325	327,635	74,780,482	105,911,517

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (Continued)

THE GROUP (Continued)

	At 31 December 2012				
	AAA	AA	A	Unrated	Total
Financial assets held for trading					
Corporate bonds	1,688,340	1,687,965	398,004	—	3,774,309
Subtotal	1,688,340	1,687,965	398,004	—	3,774,309
Financial assets designated as at fair value through profit or loss					
Debt instruments issued by financial institutions	—	—	—	18,112,605	18,112,605
Subtotal	—	—	—	18,112,605	18,112,605
Available-for-sale financial assets					
Corporate bonds	2,600,236	1,949,895	—	—	4,550,131
Subtotal	2,600,236	1,949,895	—	—	4,550,131
Held-to-maturity investments					
Government bonds	—	—	—	8,355,758	8,355,758
Public sector, quasi-government bonds	2,683,835	—	—	18,732,618	21,416,453
Financial institution bonds	1,139,313	1,149,186	—	—	2,288,499
Corporate bonds	11,103,968	2,609,124	—	—	13,713,092
Subtotal	14,927,116	3,758,310	—	27,088,376	45,773,802
Debt securities classified as receivables					
Public sector, quasi-government bonds	—	—	—	47,722	47,722
Financial institution bonds	238,195	523,244	—	—	761,439
Corporate Bonds	—	1,532,950	—	—	1,532,950
Certificate treasury bonds	—	—	—	340,880	340,880
Debt instruments issued by financial institutions	—	—	—	29,931,374	29,931,374
Subtotal	238,195	2,056,194	—	30,319,976	32,614,365
Total	19,453,887	9,452,364	398,004	75,520,957	104,825,212

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (Continued)

THE BANK

	At 31 December 2013				
	AAA	AA	A	Unrated	Total
Financial assets held for trading					
Financial institution bonds	—	188,878	—	—	188,878
Corporate bonds	1,403,040	1,099,076	—	—	2,502,116
Subtotal	1,403,040	1,287,954	—	—	2,690,994
Financial assets designated as at fair value through profit or loss					
Debt instruments issued by financial institutions	—	—	—	19,127,488	19,127,488
Subtotal	—	—	—	19,127,488	19,127,488
Available-for-sale financial assets					
Financial institution bonds	111,250	—	—	—	111,250
Corporate bonds	1,527,045	3,457,839	—	—	4,984,884
Subtotal	1,638,295	3,457,839	—	—	5,096,134
Held-to-maturity investments					
Government bonds	—	—	—	8,011,431	8,011,431
Public sector, quasi-government bonds	2,987,183	—	—	21,685,359	24,672,542
Financial institution bonds	1,068,738	2,799,083	—	—	3,867,821
Corporate bonds	10,951,187	2,599,362	149,175	—	13,699,724
Subtotal	15,007,108	5,398,445	149,175	29,696,790	50,251,518
Debt securities classified as receivables					
Public sector, quasi-government bonds	—	—	—	47,983	47,983
Financial institution bonds	238,905	523,414	—	—	762,319
Corporate Bonds	344,727	1,503,673	178,460	—	2,026,860
Certificate treasury bonds	—	—	—	107,709	107,709
Debt instruments issued by financial institutions	—	—	—	25,800,512	25,800,512
Subtotal	583,632	2,027,087	178,460	25,956,204	28,745,383
Total	18,632,075	12,171,325	327,635	74,780,482	105,911,517

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (Continued)

THE BANK (Continued)

	At 31 December 2012				
	AAA	AA	A	Unrated	Total
Financial assets held for trading					
Corporate bonds	1,688,340	1,687,965	398,004	—	3,774,309
Subtotal	1,688,340	1,687,965	398,004	—	3,774,309
Financial assets designated as at fair value through profit or loss					
Debt instruments issued by financial institutions	—	—	—	18,102,605	18,102,605
Subtotal	—	—	—	18,102,605	18,102,605
Available-for-sale financial assets					
Corporate bonds	2,600,236	1,949,895	—	—	4,550,131
Subtotal	2,600,236	1,949,895	—	—	4,550,131
Held-to-maturity investments					
Government bonds	—	—	—	8,355,758	8,355,758
Public sector, quasi-government bonds	2,683,835	—	—	18,732,618	21,416,453
Financial institution bonds	1,139,313	1,149,186	—	—	2,288,499
Corporate bonds	11,103,968	2,609,124	—	—	13,713,092
Subtotal	14,927,116	3,758,310	—	27,088,376	45,773,802
Debt securities classified as receivables					
Public sector, quasi-government bonds	—	—	—	47,722	47,722
Financial institution bonds	238,195	523,244	—	—	761,439
Corporate Bonds	—	1,532,950	—	—	1,532,950
Certificate treasury bonds	—	—	—	340,880	340,880
Debt instruments issued by financial institutions	—	—	—	29,931,374	29,931,374
Subtotal	238,195	2,056,194	—	30,319,976	32,614,365
Total	19,453,887	9,452,364	398,004	75,510,957	104,815,212

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

Risk Management Department manages its liquidity risk via:

- Setting target ratio on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base; and
- Making advanced projection on future cash flows and evaluating the appropriate current assets position.

Analysis of the remaining maturity of the financial assets and liabilities

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

THE GROUP

	At 31 December 2013							Total
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	
Cash and balances with central bank	63,135,547	5,646,587	—	—	—	—	—	68,782,134
Deposits with banks and other financial institutions	—	3,014,612	7,094,000	9,267,317	3,780,000	500,000	—	23,655,929
Placements with banks and other financial institutions	—	—	10,521,212	8,831,933	4,603,554	1,099,578	—	25,056,277
Financial assets held for trading	—	—	—	—	—	1,939,323	751,671	2,690,994
Financial assets designated as at fair value through profit or loss	—	—	867,567	1,567,902	8,286,526	8,405,493	—	19,127,488
Derivative financial assets	—	—	186	—	269	—	—	455
Financial assets held under resale agreements	—	—	8,766,854	4,511,085	18,585,401	38,965,596	—	70,828,936
Loans and advances to customers	1,068,480	—	783,905	15,522,508	53,710,450	62,359,713	64,705,509	198,150,565
Available-for-sale financial assets	72,200	—	428,536	908,949	636,057	1,125,600	1,996,992	5,168,334
Held-to-maturity investments	—	—	399,976	1,270,970	2,123,413	25,137,581	21,319,578	50,251,518
Debt securities classified as receivables	—	—	—	330,279	14,488,761	13,116,041	810,302	28,745,383
Other financial assets	—	334,308	857,837	951,484	1,023,516	10,129	—	3,177,274
Total financial assets	64,276,227	8,995,507	29,720,073	43,162,427	107,237,947	152,659,054	89,584,052	495,635,287
Borrowings from central bank	—	—	—	50,000	135,000	—	—	185,000
Deposits from banks and other financial institutions	—	1,760,395	4,177,842	7,881,593	44,135,590	5,601,638	—	63,557,058
Placements from banks	—	—	857,017	31,342	1,899,470	—	—	2,787,829
Financial liabilities designated as at fair value through profit or loss	—	—	—	—	540,000	500,000	—	1,040,000
Derivative financial liabilities	—	—	172	—	67	—	—	239
Financial assets sold under repurchase agreements	—	—	6,046,053	8,435,250	22,759,333	—	—	37,240,636
Due to customers	—	155,988,931	18,992,590	43,732,032	100,753,506	28,416,344	10	347,883,413
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	2,531,193	637,798	1,232,571	1,634,149	489	46,444	6,082,644
Total financial liabilities	—	160,280,519	30,711,472	61,362,788	171,857,115	34,518,471	2,346,454	461,076,819
Net position	64,276,227	(151,285,012)	(991,399)	(18,200,361)	(64,619,168)	118,140,583	87,237,598	34,558,468

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE GROUP (Continued)

	At 31 December 2012							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	53,395,048	5,569,012	—	—	—	—	—	58,964,060
Deposits with banks and other financial institutions	—	3,531,855	5,400,000	201,277	1,040,000	2,089,936	—	12,263,068
Placements with banks and other financial institutions	—	—	2,699,996	7,609,666	12,239,363	7,199,827	—	29,748,852
Financial assets held for trading	—	—	54,154	261,846	82,004	2,336,829	1,039,476	3,774,309
Financial assets designated as at fair value through profit or loss	—	—	4,194,571	3,169,404	6,992,205	3,756,425	—	18,112,605
Financial assets held under resale agreements	—	—	6,053,883	4,795,673	22,833,358	18,082,148	—	51,765,062
Loans and advances to customers	597,544	—	3,331,457	11,213,455	44,121,634	54,482,109	53,868,717	167,614,916
Available-for-sale financial assets	48,841	—	—	—	101,217	1,982,434	2,466,480	4,598,972
Held-to-maturity investments	—	—	—	79,805	1,509,833	23,043,289	21,140,875	45,773,802
Debt securities classified as receivables	—	—	99,873	88,412	14,490,119	17,126,803	809,158	32,614,365
Other financial assets	—	223,999	407,993	859,874	1,236,495	—	—	2,728,361
Total financial assets	54,041,433	9,324,866	22,241,927	28,279,412	104,646,228	130,099,800	79,324,706	427,958,372
Borrowings from central bank	—	—	—	—	110,000	—	—	110,000
Deposits from banks and other financial institutions	—	595,567	7,999,984	2,952,200	20,883,431	9,633,257	—	42,064,439
Placements from banks	—	—	1,099,999	649,951	5,279,482	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	—	—	1,638,859	1,377,300	1,520,260	540,000	—	5,076,419
Financial assets sold under repurchase agreements	—	—	9,429,820	11,037,436	22,172,035	—	—	42,639,291
Due to customers	—	136,068,173	15,251,666	31,014,995	84,783,623	27,352,381	39,652	294,510,490
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	1,571,914	458,402	855,397	1,188,553	—	53,560	4,127,826
Total financial liabilities	—	138,235,654	35,878,730	47,887,279	135,937,384	37,525,638	2,393,212	397,857,897
Net position	54,041,433	(128,910,788)	(13,636,803)	(19,607,867)	(31,291,156)	92,574,162	76,931,494	30,100,475

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE BANK

	At 31 December 2013							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	62,977,652	5,578,565	—	—	—	—	—	68,556,217
Deposits with banks and other financial institutions	—	2,880,517	7,170,000	9,800,317	3,850,000	500,000	—	24,200,834
Placements with banks and other financial institutions	—	—	10,521,212	8,831,933	4,603,554	1,099,578	—	25,056,277
Financial assets held for trading	—	—	—	—	—	1,939,323	751,671	2,690,994
Financial assets designated as at fair value through profit or loss	—	—	867,567	1,567,902	8,286,526	8,405,493	—	19,127,488
Derivative financial assets	—	—	186	—	269	—	—	455
Financial assets held under resale agreements	—	—	8,766,854	4,511,085	18,585,401	38,965,596	—	70,828,936
Loans and advances to customers	1,040,025	—	711,794	15,185,633	52,303,707	61,574,994	64,637,055	195,453,208
Available-for-sale financial assets	72,200	—	428,536	908,949	636,057	1,125,600	1,996,992	5,168,334
Held-to-maturity investments	—	—	399,976	1,270,970	2,123,413	25,137,581	21,319,578	50,251,518
Debt securities classified as receivables	—	—	—	330,279	14,488,761	13,116,041	810,302	28,745,383
Other financial assets	—	324,497	850,110	949,228	1,023,511	10,129	—	3,157,475
Total financial assets	64,089,877	8,783,579	29,716,235	43,356,296	105,901,199	151,874,335	89,515,598	493,237,119
Deposits from banks and other financial institutions	—	1,969,496	4,177,842	7,881,593	44,135,590	5,601,638	—	63,766,159
Placements from banks	—	—	857,017	31,342	1,899,470	—	—	2,787,829
Financial liabilities designated as at fair value through profit or loss	—	—	—	—	540,000	500,000	—	1,040,000
Derivative financial liabilities	—	—	172	—	67	—	—	239
Financial assets sold under repurchase agreements	—	—	6,046,053	8,435,250	22,759,333	—	—	37,240,636
Due to customers	—	155,372,963	18,854,295	43,615,498	100,496,932	28,406,894	10	346,746,592
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	2,532,673	633,815	1,229,657	1,632,918	296	46,444	6,075,803
Total financial liabilities	—	159,875,132	30,569,194	61,193,340	171,464,310	34,508,828	2,346,454	459,957,258
Net position	64,089,877	(151,091,553)	(852,959)	(17,837,044)	(65,563,111)	117,365,507	87,169,144	33,279,861

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE BANK (Continued)

	At 31 December 2012							Total
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	
Cash and balances with central bank	53,306,855	5,534,577	—	—	—	—	—	58,841,432
Deposits with banks and other financial institutions	—	3,502,844	5,410,000	201,277	1,060,000	2,089,936	—	12,264,057
Placements with banks and other financial institutions	—	—	2,699,996	7,609,666	12,239,363	7,199,827	—	29,748,852
Financial assets held for trading	—	—	54,154	261,846	82,004	2,336,829	1,039,476	3,774,309
Financial assets designated as at fair value through profit or loss	—	—	4,194,571	3,169,404	6,992,205	3,746,425	—	18,102,605
Financial assets held under resale agreements	—	—	6,053,883	4,795,673	22,833,358	18,082,148	—	51,765,062
Loans and advances to customers	590,244	—	3,278,743	11,157,986	43,534,479	54,180,087	53,846,585	166,588,124
Available-for-sale financial assets	48,841	—	—	—	101,217	1,982,434	2,466,480	4,598,972
Held-to-maturity investments	—	—	—	79,805	1,509,833	23,043,289	21,140,875	45,773,802
Debt securities classified as receivables	—	—	99,873	88,412	14,490,119	17,126,803	809,158	32,614,365
Other financial assets	—	223,152	405,675	859,165	1,236,486	—	—	2,724,478
Total financial assets	53,945,940	9,260,573	22,196,895	28,223,234	104,079,064	129,787,778	79,302,574	426,796,058
Deposits from banks and other financial institutions	—	777,178	7,999,984	2,952,200	20,883,431	9,633,257	—	42,246,050
Placements from banks	—	—	1,099,999	649,951	5,279,482	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	—	—	1,638,859	1,377,300	1,520,260	540,000	—	5,076,419
Financial assets sold under repurchase agreements	—	—	9,429,820	11,037,436	22,172,035	—	—	42,639,291
Due to customers	—	135,668,312	15,248,739	30,971,231	84,627,426	27,349,407	39,652	293,904,767
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	1,567,193	456,496	855,397	1,188,178	—	53,560	4,120,824
Total financial liabilities	—	138,012,683	35,873,897	47,843,515	135,670,812	37,522,664	2,393,212	397,316,783
Net position	53,945,940	(128,752,110)	(13,677,002)	(19,620,281)	(31,591,748)	92,265,114	76,909,362	29,479,275

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

THE GROUP

	At 31 December 2013							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	63,135,547	5,678,208	—	—	—	—	—	68,813,755
Deposits with banks and other financial institutions	—	3,016,310	7,144,549	9,510,410	4,045,473	535,875	—	24,252,617
Placements with banks and other financial institutions	—	—	10,640,340	9,070,368	4,748,863	1,156,738	—	25,616,309
Financial assets held for trading	—	—	9,745	40,710	43,763	2,467,181	1,077,206	3,638,605
Financial assets designated as at fair value through profit or loss	—	—	870,490	1,711,805	8,653,489	9,501,538	—	20,737,322
Financial assets held under resale agreements	—	—	9,217,423	5,012,518	21,530,140	41,725,653	—	77,485,734
Loans and advances to customers	1,068,480	—	1,676,438	18,089,955	62,224,311	85,452,656	102,756,508	271,268,348
Available-for-sale financial assets	72,200	—	431,216	964,514	688,268	1,365,540	3,020,139	6,541,877
Held-to-maturity investments	—	—	488,741	1,677,573	2,733,876	28,587,139	30,339,918	63,827,247
Debt securities classified as receivables	—	—	29,901	4,082,893	21,841,168	5,492,221	1,181,878	32,628,061
Other financial assets	—	332,568	—	—	—	—	—	332,568
Total financial assets	64,276,227	9,027,086	30,508,843	50,160,746	126,509,351	176,284,541	138,375,649	595,142,443
Non-derivative financial liabilities								
Borrowings from central bank	—	—	—	51,457	137,070	—	—	188,527
Deposits from banks and other financial institutions	—	1,761,484	4,332,087	8,370,683	46,424,757	6,119,816	—	67,008,827
Placements from banks	—	—	857,718	31,342	1,998,850	—	—	2,887,910
Financial liabilities designated as at fair value through profit or loss	—	—	—	14,607	573,168	501,192	—	1,088,967
Financial assets sold under repurchase agreements	—	—	6,119,179	8,604,863	23,642,776	—	—	38,366,818
Due to customers	—	156,274,299	19,602,562	45,212,156	104,679,540	32,481,576	12	358,250,145
Debt securities issued	—	—	—	—	126,500	—	2,495,500	2,622,000
Other financial liabilities	—	2,370,050	—	—	—	—	61,996	2,432,046
Total financial liabilities	—	160,405,833	30,911,546	62,285,108	177,582,661	39,102,584	2,557,508	472,845,240
Net position	64,276,227	(151,378,747)	(402,703)	(12,124,362)	(51,073,310)	137,181,957	135,818,141	122,297,203
Derivative financial instruments								
Settled on a gross basis								
Total inflow	—	—	34,238	—	137,158	—	—	171,396
Total outflow	—	—	(34,224)	—	(136,956)	—	—	(171,180)
Net position	—	—	14	—	202	—	—	216

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

THE GROUP (Continued)

	At 31 December 2012							Total
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	53,395,048	5,595,878	—	—	—	—	—	58,990,926
Deposits with banks and other financial institutions	—	3,533,752	5,417,482	237,591	1,157,955	2,135,693	—	12,482,473
Placements with banks and other financial institutions	—	—	2,731,552	8,008,291	12,991,266	7,408,493	—	31,139,602
Financial assets held for trading	—	—	68,899	318,483	200,818	2,753,355	1,438,946	4,780,501
Financial assets designated as at fair value through profit or loss	—	—	4,214,810	3,258,305	7,307,546	4,110,829	—	18,891,490
Financial assets held under resale agreements	—	—	6,073,268	5,175,631	24,529,783	19,509,917	—	55,288,599
Loans and advances to customers	597,544	—	4,014,431	13,419,950	51,293,658	74,203,373	84,178,440	227,707,396
Available-for-sale financial assets	48,841	—	705	66,889	273,378	2,297,155	3,566,976	6,253,944
Held-to-maturity investments	—	—	46,082	552,136	2,806,429	26,232,889	30,854,412	60,491,948
Debt securities classified as receivables	—	—	1,139,156	5,628,363	14,748,269	13,658,083	1,222,333	36,396,204
Other financial assets	—	476,947	—	—	—	—	—	476,947
Total financial assets	54,041,433	9,606,577	23,706,385	36,665,639	115,309,102	152,309,787	121,261,107	512,900,030
Non-derivative financial liabilities								
Borrowings from central bank	—	—	—	—	113,685	—	—	113,685
Deposits from banks and other financial institutions	—	595,707	8,041,682	3,225,410	21,852,862	9,973,407	—	43,689,068
Placements from banks	—	—	1,102,924	666,604	5,490,141	—	—	7,259,669
Financial liabilities designated as at fair value through profit or loss	—	—	1,647,583	1,409,279	1,566,601	570,240	—	5,193,703
Financial assets sold under repurchase agreements	—	—	9,478,032	11,253,219	22,730,813	—	—	43,462,064
Due to customers	—	136,223,319	15,674,524	31,853,229	87,500,081	30,079,102	41,610	301,371,865
Debt securities issued	—	—	—	—	126,500	713,000	2,691,000	3,530,500
Other financial liabilities	—	1,391,815	—	—	—	—	62,397	1,454,212
Total financial liabilities	—	138,210,841	35,944,745	48,407,741	139,380,683	41,335,749	2,795,007	406,074,766
Net position	54,041,433	(128,604,264)	(12,238,360)	(11,742,102)	(24,071,581)	110,974,038	118,466,100	106,825,264

Notes to the Consolidated Financial Statements (Continued)

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52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

THE BANK

	At 31 December 2013							Total
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	62,977,652	5,610,174	—	—	—	—	—	68,587,826
Deposits with banks and other financial institutions	—	2,882,190	7,224,808	10,051,846	4,117,838	535,875	—	24,812,557
Placements with banks and other financial institutions	—	—	10,640,340	9,070,368	4,748,863	1,156,738	—	25,616,309
Financial assets held for trading	—	—	9,745	40,710	43,763	2,467,181	1,077,206	3,638,605
Financial assets designated as at fair value through profit or loss	—	—	870,490	1,711,805	8,653,489	9,501,538	—	20,737,322
Financial assets held under resale agreements	—	—	9,217,423	5,012,518	21,530,140	41,725,653	—	77,485,734
Loans and advances to customers	1,040,025	—	1,587,018	17,711,687	60,711,834	84,559,487	102,638,610	268,248,661
Available-for-sale financial assets	72,200	—	431,216	964,514	688,268	1,365,540	3,020,139	6,541,877
Held-to-maturity investments	—	—	488,741	1,677,573	2,733,876	28,587,139	30,339,918	63,827,247
Debt securities classified as receivables	—	—	29,901	4,082,893	21,841,168	5,492,221	1,181,878	32,628,061
Other financial assets	—	322,824	—	—	—	—	—	322,824
Total financial assets	64,089,877	8,815,188	30,499,682	50,323,914	125,069,239	175,391,372	138,257,751	592,447,023
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	1,970,631	4,332,087	8,369,909	46,424,757	6,119,816	—	67,217,200
Placements from banks	—	—	857,718	31,342	1,998,850	—	—	2,887,910
Financial liabilities designated as at fair value through profit or loss	—	—	—	14,607	573,168	501,192	—	1,088,967
Financial assets sold under repurchase agreements	—	—	6,119,179	8,604,863	23,642,776	—	—	38,366,818
Due to customers	—	155,658,262	19,462,149	45,093,208	104,417,478	32,471,016	12	357,102,125
Debt securities issued	—	—	—	—	126,500	—	2,495,500	2,622,000
Other financial liabilities	—	2,371,600	—	—	—	—	61,996	2,433,596
Total financial liabilities	—	160,000,493	30,771,133	62,113,929	177,183,529	39,092,024	2,557,508	471,718,616
Net position	64,089,877	(151,185,305)	(271,451)	(11,790,015)	(52,114,290)	136,299,348	135,700,243	120,728,407
Derivative financial instruments								
Settled on a gross basis								
Total inflow	—	—	34,238	—	137,158	—	—	171,396
Total outflow	—	—	(34,224)	—	(136,956)	—	—	(171,180)
Net position	—	—	14	—	202	—	—	216

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

THE BANK (Continued)

	At 31 December 2012							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	53,306,855	5,561,429	—	—	—	—	—	58,868,284
Deposits with banks and other financial institutions	—	3,504,731	5,428,919	237,591	1,179,005	2,135,693	—	12,485,939
Placements with banks and other financial institutions	—	—	2,731,552	8,008,291	12,991,266	7,408,493	—	31,139,602
Financial assets held for trading	—	—	68,899	318,483	200,818	2,753,355	1,438,946	4,780,501
Financial assets designated as at fair value through profit or loss	—	—	4,214,810	3,258,305	7,307,546	4,110,829	—	18,891,490
Financial assets held under resale agreements	—	—	6,073,268	5,175,631	24,529,783	19,509,917	—	55,288,599
Loans and advances to customers	590,244	—	3,954,918	13,346,431	50,654,791	73,853,496	84,152,743	226,552,623
Available-for-sale financial assets	48,841	—	705	66,889	273,378	2,297,155	3,566,976	6,253,944
Held-to-maturity investments	—	—	46,082	552,136	2,806,429	26,232,889	30,854,412	60,491,948
Debt securities classified as receivables	—	—	1,139,156	5,628,363	14,748,269	13,658,083	1,222,333	36,396,204
Other financial assets	—	476,233	—	—	—	—	—	476,233
Total financial assets	53,945,940	9,542,393	23,658,309	36,592,120	114,691,285	151,959,910	121,235,410	511,625,367
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	777,358	8,041,682	3,225,410	21,852,862	9,973,407	—	43,870,719
Placements from banks	—	—	1,102,924	666,604	5,490,141	—	—	7,259,669
Financial liabilities designated as at fair value through profit or loss	—	—	1,647,583	1,409,279	1,566,601	570,240	—	5,193,703
Financial assets sold under repurchase agreements	—	—	9,478,032	11,253,219	22,730,813	—	—	43,462,064
Due to customers	—	135,823,420	15,671,521	31,808,392	87,340,832	30,075,700	41,610	300,761,475
Debt securities issued	—	—	—	—	126,500	713,000	2,691,000	3,530,500
Other financial liabilities	—	1,390,643	—	—	—	—	62,397	1,453,040
Total financial liabilities	—	137,991,421	35,941,742	48,362,904	139,107,749	41,332,347	2,795,007	405,531,170
Net position	53,945,940	(128,449,028)	(12,283,433)	(11,770,784)	(24,416,464)	110,627,563	118,440,403	106,094,197

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, available-for-sale financial assets, financial assets held for trading and financial assets designated as at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Off-balance sheet items

Off-balance sheet items of the Group include letters of guarantee and acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

THE GROUP

	At 31 December 2013			Total
	Up to 1 year	1–5 years	Over 5 years	
Acceptances	5,807,724	—	—	5,807,724
Undrawn credit card limit	2,261,078	—	—	2,261,078
Letters of credit issued	93,118	680	—	93,798
Letters of guarantee	63,213	48,355	13,000	124,568
Total	8,225,133	49,035	13,000	8,287,168

	At 31 December 2012			Total
	Up to 1 year	1–5 years	Over 5 years	
Acceptances	4,666,545	—	—	4,666,545
Undrawn credit card limit	1,573,824	—	—	1,573,824
Letters of credit issued	591,198	3,743	—	594,941
Letters of guarantee	4,184	67,470	13,000	84,654
Total	6,835,751	71,213	13,000	6,919,964

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Off-balance sheet items (Continued)

THE BANK

	At 31 December 2013			Total
	Up to 1 year	1–5 years	Over 5 years	
Acceptances	5,459,121	—	—	5,459,121
Undrawn credit card limit	2,261,078	—	—	2,261,078
Letters of credit issued	93,118	680	—	93,798
Letters of guarantee	63,213	48,355	13,000	124,568
Total	7,876,530	49,035	13,000	7,938,565

	At 31 December 2012			Total
	Up to 1 year	1–5 years	Over 5 years	
Acceptances	4,244,713	—	—	4,244,713
Undrawn credit card limit	1,573,824	—	—	1,573,824
Letters of credit issued	591,198	3,743	—	594,941
Letters of guarantee	4,184	67,470	13,000	84,654
Total	6,413,919	71,213	13,000	6,498,132

Market risk

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

The Group considers the market risk arising from equity prices in respect of its trading and investment portfolios is immaterial.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The exchange rate of RMB to USD has gradually risen over the past two years. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

THE GROUP

	At 31 December 2013				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	68,757,186	6,739	18,209	—	68,782,134
Deposits with banks and other financial institutions	23,011,268	439,657	197,065	7,939	23,655,929
Placements with banks and other financial institutions	24,655,155	243,876	157,246	—	25,056,277
Financial assets held for trading	2,690,994	—	—	—	2,690,994
Financial assets designated as at fair value through profit or loss	19,127,488	—	—	—	19,127,488
Derivative financial assets	430	25	—	—	455
Financial assets held under resale agreements	70,828,936	—	—	—	70,828,936
Loans and advances to customers	197,226,712	904,637	—	19,216	198,150,565
Available-for-sale financial assets	5,168,334	—	—	—	5,168,334
Held-to-maturity investments	50,251,518	—	—	—	50,251,518
Debt securities classified as receivables	28,745,383	—	—	—	28,745,383
Other financial assets	3,084,826	92,371	63	14	3,177,274
Total financial assets	493,548,230	1,687,305	372,583	27,169	495,635,287
Borrowings from central bank	185,000	—	—	—	185,000
Deposits from banks and other financial institutions	63,557,058	—	—	—	63,557,058
Placements from banks	1,899,470	888,359	—	—	2,787,829
Financial liabilities designated as at fair value through profit or loss	1,040,000	—	—	—	1,040,000
Derivative financial liabilities	19	220	—	—	239
Financial assets sold under repurchase agreements	37,240,636	—	—	—	37,240,636
Due to customers	347,315,440	192,578	364,114	11,281	347,883,413
Debt securities issued	2,300,000	—	—	—	2,300,000
Other financial liabilities	5,995,699	86,945	—	—	6,082,644
Total financial liabilities	459,533,322	1,168,102	364,114	11,281	461,076,819
Net position	34,014,908	519,203	8,469	15,888	34,558,468

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE GROUP (Continued)

	At 31 December 2012				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	58,950,051	13,571	438	—	58,964,060
Deposits with banks and other financial institutions	11,831,483	308,638	17,633	105,314	12,263,068
Placements with banks and other financial institutions	29,748,852	—	—	—	29,748,852
Financial assets held for trading	3,774,309	—	—	—	3,774,309
Financial assets designated as at fair value through profit or loss	18,112,605	—	—	—	18,112,605
Financial assets held under resale agreements	51,765,062	—	—	—	51,765,062
Loans and advances to customers	167,007,599	604,499	—	2,818	167,614,916
Available-for-sale financial assets	4,598,972	—	—	—	4,598,972
Held-to-maturity investments	45,773,802	—	—	—	45,773,802
Debt securities classified as receivables	32,614,365	—	—	—	32,614,365
Other financial assets	2,728,361	—	—	—	2,728,361
Total financial assets	426,905,461	926,708	18,071	108,132	427,958,372
Borrowings from central bank	110,000	—	—	—	110,000
Deposits from banks and other financial institutions	41,712,085	352,286	—	68	42,064,439
Placements from banks	7,029,432	—	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	5,076,419	—	—	—	5,076,419
Financial assets sold under repurchase agreements	42,639,291	—	—	—	42,639,291
Due to customers	294,119,162	376,347	10,947	4,034	294,510,490
Debt securities issued	2,300,000	—	—	—	2,300,000
Other financial liabilities	4,127,595	231	—	—	4,127,826
Total financial liabilities	397,113,984	728,864	10,947	4,102	397,857,897
Net position	29,791,477	197,844	7,124	104,030	30,100,475

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE BANK

	At 31 December 2013				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	68,531,269	6,739	18,209	—	68,556,217
Deposits with banks and other financial institutions	23,556,173	439,657	197,065	7,939	24,200,834
Placements with banks and other financial institutions	24,655,155	243,876	157,246	—	25,056,277
Financial assets held for trading	2,690,994	—	—	—	2,690,994
Financial assets designated as at fair value through profit or loss	19,127,488	—	—	—	19,127,488
Derivative financial assets	430	25	—	—	455
Financial assets held under resale agreements	70,828,936	—	—	—	70,828,936
Loans and advances to customers	194,529,355	904,637	—	19,216	195,453,208
Available-for-sale financial assets	5,168,334	—	—	—	5,168,334
Held-to-maturity investments	50,251,518	—	—	—	50,251,518
Debt securities classified as receivables	28,745,383	—	—	—	28,745,383
Other financial assets	3,065,027	92,371	63	14	3,157,475
Total financial assets	491,150,062	1,687,305	372,583	27,169	493,237,119
Deposits from banks and other financial institutions	63,766,159	—	—	—	63,766,159
Placements from banks	1,899,470	888,359	—	—	2,787,829
Financial liabilities designated as at fair value through profit or loss	1,040,000	—	—	—	1,040,000
Derivative financial liabilities	19	220	—	—	239
Financial assets sold under repurchase agreements	37,240,636	—	—	—	37,240,636
Due to customers	346,178,619	192,578	364,114	11,281	346,746,592
Debt securities issued	2,300,000	—	—	—	2,300,000
Other financial liabilities	5,988,858	86,945	—	—	6,075,803
Total financial liabilities	458,413,761	1,168,102	364,114	11,281	459,957,258
Net position	32,736,301	519,203	8,469	15,888	33,279,861

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE BANK (Continued)

	At 31 December 2012				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	58,827,423	13,571	438	—	58,841,432
Deposits with banks and other financial institutions	11,832,472	308,638	17,633	105,314	12,264,057
Placements with banks and other financial institutions	29,748,852	—	—	—	29,748,852
Financial assets held for trading	3,774,309	—	—	—	3,774,309
Financial assets designated as at fair value through profit or loss	18,102,605	—	—	—	18,102,605
Financial assets held under resale agreements	51,765,062	—	—	—	51,765,062
Loans and advances to customers	165,980,807	604,499	—	2,818	166,588,124
Available-for-sale financial assets	4,598,972	—	—	—	4,598,972
Held-to-maturity investments	45,773,802	—	—	—	45,773,802
Debt securities classified as receivables	32,614,365	—	—	—	32,614,365
Other financial assets	2,724,478	—	—	—	2,724,478
Total financial assets	425,743,147	926,708	18,071	108,132	426,796,058
Deposits from banks and other financial institutions	41,893,696	352,286	—	68	42,246,050
Placements from banks	7,029,432	—	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	5,076,419	—	—	—	5,076,419
Financial assets sold under repurchase agreements	42,639,291	—	—	—	42,639,291
Due to customers	293,513,439	376,347	10,947	4,034	293,904,767
Debt securities issued	2,300,000	—	—	—	2,300,000
Other financial liabilities	4,120,593	231	—	—	4,120,824
Total financial liabilities	396,572,870	728,864	10,947	4,102	397,316,783
Net position	29,170,277	197,844	7,124	104,030	29,479,275

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on net profit.

THE GROUP AND THE BANK

	Year ended 31 December	
	2013 (Decrease) increase in Net Profit	2012 (Decrease) increase in Net Profit
5% appreciation	(20,384)	(11,587)
5% depreciation	20,384	11,587

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. The interest-generating assets and interest-bearing liabilities of the Group are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Bank's and the Group's financial assets and liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE GROUP

	At 31 December 2013						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	64,670,923	—	—	—	—	4,111,211	68,782,134
Deposits with banks and other financial institutions	10,069,387	9,267,317	3,780,000	500,000	—	39,225	23,655,929
Placements with banks and other financial institutions	14,224,388	6,232,055	3,999,839	599,995	—	—	25,056,277
Financial assets held for trading	—	—	—	1,939,323	751,671	—	2,690,994
Financial assets designated as at fair value through profit or loss	867,567	1,567,902	8,286,526	8,405,493	—	—	19,127,488
Derivative financial assets	—	—	—	—	—	455	455
Financial assets held under resale agreements	8,766,854	4,511,085	18,585,401	38,965,596	—	—	70,828,936
Loans and advances to customers	9,126,703	86,166,932	34,709,215	63,510,274	4,637,441	—	198,150,565
Available-for-sale financial assets	459,786	988,949	556,057	1,094,350	1,996,992	72,200	5,168,334
Held-to-maturity investments	500,035	2,800,772	2,943,679	23,807,892	20,199,140	—	50,251,518
Debt securities classified as receivables	—	330,279	14,488,761	13,116,041	810,302	—	28,745,383
Other financial assets	—	—	—	—	—	3,177,274	3,177,274
Total financial assets	108,685,643	111,865,291	87,349,478	151,938,964	28,395,546	7,400,365	495,635,287
Borrowings from central bank	—	50,000	135,000	—	—	—	185,000
Deposits from banks and other financial institutions	5,938,237	7,881,593	44,135,590	5,601,638	—	—	63,557,058
Placements from banks	857,017	31,342	1,899,470	—	—	—	2,787,829
Financial liabilities designated as at fair value through profit or loss	—	—	540,000	500,000	—	—	1,040,000
Derivative financial liabilities	—	—	—	—	—	239	239
Financial assets sold under repurchase agreements	6,046,053	8,435,250	22,759,333	—	—	—	37,240,636
Due to customers	174,974,226	43,732,032	100,753,507	28,416,345	10	7,293	347,883,413
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	46,444	6,036,200	6,082,644
Total financial liabilities	187,815,533	60,130,217	170,222,900	34,517,983	2,346,454	6,043,732	461,076,819
Interest rate gap	(79,129,890)	51,735,074	(82,873,422)	117,420,981	26,049,092	1,356,633	34,558,468

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE GROUP (Continued)

	At 31 December 2012						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	55,139,342	—	—	—	—	3,824,718	58,964,060
Deposits with banks and other financial institutions	8,834,421	201,277	1,040,000	2,089,936	—	97,434	12,263,068
Placements with banks and other financial institutions	2,699,996	11,469,614	10,779,356	4,799,886	—	—	29,748,852
Financial assets held for trading	54,154	261,846	82,004	2,336,829	1,039,476	—	3,774,309
Financial assets designated as at fair value through profit or loss	4,194,571	3,169,404	6,992,205	3,756,425	—	—	18,112,605
Financial assets held under resale agreements	6,053,883	4,795,673	23,833,858	17,081,648	—	—	51,765,062
Loans and advances to customers	81,332,964	32,566,727	32,348,185	20,966,013	401,027	—	167,614,916
Available-for-sale financial assets	—	—	101,217	1,982,434	2,466,480	48,841	4,598,972
Held-to-maturity investments	—	79,805	1,509,833	23,043,289	21,140,875	—	45,773,802
Debt securities classified as receivables	99,873	88,412	14,490,119	17,126,803	809,158	—	32,614,365
Other financial assets	—	—	—	—	—	2,728,361	2,728,361
Total financial assets	158,409,204	52,632,758	91,176,777	93,183,263	25,857,016	6,699,354	427,958,372
Borrowings from central bank	—	—	110,000	—	—	—	110,000
Deposits from banks and other financial institutions	8,595,551	2,952,200	20,883,431	9,633,257	—	—	42,064,439
Placements from banks	1,099,999	649,951	5,279,482	—	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	1,638,859	1,377,300	1,520,260	540,000	—	—	5,076,419
Financial assets sold under repurchase agreements	9,429,820	11,037,436	22,172,035	—	—	—	42,639,291
Due to customers	151,319,839	31,014,995	84,783,623	27,352,381	39,652	—	294,510,490
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	53,560	4,074,266	4,127,826
Total financial liabilities	172,084,068	47,031,882	134,748,831	37,525,638	2,393,212	4,074,266	397,857,897
Interest rate gap	(13,674,864)	5,600,876	(43,572,054)	55,657,625	23,463,804	2,625,088	30,100,475

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE BANK

	At 31 December 2013						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	64,456,584	—	—	—	—	4,099,633	68,556,217
Deposits with banks and other financial institutions	10,011,292	9,800,317	3,850,000	500,000	—	39,225	24,200,834
Placements with banks and other financial institutions	14,224,388	6,232,055	3,999,839	599,995	—	—	25,056,277
Financial assets held for trading	—	—	—	1,939,323	751,671	—	2,690,994
Financial assets designated as at fair value through profit or loss	867,567	1,567,902	8,286,526	8,405,493	—	—	19,127,488
Derivative financial assets	—	—	—	—	—	455	455
Financial assets held under resale agreements	8,766,854	4,511,085	18,585,401	38,965,596	—	—	70,828,936
Loans and advances to customers	8,523,882	85,795,492	33,508,440	62,988,296	4,637,098	—	195,453,208
Available-for-sale financial assets	459,786	988,949	556,057	1,094,350	1,996,992	72,200	5,168,334
Held-to-maturity investments	500,035	2,800,772	2,943,679	23,807,892	20,199,140	—	50,251,518
Debt securities classified as receivables	—	330,279	14,488,761	13,116,041	810,302	—	28,745,383
Other financial assets	—	—	—	—	—	3,157,475	3,157,475
Total financial assets	107,810,388	112,026,851	86,218,703	151,416,986	28,395,203	7,368,988	493,237,119
Deposits from banks and other financial institutions	6,147,338	7,881,593	44,135,590	5,601,638	—	—	63,766,159
Placements from banks	857,017	31,342	1,899,470	—	—	—	2,787,829
Financial liabilities designated as at fair value through profit or loss	—	—	540,000	500,000	—	—	1,040,000
Derivative financial liabilities	—	—	—	—	—	239	239
Financial assets sold under repurchase agreements	6,046,053	8,435,250	22,759,333	—	—	—	37,240,636
Due to customers	174,219,965	43,615,498	100,496,931	28,406,895	10	7,293	346,746,592
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	46,444	6,029,359	6,075,803
Total financial liabilities	187,270,373	59,963,683	169,831,324	34,508,533	2,346,454	6,036,891	459,957,258
Interest rate gap	(79,459,985)	52,063,168	(83,612,621)	116,908,453	26,048,749	1,332,097	33,279,861

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE BANK (Continued)

	At 31 December 2012						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	55,019,521	—	—	—	—	3,821,911	58,841,432
Deposits with banks and other financial institutions	8,815,410	201,277	1,060,000	2,089,936	—	97,434	12,264,057
Placements with banks and other financial institutions	2,699,996	11,469,614	10,779,356	4,799,886	—	—	29,748,852
Financial assets held for trading	54,154	261,846	82,004	2,336,829	1,039,476	—	3,774,309
Financial assets designated as at fair value through profit or loss	4,194,571	3,169,404	6,992,205	3,746,425	—	—	18,102,605
Financial assets held under resale agreements	6,053,883	4,795,673	23,833,858	17,081,648	—	—	51,765,062
Loans and advances to customers	81,102,274	32,190,151	31,962,284	20,932,388	401,027	—	166,588,124
Available-for-sale financial assets	—	—	101,217	1,982,434	2,466,480	48,841	4,598,972
Held-to-maturity investments	—	79,805	1,509,833	23,043,289	21,140,875	—	45,773,802
Debt securities classified as receivables	99,873	88,412	14,490,119	17,126,803	809,158	—	32,614,365
Other financial assets	—	—	—	—	—	2,724,478	2,724,478
Total financial assets	158,039,682	52,256,182	90,810,876	93,139,638	25,857,016	6,692,664	426,796,058
Deposits from banks and other financial institutions	8,777,162	2,952,200	20,883,431	9,633,257	—	—	42,246,050
Placements from banks	1,099,999	649,951	5,279,482	—	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	1,638,859	1,377,300	1,520,260	540,000	—	—	5,076,419
Financial assets sold under repurchase agreements	9,429,820	11,037,436	22,172,035	—	—	—	42,639,291
Due to customers	150,917,051	30,971,231	84,627,426	27,349,407	39,652	—	293,904,767
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	53,560	4,067,264	4,120,824
Total financial liabilities	171,862,891	46,988,118	134,482,634	37,522,664	2,393,212	4,067,264	397,316,783
Interest rate gap	(13,823,209)	5,268,064	(43,671,758)	55,616,974	23,463,804	2,625,400	29,479,275

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net interest income and equity, based on the Bank's and the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

THE GROUP

	Year ended 31 December			
	2013		2012	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	565,484	(158,074)	714,063	(224,132)
-100 basis points	(565,484)	168,851	(714,063)	240,887

THE BANK

	Year ended 31 December			
	2013		2012	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+100 basis points	561,743	(158,074)	710,517	(224,132)
-100 basis points	(561,743)	168,851	(710,517)	240,887

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Capital management

The Bank's and the Group's objectives on capital management are to:

- safeguard the Bank's and 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;
- support the Bank's and the Group's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of its business.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) (「商業銀行資本管理辦法(試行)」) and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) (「商業銀行資本管理辦法(試行)」). For systematically important banks, CBRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. At present, the Group is fully compliant with legal and regulatory requirements.

The risk-weighted assets of on-balance sheet exposures 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 guarantee. The similar calculation is adopted for off-balance sheet exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardized approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculates the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) (「商業銀行資本管理辦法(試行)」) and relevant requirements promulgated by the CBRC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

52. FINANCIAL RISK MANAGEMENT (Continued)

Capital management (Continued)

THE GROUP

	At 31 December	
	2013	2012
Core tier-one capital adequacy ratio	11.85%	11.30%
Tier-one capital adequacy ratio	11.85%	11.30%
Capital adequacy ratio	13.64%	13.22%
Components of capital base		
Core tier-one capital:		
Share capital	9,300,000	9,300,000
Valid portion of capital reserve	9,109,469	9,175,015
Surplus reserve and general reserve	11,891,803	8,645,498
Unappropriated profit	5,950,176	4,786,433
Valid portion of non-controlling interests	530,975	308,744
Total core tier-one capital	36,782,423	32,215,690
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(51,209)	(47,196)
Net core tier-one capital	36,291,085	31,728,365
Other tier-one capital:		
Non-controlling interests	2,762	—
Net tier-one capital	36,293,847	31,728,365
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	2,070,000	2,300,000
Surplus provision for loan impairment	3,367,295	3,103,205
Valid portion of non-controlling interests	16,740	10,511
Net capital base	41,747,882	37,142,081
Risk-weighted assets		
Credit risk-weighted assets	272,750,886	251,359,627
Market risk-weighted assets	7,911,429	9,394,956
Operational risk-weighted assets	25,496,260	20,110,284

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements is observable and the significance of the inputs to the fair value measurement in its entirety, which is described below.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as level 2.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

THE GROUP

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2013	31/12/2012		
Financial assets held for trading	Debt securities issued by: <ul style="list-style-type: none"> Corporations-RMB2,502,116 Financial institutions -RMB188,878 	Debt securities issued by: <ul style="list-style-type: none"> Corporations -RMB3,774,309 	Level 2	See note 1.
Financial assets designated as at fair value through profit or loss	Unlisted debt instruments issued by financial institutions -RMB19,127,488	Unlisted debt instruments issued by financial institutions -RMB18,112,605	Level 2	Based on fair value of underlying assets, mainly comprising bonds and money market financial instruments traded in the interbank market.
Derivative/foreign currency forwards	Assets-RMB455 Liability-RMB239	—	Level 2	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties.
Available-for-sale financial assets	Listed equity securities in mainland issued by: <ul style="list-style-type: none"> Retail and wholesale-RMB16,662 	Listed equity securities in mainland issued by: <ul style="list-style-type: none"> Retail and wholesale-RMB19,576 	Level 1	Quoted bid prices in stock exchange.
	Unlisted equity securities issued by financial institutions -RMB47,538	—	Level 2	Based on observable H-share market price and adjusted for the lack of marketability.
	Debt securities issued by: <ul style="list-style-type: none"> Corporations-RMB4,984,884 Financial institutions-RMB111,250 	Debt securities issued by: <ul style="list-style-type: none"> Corporations-RMB4,550,131 	Level 2	See note 1.
Financial liabilities designated as at fair value through profit or loss	Principal guaranteed wealth management products -RMB1,040,000	Principal guaranteed wealth management products -RMB5,076,419	Level 2	Discounted cash flows. Future cash flows are estimated and discounted using yield curve for similar quoted wealth management products issued by financial institutions.

Note 1: The debt securities traded on China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between Level 1 and 2 during each year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

THE BANK

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2013	31/12/2012		
Financial assets held for trading	Debt securities issued by: <ul style="list-style-type: none"> Corporations-RMB2,502,116 Financial institutions-RMB188,878 	Debt securities issued by: <ul style="list-style-type: none"> Corporations -RMB3,774,309 	Level 2	See note 1.
Financial assets designated as at fair value through profit or loss	Unlisted debt instruments issued by financial institutions -RMB19,127,488	Unlisted debt instruments issued by financial institutions -RMB18,102,605	Level 2	Based on fair value of underlying assets, mainly comprising bonds and money market financial instruments traded in the interbank market.
Derivative/foreign currency forwards	Assets-RMB455 Liability-RMB239	—	Level 2	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties.
Available-for-sale financial assets	Listed equity securities in mainland issued by: <ul style="list-style-type: none"> Retail and wholesale-RMB16,662 	Listed equity securities in mainland issued by: <ul style="list-style-type: none"> Retail and wholesale-RMB19,576 	Level 1	Quoted bid prices in stock exchange.
	Unlisted equity securities issued by financial institutions -RMB47,538	—	Level 2	Based on observable H-share market price and adjusted for the lack of marketability.
	Debt securities issued by: <ul style="list-style-type: none"> Corporations-RMB4,984,884 Financial institutions-RMB111,250 	Debt securities issued by: <ul style="list-style-type: none"> Corporations-RMB4,550,131 	Level 2	See note 1.
Financial liabilities designated as at fair value through profit or loss	Principal guaranteed wealth management products -RMB1,040,000	Principal guaranteed wealth management products -RMB5,076,419	Level 2	Discounted cash flows. Future cash flows are estimated and discounted using yield curve for similar quoted wealth management products issued by financial institutions.

Note 1: The debt securities which are traded on China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between Level 1 and 2 during each year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The tables below summarise the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and financial assets sold under repurchase agreements are not included in the tables below.

THE GROUP

	At 31 December 2013		At 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	198,150,565	198,483,105	167,614,916	167,923,369
Held-to-maturity investments	50,251,518	47,441,759	45,773,802	45,726,635
Debt securities classified as receivables	28,745,383	28,677,996	32,614,365	32,449,632
Financial assets held under resale agreements	70,828,936	71,027,508	51,765,062	52,076,731
Total	<u>347,976,402</u>	<u>345,630,368</u>	<u>297,768,145</u>	<u>298,176,367</u>
Financial liabilities				
Due to customers	347,883,413	348,359,567	294,510,490	294,833,991
Debt securities issued	2,300,000	2,255,051	2,300,000	2,281,621
Total	<u>350,183,413</u>	<u>350,614,618</u>	<u>296,810,490</u>	<u>297,115,612</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

THE BANK

	At 31 December 2013		At 31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	195,453,208	195,785,094	166,588,124	166,896,487
Held-to-maturity investments	50,251,518	47,441,759	45,773,802	45,726,635
Debt securities classified as receivables	28,745,383	28,677,996	32,614,365	32,449,632
Financial assets held under resale agreements	70,828,936	71,027,508	51,765,062	52,076,731
Total	345,279,045	342,932,357	296,741,353	297,149,485
Financial liabilities				
Due to customers	346,746,592	347,222,746	293,904,767	294,228,268
Debt securities issued	2,300,000	2,255,051	2,300,000	2,281,621
Total	349,046,592	349,477,797	296,204,767	296,509,889

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

The following tables give the information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

THE GROUP

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2013	31/12/2012		
Loans and advances to customers	198,483,105	167,923,369	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using the yield curve with reference to the PBOC benchmark interest rate and credit spread for specific borrowers.
Held-to-maturity investments	47,441,759	45,726,635	Level 2	See note 1.
Debt securities classified as receivables	Debt securities issued by public sector and quasi-governments, financial institution and corporations -RMB2,760,611	Debt securities issued by public sector and quasi-governments, financial institution and corporations -RMB2,278,370	Level 2	See note 1.
	Certificate treasury bonds -RMB107,709	Certificate treasury bonds -RMB340,880	Level 2	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate derived from China Interbank Bond Market for treasury bonds.
	Unlisted debt instruments issued by financial institutions -RMB 25,809,676	Unlisted debt instruments issued by financial institutions -RMB 29,830,382	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Financial assets held under resale agreements	Collateral type as: Bonds-RMB219,900	—	Level 2	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate derived from interbank money market for repos.
	Collateral type as: Bills and trust beneficial rights and assets management plans -RMB70,807,608	Collateral type as: Bills and trust beneficial rights and assets management plans -RMB52,076,731	Level 3	Discounted cash flows. Future cash flows that are estimated based on contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Due to customers	348,359,567	294,833,991	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate with reference to the PBOC benchmark interest rate for deposits of similar remaining maturities.
Debt securities issued	2,255,051	2,281,621	Level 2	See note 1.

Note 1: The debt securities traded on China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between Level 1 and 2 during each year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

53. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

THE BANK

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2013	31/12/2012		
Loans and advances to customers	195,785,094	166,896,487	Level 3	Discounted cash flows. Future cash flows are estimated and discounted using the yield curve with reference to the PBOC benchmark interest rate and credit spread for specific borrowers.
Held-to-maturity investments	47,441,759	45,726,635	Level 2	See note 1.
Debt securities classified as receivables	Debt securities issued by public sector and quasi-governments, financial institution and corporations -RMB2,760,611	Debt securities issued by public sector and quasi-governments, financial institution and corporations -RMB2,278,370	Level 2	See note 1.
	Certificate treasury bonds -RMB107,709	Certificate treasury bonds -RMB340,880	Level 2	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate derived from China Interbank Bond Market for treasury bonds.
	Unlisted debt instruments issued by financial institutions -RMB25,809,676	Unlisted debt instruments issued by financial institutions -RMB 29,830,382	Level 3	Discounted cash flows. Future cash flows are estimated based on expected contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Financial assets held under resale agreements	Collateral type as: Bonds-RMB219,900	—	Level 2	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate derived from interbank money market for repos.
	Collateral type as: Bills and trust beneficial rights and assets management plans -RMB70,807,608	Collateral type as: Bills and trust beneficial rights and assets management plans -RMB52,076,731	Level 3	Discounted cash flows. Future cash flows that are estimated based on contractual amounts, discounted at rates that reflect the credit risk of various counterparties.
Due to customers	347,222,746	294,228,268	Level 3	Discounted cash flows. Future cash flows are estimated based on contractual amounts and discounted at a rate with reference to the PBOC benchmark interest rate for deposits of similar remaining maturities.
Debt securities issued	2,255,051	2,281,621	Level 2	See note 1.

Note 1: The debt securities traded on China Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

There were no significant transfers between Level 1 and 2 during each year.

54. EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount)

The following financial information was disclosed on basis of the contractual amount of loans for the purpose of providing the information for the management to evaluate financial risks. (Please refer to page 237 for the basis of preparation of loans and advances to customers shown as contractual amount)

(1) Distributions of loans and advances to customers by corporate and by retail customers are set out as follows:

THE GROUP

	At 31 December	
	2013	2012
Corporate loans and advances		
— Loans	117,853.8	105,578.0
— Discounted bills	1,508.1	5,256.4
— Trade financing	962.8	626.8
	<u>120,324.7</u>	<u>111,461.2</u>
Subtotal		
Retail loans and advances		
— Residential and commercial mortgage loans	46,279.7	35,184.5
— Personal loans for business purposes	28,854.7	18,764.9
— Credit card	2,099.8	1,222.6
— Others	7,693.6	6,926.1
	<u>84,927.8</u>	<u>62,098.1</u>
Subtotal		
Total loans and advances to customers	<u>205,252.5</u>	<u>173,559.3</u>
Allowance for impairment losses	<u>(7,101.9)</u>	<u>(5,944.4)</u>
Include: Individually assessed	(390.9)	(497.6)
Collectively assessed	<u>(6,711.0)</u>	<u>(5,446.8)</u>
Loans and advances to customers, net	<u><u>198,150.6</u></u>	<u><u>167,614.9</u></u>

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(1) Distributions of loans and advances to customers by corporate and by retail customers are set out as follows: (Continued)

THE BANK

	At 31 December	
	2013	2012
Corporate loans and advances		
— Loans	116,285.4	104,985.7
— Discounted bills	1,505.7	5,242.7
— Trade financing	962.8	626.8
Subtotal	118,753.9	110,855.2
Retail loans and advances		
— Residential and commercial mortgage loans	46,229.2	35,182.4
— Personal loans for business purposes	27,847.9	18,371.1
— Credit card	2,099.8	1,222.6
— Others	7,552.5	6,892.2
Subtotal	83,729.4	61,668.3
Total loans and advances to customers	202,483.3	172,523.5
Allowance for impairment losses	(7,030.1)	(5,935.4)
Include: Individually assessed	(388.8)	(497.6)
Collectively assessed	(6,641.3)	(5,437.8)
Loans and advances to customers, net	195,453.2	166,588.1

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(2) Analysis of loans and advances to customers by collective and individual assessments

THE GROUP

	Loans and advances for which allowance is collectively assessed ⁽¹⁾	Identified impaired loans and advances ⁽²⁾		Subtotal	Total	Identified impaired loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed			
At 31 December 2013						
Gross loans and advances	203,603.2	702.7	946.6	1,649.3	205,252.5	0.80
Allowance for impairment losses	(6,156.4)	(554.6)	(390.9)	(945.5)	(7,101.9)	
Loans and advances to customers, net	<u>197,446.8</u>	<u>148.1</u>	<u>555.7</u>	<u>703.8</u>	<u>198,150.6</u>	
At 31 December 2012						
Gross loans and advances	171,863.8	797.9	897.6	1,695.5	173,559.3	0.98
Allowance for impairment losses	(4,807.4)	(639.4)	(497.6)	(1,137.0)	(5,944.4)	
Loans and advances to customers, net	<u>167,056.4</u>	<u>158.5</u>	<u>400.0</u>	<u>558.5</u>	<u>167,614.9</u>	

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(2) Analysis of loans and advances to customers by collective and individual assessments (Continued)

THE BANK

	Loans and advances for which allowance is collectively assessed ⁽¹⁾	Identified impaired loans and advances ⁽²⁾		Subtotal	Total	Identified impaired loans and advances as a % of gross total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed			
At 31 December 2013						
Gross loans and advances	200,853.2	687.9	942.2	1,630.1	202,483.3	0.81
Allowance for impairment losses	(6,092.5)	(548.8)	(388.8)	(937.6)	(7,030.1)	
Loans and advances to customers, net	<u>194,760.7</u>	<u>139.1</u>	<u>553.4</u>	<u>692.5</u>	<u>195,453.2</u>	
At 31 December 2012						
Gross loans and advances	170,828.0	797.9	897.6	1,695.5	172,523.5	0.98
Allowance for impairment losses	(4,798.4)	(639.4)	(497.6)	(1,137.0)	(5,935.4)	
Loans and advances to customers, net	<u>166,029.6</u>	<u>158.5</u>	<u>400.0</u>	<u>558.5</u>	<u>166,588.1</u>	

Notes:

- (1) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.
- (2) Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(3) Movements of allowance for impairment losses on loans and advances to customers

THE GROUP

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2012	475.2	5,047.4	5,522.6
Charge for the year	201.6	3,576.9	3,778.5
Reverse for the year	(211.6)	(3,295.8)	(3,507.4)
Written off	(31.8)	(121.8)	(153.6)
Recovery of loans and advances written off in previous years	110.1	264.9	375.0
Unwinding of discount on allowance	(45.9)	(24.8)	(70.7)
As at 31 December 2012	497.6	5,446.8	5,944.4
Charge for the year	205.9	5,070.4	5,276.3
Reverse for the year	(376.0)	(3,926.9)	(4,302.9)
Written off	(22.3)	(77.4)	(99.7)
Recovery of loans and advances written off in previous years	113.8	206.5	320.3
Unwinding of discount on allowance	(28.1)	(8.4)	(36.5)
As at 31 December 2013	<u>390.9</u>	<u>6,711.0</u>	<u>7,101.9</u>

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(3) Movements of allowance for impairment losses on loans and advances to customers (Continued)

THE BANK

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2012	475.2	5,041.1	5,516.3
Charge for the year	201.6	3,574.1	3,775.7
Reverse for the year	(211.6)	(3,295.7)	(3,507.3)
Written off	(31.8)	(121.8)	(153.6)
Recovery of loans and advances written off in previous years	110.1	264.9	375.0
Unwinding of discount on allowance	(45.9)	(24.8)	(70.7)
As at 31 December 2012	497.6	5,437.8	5,935.4
Charge for the year	203.8	5,002.6	5,206.4
Reverse for the year	(376.0)	(3,919.8)	(4,295.8)
Written off	(22.3)	(77.4)	(99.7)
Recovery of loans and advances written off in previous years	113.8	206.5	320.3
Unwinding of discount on allowance	(28.1)	(8.4)	(36.5)
As at 31 December 2013	<u>388.8</u>	<u>6,641.3</u>	<u>7,030.1</u>

Liquidity ratios

THE GROUP

(Expressed in percentage)	At 31 December	
	2013	2012
RMB current assets to RMB current liabilities	<u>33.98</u>	<u>28.76</u>
Foreign currency current assets to foreign currency current liabilities	<u>50.51</u>	<u>133.51</u>

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Core liabilities ratios

THE BANK

(Expressed in percentage)	At 31 December	
	2013	2012
Core liabilities ratios	57.54	53.71

The above liquidity ratios and core liabilities ratios are calculated in accordance with the formula promulgated by CBRC.

Currency concentrations

THE GROUP AND THE BANK

	Equivalent in Renminbi			
	US Dollars	Hong Kong Dollars	Others	Total
At 31 December 2013				
Spot assets	1,687.3	372.6	27.2	2,087.1
Spot liabilities	(1,168.1)	(364.1)	(11.3)	(1,543.5)
Forward purchases	85.5	—	—	85.5
Forward sales	(85.5)	—	—	(85.5)
Net position	519.2	8.5	15.9	543.6
At 31 December 2012				
Spot assets	928.0	18.1	108.1	1,054.2
Spot liabilities	(728.9)	(11.0)	(4.1)	(744.0)
Net position	199.1	7.1	104.0	310.2

The above information is computed in accordance with the provisions of the CBRC.

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross border claims.

Cross-border claims mainly include balances with banks.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	Total
At 31 December 2013		
Asia Pacific excluding Mainland China	16.0	16.0
— of which attributed to Hong Kong	16.0	16.0
Europe	8.2	8.2
North America	15.3	15.3
Total	<u>39.5</u>	<u>39.5</u>

	Banks	Total
At at 31 December 2012		
Asia Pacific excluding Mainland China	18.2	18.2
— of which attributed to Hong Kong	18.2	18.2
Europe	11.7	11.7
North America	67.7	67.7
Total	<u>97.6</u>	<u>97.6</u>

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Overdue assets

Total loans and advances to customers which have been overdue are set out as follows:

THE GROUP

	At 31 December	
	2013	2012
Below 3 months (inclusive)	1,544.3	1,323.1
Between 3 and 6 months	102.6	108.4
Between 6 and 12 months	94.6	98.9
Over 12 months	781.5	1,350.0
Total	2,523.0	2,880.4
Percentage		
Below 3 months (inclusive)	0.75	0.76
Between 3 and 6 months	0.05	0.06
Between 6 and 12 months	0.05	0.06
Over 12 months	0.38	0.78
Total	1.23	1.66

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Unaudited Supplementary Financial Information (Continued)

(Amounts in millions of Renminbi, unless otherwise stated)

Summary of Information on Geographical Segments

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording gains. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

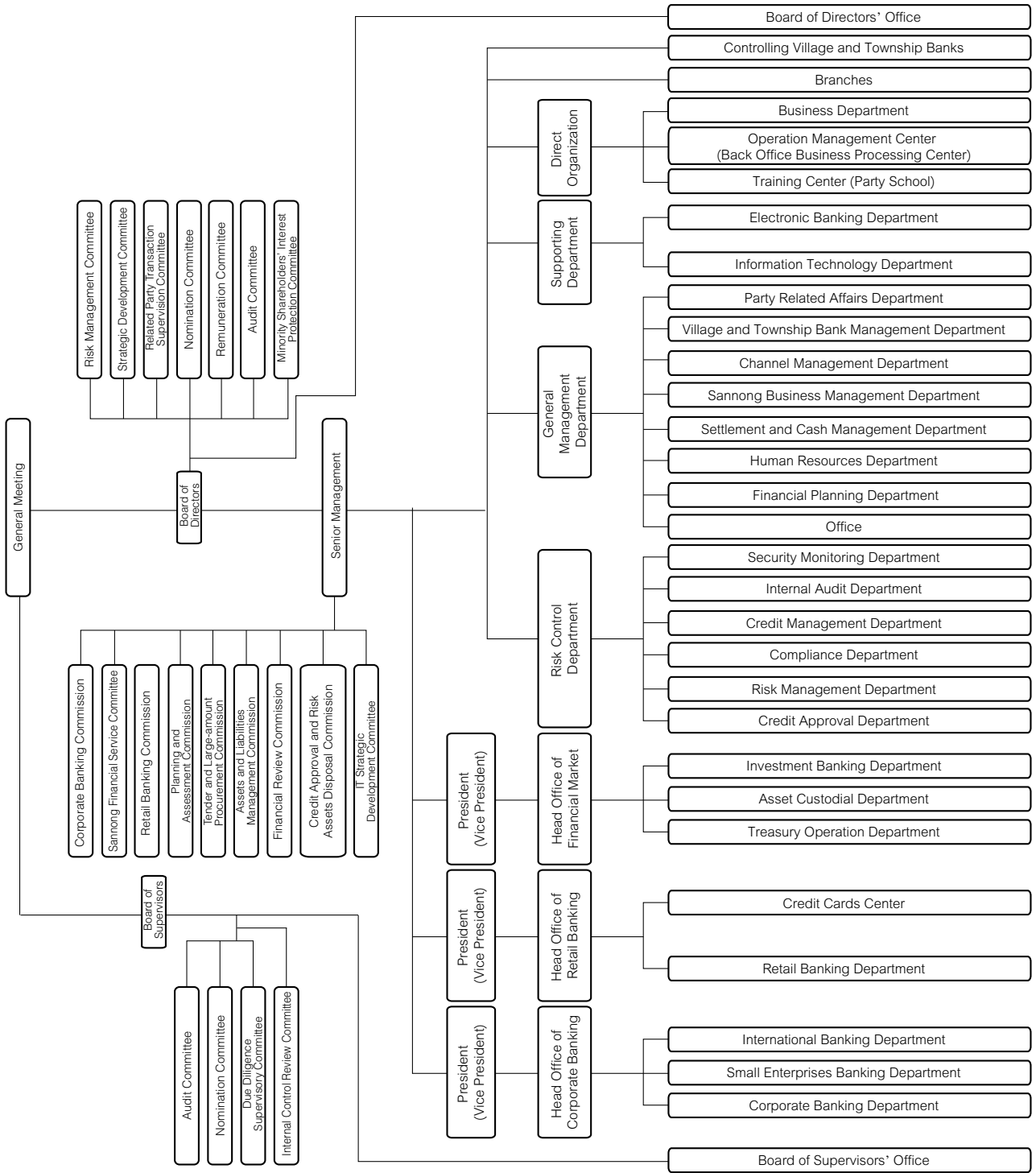
	For the year ended 31 December					
	2013			2012		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	2,973.7	12,729.5	15,703.2	2,189.2	10,903.0	13,092.2
Net fee and commission income	248.1	431.6	679.7	202.1	233.6	435.7
Net trading (losses) gain	—	(197.6)	(197.6)	—	13.0	13.0
Share of profit of an associate	—	0.3	0.3	—	—	—
Other operating income, net	119.8	10.4	130.2	96.4	16.0	112.4
Total operating income	3,341.6	12,974.2	16,315.8	2,487.7	11,165.6	13,653.3
Internal transfer of income and expense	5,222.2	(5,222.2)	—	4,581.8	(4,581.8)	—
Gain after adjustment	8,563.8	7,752.0	16,315.8	7,069.5	6,583.8	13,653.3

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of ten subsidiaries, namely Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司), Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司), Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司), Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司), Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司), Fujian Fu'an CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司) and Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司) and Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司) and the information of Qujing Branch.

Summary of geographical segment

(Expressed in percentage)	At 31 December									
	2013		2012		2011		2010		2009	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	68.01	31.99	67.48	32.52	66.79	33.21	66.66	33.34	69.69	30.31
Loans	52.60	47.40	48.28	51.72	46.80	53.20	47.76	52.24	45.28	54.72
Assets	47.77	52.23	46.33	53.67	46.67	53.33	48.80	51.20	54.99	45.01
Return on average total assets	1.29	1.28	1.43	1.34	1.34	1.35	1.31	1.20	1.01	1.05
Net fee and commission income to operating income	2.90	5.57	2.86	3.55	5.81	5.62	2.51	5.03	2.56	2.15
Cost-to-income ratio	41.46	33.47	40.46	34.73	38.61	34.69	44.46	44.34	56.32	37.20
Loan-deposit ratio	45.63	87.43	42.16	93.74	41.09	93.94	42.57	93.09	43.02	119.55
Non-performing loan ratio	1.30	0.25	1.81	0.19	2.75	0.29	4.32	0.61	7.20	1.13
Allowance to non-performing loans ratio	385.36	704.41	271.78	1,035.58	208.13	746.14	137.16	404.25	107.45	229.32

Organization Chart





Branches and Subsidiaries

Branches

Qujing Branch

Address: Block 2 and 3, "Renhe Garden,
Yunding Town Center" Dahua Bridge,
Qilin West Road, Qilin District,
Qujing City, Yunnan Province, China

Postal Code: 655000

Tel: 0874-3193599

Fax: 0874-3193565

Yuzhong Branch

Address: No. 142 Xinhua Road,
Yuzhong District,
Chongqing City,
Songqing Road, China

Postal Code: 400011

Tel: 023-63702177

Fax: 023-63716557

Jiangbei Branch

Address: 8-1, No. 7, Buxing Street,
Guanyin Bridge, Jiangbei District,
Chongqing City, China

Postal Code: 400020

Tel: 023-67721582

Fax: 023-67723755

Xiyong Branch

Address: No. 28 Xiyong Avenue,
Shapingba District,
Chongqing City, China

Postal Code: 401333

Tel: 023-65518880

Fax: 023-65518880

Nan'an Branch

Address: No. 24 Jiangnan Avenue,
Nanping,
Nan'an District,
Chongqing City, China

Postal Code: 400060

Tel: 023-62947564

Fax: 023-62947517

Dadukou Branch

Address: 3/F, Block A1, Tianchenhuaifu,
Chunhui Road Street,
Dadukou District,
Chongqing City, China

Postal Code: 400084

Tel: 023-68917939

Fax: 023-68901484

Shapingba Branch

Address: No. 118 Xiaoyanggong Bridge,
Shapingba District,
Chongqing City, China

Postal Code: 400030

Tel: 023-65330998

Fax: 023-65332566

Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping,
Jiulongpo District,
Chongqing City, China

Postal Code: 400050

Tel: 023-86105779

Fax: 023-68437557

Beibei District

Address: No. 20 Beixia West Road, Beibei

Postal Code: 400700

Tel: 023-68864083

Fax: 023-68862728

Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong Avenue,
Shuanglonghu Street, Yubei District,
Chongqing City, China

Postal Code: 401120

Tel: 023-67813712

Fax: 023-67813711

Ba'nan Branch

Address: No. 107 Baxian Avenue,
Yudong, Ba'nan District,
Chongqing City, China

Postal Code: 401320

Tel: 023-66212977

Fax: 023-66222960

Shuangqiao Branch

Address: No. 6, 1/F, Block A,
Shidai Plaza,
Shuangqiao District,
Chongqing City, China

Postal Code: 400900

Tel: 023-43336060

Fax: 023-43336060

Changshou Branch

Address: No. 13 Xiangyang Road,
Fengcheng Street Office,
Changshou District, Chongqing City, China

Postal Code: 401220

Tel: 023-40245293

Fax: 023-40258075

Liangjiang New Zone Branch

Address: No. 21, 23, 25 Jintong Road,
New North zone,
Chongqing City, China

Postal Code: 401122

Tel: 023-88502278

Fax: 023-88502276

Wansheng Branch

Address: No. 36 Wandong North Road,
Wansheng District,
Chongqing City, China

Postal Code: 400800

Tel: 023-48299505

Fax: 023-48299504

Fuling Branch

Address: No. 55 Xinghua Middle Road,
Fuling District,
Chongqing City, China

Postal Code: 408000

Tel: 023-72229797

Fax: 023-72237722

Jiangjin Branch

Address: Block E, Jinhui Garden,
Binjiang West Road,
Jijiang Street Office, Jiangjin District,
Chongqing City, China

Postal Code: 402260

Tel: 023-47538041

Fax: 023-47522632

Hechuan Branch

Address: No. 2 Jiuchang Road,
Hechuan District,
Chongqing City, China

Postal Code: 401520

Tel: 023-42835168

Fax: 023-42841214

Nanchuan Branch

Address: No. 28 Jinpo Avenue,
Nanchuan District,
Chongqing City, China

Postal Code: 408400

Tel: 023-71423626

Fax: 023-71429898

Tongnan Branch

Address: No. 4, Xingtong Avenue,
Guilin Street Office,
Tongnan County,
Chongqing City, China

Postal Code: 402660

Tel: 023-44553817

Fax: 023-44554249

Dazu Branch

Address: No. 21-35 Beihuan Middle Road,
Longgang Street Office,
Dazu County, Chongqing City, China

Postal Code: 402360

Tel: 023-43789737

Fax: 023-43722323

Yongchuan Branch

Address: No. 6 Guangchang Street,
Yongchuan District,
Chongqing City, China

Postal Code: 402160

Tel: 023-49863765

Fax: 023-49885099

Qijiang Branch

Address: No. 38 Longjiao Road, Gunan Town,
Qijiang County,
Chongqing City, China

Postal Code: 401420

Tel: 023-48663010

Fax: 023-48658598

Tongliang Branch

Address: No. 102 Zhongxing Road,
Bachuan Street, Tongliang County,
Chongqing City, China

Postal Code: 402560

Tel: 023-45689247

Fax: 023-45682975

Rongchang Branch

Address: No. 106 Haitang Avenue,
Changzhou Street Office,
Rongchang County,
Chongqing City, China

Postal Code: 402460

Tel: 023-46730454

Fax: 023-46739122

Bishan Branch

Address: No. 4 Bitong Road,
Bicheng Street Office, Bishan County,
Chongqing City, China

Postal Code: 402760

Tel: 023-41401133

Fax: 023-41427834

Liangping Branch

Address: No. 1, Block 26, Minghao Commercial Area,
Liangshan Town, Liangping County,
Chongqing City, China

Postal Code: 405200

Tel: 023-53223401

Fax: 023-53223401

Fengdu Branch

Address: No. 187 2nd Shangye Road,
Sanhe Town, Fengdu County,
Chongqing City, China

Postal Code: 408200

Tel: 023-70736444

Fax: 023-70736533

Zhong County Branch

Address: No. 6 Zhoupinghuan Road,
Zhongzhou Town, Zhong County,
Chongqing City, China

Postal Code: 404300

Tel: 023-54243943

Fax: 023-54243942

Wanzhou Branch

Address: No. 99 Taibai Road,
Wanzhou District,
Chongqing City, China

Postal Code: 404100

Tel: 023-58156268

Fax: 023-58156260

Chengkou Branch

Address: No. 26 South Street, Gecheng Town,
Chengkou County,
Chongqing City, China

Postal Code: 405900

Tel: 023-59221503

Fax: 023-59221093

Dianjiang Branch

Address: No. 12 Renmin East Road,
Guixi Town, Dianjiang County,
Chongqing City, China

Postal Code: 408300

Tel: 023-74511543

Fax: 023-74685719

Kai County Branch

Address: (Shimin Plaza) Kaizhou Avenue,
Hanfeng Street Office, Kai County,
Chongqing City, China

Postal Code: 405400

Tel: 023-52250701

Fax: 023-52250853

Yunyang Branch

Address: No. 1335 Yunjiang Avenue,
Shuangjiang Town,
Yunyang County,
Chongqing City, China

Postal Code: 404500

Tel: 023-55161488

Fax: 023-55161499

Wushan Branch

Address: No. 258 Guangdong East Road,
Wushan County,
Chongqing City, China

Postal Code: 404700

Tel: 023-57680904

Fax: 023-57680901

Qianjiang Branch

Address: No. 599 Jiefang Road,
Qianjiang District,
Chongqing City, China

Postal Code: 409000

Tel: 023-79237426

Fax: 023-79236496

Shizhu Branch

Address: No. 41 Xinkai Road, Nanbin Town,
Shizhu Tujia Autonomous County,
Chongqing City, China

Postal Code: 409100

Tel: 023-73332466

Fax: 023-73337976

Fengjie Branch

Address: No. 32 Gongping Lane,
Yong'an Town, Fengjie County,
Chongqing City, China

Postal Code: 404600

Tel: 023-56560397

Fax: 023-56560229

Wuxi Branch

Address: No. 28 Jiefang Street,
Chengxiang Town,
Wuxi County,
Chongqing City, China

Postal Code: 405800

Tel: 023-51520567

Fax: 023-51520766

Wulong Branch

Address: No. 36 Furong Middle Road,
Xiangkou Town,
Wulong County,
Chongqing City, China

Postal Code: 408500

Tel: 023-77723233

Fax: 023-77722595

Xiushan Branch

Address: Shizi Street, Yuxiu Avenue,
Zhonghe Town,
Xiushan Tujia and
Miao Autonomous County,
Chongqing City, China

Postal Code: 409900

Tel: 023-76664159

Fax: 023-76671163

Youyang Branch

Address: No. 5, Taohuayuan Middle Road,
Taohuayuan Town,
Youyang Tujia and
Miao Autonomous County,
Chongqing City, China

Postal Code: 409800

Tel: 023-75532959

Fax: 023-75552534

Pengshui Branch

Address: Fu No. 4, 2 Shizui Street,
Hanjia Street,
Pengshui Miao and
Tujia Autonomous County,
Chongqing City, China

Postal Code: 409600

Tel: 023-78492863

Fax: 023-78849965

Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.

(江蘇張家港渝農商村鎮銀行股份有限公司)

Address: No. 487 and 489 Chang'an Road,
Zhangjiagang City,
Jiangsu Province, China

Postal Code: 215600

Tel: 0512-58918959

Fax: 0512-58918969

Yunnan Dali CQRC Village and Township Bank

Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司)

Address: No. 176 Yangbi Road,
Economic Development Zone,
Dali Prefecture,
Yunnan Province, China

Postal Code: 671000

Tel: 0872-2188319

Fax: 0872-2188667

Sichuan Dazhu CQRC Village and Township Bank

Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司)

Address: Block H8/9, Huangge Commercial Plaza,
Xinhua Road East,
Zhuyang Town, Dazhu County,
Sichuan Province, China

Postal Code: 635100

Tel: 0818-6256123

Fax: 0818-6256616

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.

(雲南祥雲渝農商村鎮銀行有限責任公司)

Address: No. 16, Block 11,
"Xiangyun Yinxiang Garden",
Wenyuan Road north side,
Xiangcheng Town, Xiangyun County,
Dali Prefecture, Yunnan Province

Postal Code: 672100

Tel: 0872-3997552

Fax: 0872-3122977

**Yunnan Heqing CQRC Village
and Township Bank Co., Ltd.**

(雲南鶴慶渝農商村鎮銀行有限責任公司)

Address: 15 Xinghe Road,
Yunhe Town, Hexing County,
Dali Prefecture, Yunnan Province

Postal Code: 671500

Tel: 0872-4125480

Fax: 0872-4123500

**Guangxi Luzhai CQRC Village
and Township Bank Co., Ltd.**

(廣西鹿寨渝農商村鎮銀行有限責任公司)

Address: 8 Guiyuan Road,
Nanxin District, Luzhai County,
Liuzhou City, Guangxi Province

Postal Code: 545600

Tel: 0772-6822818

Fax: 0772-6663029

**Fujian Shaxian CQRC Village
and Township Bank Co., Ltd.**

(福建沙縣渝農商村鎮銀行有限責任公司)

Address: Floor 1 & 2, North Tower of
Yongshun Building,
Xincheng Central Road,
Sha County, Sanming City,
Fujian Province

Postal Code: 365050

Tel: 0598-5758880

Fax: 0598-5758880

**Fujian Fuan CQRC Village
and Township Bank Co., Ltd.**

(福建福安渝農商村鎮銀行有限責任公司)

Address: 1 Guanhang Road, Cheng Bei,
Fu'an City,
Fujian Province

Postal Code: 355000

Tel: 0593-8988916

Fax: 0593-8988920

**Yunnan Shangri-La CQRC Village
and Township Bank Co., Ltd.**

(雲南香格里拉渝農商村鎮銀行有限責任公司)

Address: 3AS-1-1, No. 7 Huajun Plaza,
Changzheng Da Road,
Xianggelila County, Yunnan Province

Postal Code: 674400

Tel: 0887-8980066

Fax: 0887-8989811

**Fujian Pingtan CQRC Village
and Township Bank Co., Ltd.**

(福建平潭渝農商村鎮銀行有限責任公司)

Address: A3-A6, 19th Pai,
Kangde Huayuan Villa,
Xihang Road, Tancheng Town,
Pingtan County, Fujian Province

Postal Code: 350400

Tel: 0591-86175991

Fax: 0591-86175991



Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“6+1” pillar industry systems	the Chongqing Municipal Government specially proposed the acceleration of electronic information industry, optimization and upgrade of automobile industry, promote advanced equipment manufacturing industry, development of integrated chemical industry, upgrade material industry, aggressive development energy industry, encouragement of the development of consumer goods manufacturing industry
B2B	Business To Business, one of the market sectors related to the Internet and a marketing relationship among enterprises
Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
Banking Regulatory Commission Chongqing Bureau	China Banking Regulatory Commission Chongqing Regulatory Bureau (中國銀行業監督管理委員會重慶監管局)
CBRC	China Banking Regulatory Commission (中國銀行業監督管理委員會)
IASB	International Accounting Standards Board
County Area	the regions other than Urban Area of Chongqing City, including 29 districts and counties
Articles of Association	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.*
Domestic Shares	the ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
Group	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
RMB or Renminbi	Renminbi, the lawful currency of the PRC
Yuan	RMB yuan
HKD or HK\$ or HK dollars	Hong Kong dollars, the lawful currency of Hong Kong
PRC or China	the People’s Republic of China
Hong Kong	Hong Kong Special Administrative Region, the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited

spot inspection team	in 2012, the special inspection team of the headquarters conducted spot checks of operating risks on 100 grass-roots business outlets
industries with high pollution, high energy consumption and excess capacity (「兩高一剩」行業)	industries with high pollution, high energy consumption and excess capacity
Listing	the listing of H shares on the Main Board of the Hong Kong Stock Exchange
PBOC, central bank	the People's Bank of China
realizing common prosperity in Chongqing through scientific development (科學發展富民興渝)	the general principle, development strategy and goal for the development of Chongqing for now and the period going forward proposed in the Fourth Congress of the Communist Party of China in Chongqing
rural commercial bank	a short-hand reference to rural and commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers"
three-transformation	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
village and township banks	bank institutions that are approved by CBRC (中國銀監會) to be incorporated in rural areas to provide services to local farmers or enterprises
Five Major Functional Regions (五大功能區域)	the third meeting of the fourth session of Chongqing Committee of the Chinese Communist Party (中共重慶市委四屆三次全會) studied and planned the functional regions of Chongqing City and the reforms of administrative systems by considering factors such as population, resources, environment, economy, society and culture. Chongqing City will be divided into five functional regions, e.g. urban function core region (都市功能核心區), urban function expanding region (都市功能拓展區), urban development new region (城市發展新區), North of Yudong ecological conservation development region (渝東北生態涵養發展區) and South of Yudong ecological protection region (渝東南生態保護發展區).
Five Major Actions for Environmental Protection (環保「五大行動」)	the environmental protection for the blue sky, clean water, tranquillity, green areas and farmland, which is implemented by the Chongqing government.
Au T+D	Au T+D
ODS	Operational Data Store
CRM	customer relationship management



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