



重庆銀行
BANK OF CHONGQING

BANK OF CHONGQING CO., LTD.*

重慶銀行股份有限公司*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1963)



2013 ANNUAL REPORT

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

CONTENTS



1	Corporate Information	2
2	Financial Highlights	4
3	Chairman’s statement	6
4	President’s statement	8
5	Recognitions and Awards	10
6	Management Discussion and Analysis	11
	6.1. Environment and Outlook	11
	6.2. Development Strategy	12
	6.3. Financial Review	13
	6.4. Business Overview	38
	6.5. Risk Management	47
	6.6. Capital Management	53
7	Significant Events	56
8	Change in Share Capital and Shareholders	57
9	Directors, Supervisors and Senior Management	61
10	Corporate Governance Report	77
11	Report of the Board of Directors	95
12	Report of the Board of Supervisors	101
13	Social Responsibility Report	104
14	Internal Control	106
15	Independent Auditor’s Report	107
16	Financial Statements	109
17	Notes to the Financial Statements	115
18	Organizational Chart	200
19	List of Branch Outlets	201
20	Definitions	207

CORPORATE INFORMATION

Legal Name and Abbreviation in Chinese

重慶銀行股份有限公司 (Abbreviation: 重慶銀行)

Name in English

Bank of Chongqing Co., Ltd.

Legal Representative

GAN Weimin

Authorized Representatives

NI Yuemin

ZHOU Wenfeng

Secretary to the Board

LI Zaining

Joint Company Secretaries

ZHOU Wenfeng

HO Wing Tsz Wendy

Registered Address

No. 153 Zourong Road, Yuzhong District,
Chongqing, the PRC 400010

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre, 183 Queen's Road East,
Hong Kong

Corporate Website

<http://www.cqcbank.com>

Corporate E-mail

ir@bankofchongqing.com

Listing Exchange of H Shares

The Stock Exchange of Hong Kong Limited

Stock Name and Stock Code

Stock Name: BCQ

Stock Code: 1963

Date and Registration Authority of Initial Incorporation

2 September 1996

Administration for Industry and
Commerce of Chongqing, the PRC

Corporate Business License Registration No.

500000000008213

Organizational Code

20286917-7

Financial License Registration No.

B0206H250000001

Taxation Registration Certificate No.

Guo Yu Shui Zi (國渝稅字) No. 500103202869177

Di Shui Yu Zi (地稅渝字) No. 500103202869177

Auditors

PricewaterhouseCoopers

22nd Floor, Prince's Building, Central, Hong Kong

PricewaterhouseCoopers Zhong Tian LLP

6/F, DBS Bank Tower, 1318 Lu Jia Zui Ring Road,
Pudong New Area, Shanghai

Legal Advisor as to PRC Laws

Chongqing East Law Firm

Legal Advisor as to Hong Kong Laws

Sullivan & Cromwell

Compliance Advisor

Anglo Chinese Corporate Finance, Limited

H Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Domestic Share Registrar

China Securities Depository and Clearing Co., Ltd.

No. 17 Taipingqiao Avenue, Xicheng District,
Beijing, the PRC

FINANCIAL HIGHLIGHTS

The Bank's financial information set forth in this annual report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards ("IFRS")* and expressed in RMB unless otherwise stated.

In respect of the financial statements of the Bank prepared under the PRC GAAP (China Accounting Standards) and those under the IFRSs, there is no difference between the net profit attributable to equity holders of the Bank for the year ended December 31, 2013 and net profit attributable to shareholders at the end of the reporting period.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended 31 December				
	2013	2012	Year-on-year change between 2013 and 2012 Change (%)	2011	2010
Operating results					
Interest income	10,467,150	8,308,816	26.0	6,107,357	3,953,377
Interest expense	(5,288,532)	(4,159,185)	27.2	(2,785,858)	(1,407,921)
Net interest income	5,178,618	4,149,631	24.8	3,321,499	2,545,456
Net fee and commission income	644,581	368,046	75.1	289,812	198,428
Other operating income, net trading (losses)/income and net gains/(losses) on investment securities	51,301	139,619	(63.3)	(40,253)	31,960
Operating income	5,874,500	4,657,296	26.1	3,571,058	2,775,844
Operating expenses	(2,282,858)	(1,901,448)	20.1	(1,450,786)	(1,108,461)
Impairment losses on loans and advances to customers	(535,632)	(239,627)	123.5	(183,532)	(253,416)
Operating profit	3,056,010	2,516,221	21.5	1,936,740	1,413,967
Share of (losses)/profits of an associate	1,435	1,162	23.5	(227)	–
Profit before income tax	3,057,445	2,517,383	21.5	1,936,513	1,413,967
Income tax expense	(728,179)	(592,578)	22.9	(448,358)	(312,318)
Net profit	2,329,266	1,924,805	21.0	1,488,155	1,101,649
Net profit attributable to shareholders of the Bank	2,329,266	1,924,805	21.0	1,488,155	1,101,649
Calculated on a per share basis (RMB)			Change		
Net assets per share attributable to shareholders of the Bank	4.98	4.09	0.89	3.19	2.49
Basic earnings per share	1.10	0.95	0.15	0.74	0.55
Dividend per share	0.224	0.07	0.154	0.05	0.05
Major indicators for assets/liabilities			Change (%)		
Total assets	206,787,015	156,163,478	32.4	127,339,915	108,325,519
Of which: loans and advances to customers, net	88,637,824	75,256,873	17.8	62,824,926	51,954,951
Total liabilities	193,307,744	147,905,128	30.7	120,886,751	103,295,598
Of which: customer deposits	148,801,045	114,043,185	30.5	89,306,554	73,856,470
Share capital	2,705,228	2,020,619	33.9	2,020,619	2,020,619
Equity attributable to shareholders of the Bank	13,479,271	8,258,350	63.2	6,453,164	5,029,921
Total equity	13,479,271	8,258,350	63.2	6,453,164	5,029,921
Profitability indicators (%)			Change		
Return on average total assets ⁽¹⁾	1.28	1.36	(0.08)	1.26	1.16
Return on average equity ⁽²⁾	21.4	26.2	(4.80)	25.9	24.3
Net interest spread ⁽³⁾	2.61	2.66	(0.05)	2.77	2.70
Net interest margin ⁽⁴⁾	2.81	2.85	(0.04)	2.92	2.78
Net fee and commission income to operating income	10.97	7.90	3.07	8.10	7.10
Cost-to-income ratio ⁽⁵⁾	32.37	34.10	(1.73)	34.30	34.00

* The Bank's financial information for the year 2009 was not prepared under the IFRS and the inclusion of such information in the Financial Highlights would not be informative or meaningful. Therefore, the Bank did not disclose its financial information for the year 2009.

Financial Highlights

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended 31 December				
	2013	2012	Year-on-year change between 2013 and 2012	2011	2010
Asset quality indicators (%)			Change		
Non-performing loan ratio ⁽⁶⁾	0.39	0.33	0.06	0.35	0.36
Allowance to non-performing loans ⁽⁷⁾	526.36	537.70	(11.34)	526.74	534.04
Allowance to total loans ⁽⁸⁾	2.06	1.80	0.26	1.87	1.91
Indicators of capital adequacy ratio (%)			Change		
Core capital adequacy ratio ⁽⁹⁾	10.82	8.18	2.64	9.26	9.17
Capital adequacy ratio ⁽⁹⁾	13.26	11.11	2.15	11.96	12.41
Total equity to total assets	6.52	5.29	1.23	5.07	4.64
Other indicators (%)			Change		
Loan-to-deposit ratio ⁽¹⁰⁾	60.82	67.20	(6.38)	71.69	71.72
Liquidity ratio ⁽¹¹⁾	56.98	42.20	14.78	44.20	45.61
Percentage of loans to the single largest customer ⁽¹²⁾	5.09	4.63	0.46	6.17	5.29
Percentage of loans to the top ten customers ⁽¹³⁾	22.84	30.09	(7.25)	40.47	47.43

Note:

- (1) Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.
- (2) Represents net profit attributable to shareholders of the Bank as a percentage of the average balance of total equity at the beginning and at the end of the period.
- (3) Calculated by deducting average return of interest-earning assets from average interest rate of interest bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing operating expense (less business tax and surcharges) by operating income.
- (6) Calculated by dividing balance of non-performing loans by total balance of loans and advances to customers.
- (7) Calculated by dividing balance of provision for impairment on loans by balance of non-performing loans.
- (8) Calculated by dividing balance of provision for impairment on loans by total balance of loans and advances to customers.
- (9) Core capital adequacy ratio and capital adequacy ratio for 2013 were calculated in accordance with the latest guidance promulgated by the CBRC (effective from January 1, 2013), while core capital adequacy ratio and capital adequacy ratio for 2012 were adjusted retroactively in accordance with the latest guidance effective from January 1, 2013. No retroactive adjustments were made to core capital adequacy ratio and capital adequacy ratio for 2011 and 2010, and they were original ratios for the respective periods.
- (10) Loan-to-deposit ratio is calculated by dividing total balance of loans and advances to customers by total customer deposits.
- (11) Liquidity ratio is calculated in accordance with the formula promulgated by the CBRC.
- (12) Calculated by dividing total loans to the single largest customer by net capital.
- (13) Calculated by dividing total loans to the top ten customers by net capital.

CHAIRMAN'S STATEMENT



GAN Weimin

Chairman

Dear Shareholders,

In 2013, the macroeconomic situation became increasingly complicated both domestically and internationally. However, under the leadership of Chongqing Municipal Party Committee and Chongqing Municipal Government and the guidance of the municipal counterparts of the PBOC and the CBRC, the Board thoroughly implemented the spirit of the Third Plenary Session of the Party's 18th Congress. We continued to uphold a customer-oriented philosophy and committed to serving the economy by continuously strengthening corporate governance, adjusting our asset structure, improving service efficiency and optimizing our profitability model. As a result, the Bank achieved major breakthrough in its reform and development, successfully listing its H Shares on the Hong Kong Stock Exchange. The Bank is the first H-Share listed city commercial bank in the PRC as well as the first Chinese bank listed in Hong Kong in the preceding three years.

Chongqing achieved sound economic progress during the past year under the guidance of Chongqing Municipal Party Committee and Government. Their overarching aim was to seek progress amidst stability and with the motto of "building the prosperity of Chongqing with a scientific approach". Increased transformation and development was implemented as the five functional districts were developed on the basis of the metropolitan layout of "one circle and two wings". As the national and regional economy was progressing steadily, the Bank seized the opportunity to implement its Twelfth Five-year Strategic Development Plan and grew into a regional listed bank with more than RMB200.00 billion in assets, outlets in all districts of Chongqing and three provinces in western China, and access to overseas capital markets. This accomplishment is thanks to the concerted efforts of all staff of the Bank and support from shareholders and the public.

As at the end of 2013, the Bank's total assets increased by 32.4% year-on-year to RMB206.79 billion; the balance of deposits increased by 30.5% year-on-year to RMB148.80 billion; the balance of loans increased by 18.1% year-on-year to RMB90.50 billion; net profit increased by 21.0% year-on-year to RMB2.33 billion. All regulatory indicators and requirements are complied with. As a result, the Bank accomplished the targets and tasks set by the Board at the beginning of the year, and achieved the objective of preservation and appreciation of state-owned assets and shareholders' equity.

2014 will be a year of in-depth reform for China, with an array of reform initiatives set to provide new impetus to the domestic economy. However, a wave of risk management reforms are also imminent. Accordingly, China's economy will need to address new challenges including striking the balance between mid- to long-term reforms and short-term growth, as well as the balance between structural adjustment and risk management. Given the significantly changed operation environment of the banking sector, the traditional business model will become unsustainable. Factors include the continuous and accelerating impact of the interest rate marketization process, emerging internet financial services, an unprecedented opening of banking industry to the private sector and the implementation of new capital regulations. As such, the Bank will consistently implement relevant national and local policies and regulations and thoroughly implement the Decisions on Deepening Reforms to Accelerate Development of the Bank of Chongqing in an effort to seize the opportunities from the deepening reforms. By strictly controlling risk, accelerating strategic transformation, adhering to a unique growth pattern and committing to social responsibility, we hope to proactively foster professional and unique competitive strengths so that we can deliver exceptional performance in return for support from society, our Shareholders and our customers.

On behalf of the Board, I would like to express sincere gratitude to relevant officials at all levels, Shareholders, loyal customers and the public for their care and support, and extend heartfelt thanks to all the conscientious staff who dedicated themselves to the Bank. As the Bank embarks on a new chapter in its history in 2014, the Board will lead our staff in forging through any obstacles with a determined, united and innovative spirit to new heights of success and contribution to the regional economy.

Chairman
GAN Weimin
Bank of Chongqing Co., Ltd.

March 20, 2014

PRESIDENT'S STATEMENT



RAN Hailing

Executive Director and President

Dear Shareholders,

In 2013, the Bank's management thoroughly implemented various decisions of the Board and strictly adhered to national macro-economic policies and financial monitoring requirements. The Bank's H Shares were listed successfully, and the management dutifully fulfilled the operational tasks assigned by the Board.

2013 in review:

- Successful Listing in Hong Kong. The Bank was listed on the Hong Kong Stock Exchange on November 6, 2013, raising net proceeds equivalent to RMB3.10 billion. This marked a breakthrough as the first listing of a PRC city commercial bank in Hong Kong.
- Successfully attained operational objectives. The Bank had total assets of over RMB200.00 billion, reaching RMB206.79 billion, representing a year-on-year growth of 32.4%. Balance of deposits amounted to RMB148.80 billion, representing a year-on-year increase of 30.5%. Meanwhile, balance of loans amounted to RMB90.50 billion, representing a year-on-year increase of 18.1%. The Bank achieved a net profit of RMB2.33 billion, representing a year-on-year increase of 21.0%. The Bank ranked fifth in terms of asset size among the 66 financial institutions in Chongqing (excluding the representative office of a foreign-invested bank, township banks pending approval and setup, and non-banking financial institutions).
- In-depth implementation of strategic transformation. Corporate deposits escalated significantly by 26.0%, rising to fourth place in the Chongqing region in terms of corporate deposit size. The proportion of personal deposits reached 16.7%, with an addition of RMB6.30 billion. Balance of loans to small and micro enterprises amounted to RMB30.08 billion, representing 33.2% of all loans, 19.1 percentage points higher than the general growth in the total loans of the Bank.
- Continuous innovation in products and services. The Bank implemented a workflow management process for its small and micro enterprises business to enhance operation efficiency. In addition, the batch credit model for small and micro enterprises was introduced. The Bank launched a supply chain financing business for its corporate business line and established several hallmark product series including "Chang Shang Yin", "Cang Chu Tong", "Shang Piao Bao Tie", which covers financing in connection with manufacturing, commerce, banking, warehousing, transportation and bill of exchange discounting.
- Effective rectification in style of practice. In accordance with the requirements of the central and municipal steering groups, the Bank made sincere efforts to educate its staff on practical ways to connect with the public, carried out an in-depth investigation on the issue of the "four styles of malpractice", formulated corrective measures and implemented them conscientiously. Various departments and teams also strictly implemented the central government's "eight provisions" and austerity regulations, and the three main areas of public expenditures of the head office's administrative department decreased by approximately 24%.
- Launching and advancing a comprehensive reform. After the Third Plenary Session of the Eighteenth Central Committee, the Bank proactively became the first among the city's state-owned enterprises and financial institutions to fully launch a comprehensive reform. The Bank formulated the Decision of Chongqing Bank on Advancing the Reform to Accelerate Development, and established scientific and reasonable reform objectives by coming up with more than one hundred specific reform measures in five major aspects. These measures form the action plan for the next stage of reform and development of the Bank.

Outlook for 2014:

Under the guidance of regulatory authorities, the Bank will further enhance its operation and management standards, strengthen its corporate governance reform, improve its product system and service quality, accelerate its transformation into a retail bank, continue to strengthen its risk management, improve its service quality and culture and strive to fulfill the business objectives set by the Board, so as to bring returns to investors and customers with the greatest sincerity.

Executive Director and President
RAN Hailing
Bank of Chongqing Co., Ltd.

March 20, 2014

RECOGNITIONS AND AWARDS

- Our small enterprise loan center was named the “Excellent Financial Service Team of Chinese Banking Financial Institutions for Small and Micro Enterprises 2012” by the CBRC;
- Our “Wei Qi Tong” start-up loan was named the “Unique Financial Service Product of Chinese Banking Financial Institutions for Small and Micro Enterprises 2012” by the CBRC;
- Our “Qi Dong Li” start-up loan was included into the “Top 20 Financial Service Products for Small and Micro Enterprises 2013” by China Banking Association;
- Our head office was given the “Respecting the Elderly award”, a national honor;
- Our customer service center was awarded the “Golden Headset Cup” as the best call center of China in 2013, and named the “Outstanding Youth Civilization of Chongqing” by the Youth League Committee of Chongqing;
- The Bank won the “Group Excellence Prize” in the “Consumer Protection Knowledge Contest for Bankers in Chongqing 2013” hosted by Chongqing Banking Association;
- Our “Audit on Emergency Data Backup” was named the “Excellent Internal Audit Project in Chongqing”;
- The Bank won the “Corporate Online Banking User Experience Award for e-Banking Services in China 2013” in the conference titled “e-China Diversified Innovations – e-Banking Services Summit of China 2013”.

MANAGEMENT DISCUSSION AND ANALYSIS

6.1. Environment and Outlook

2013 saw a slight continuous slowdown in world economic growth, characterized by weak global industrial production and trade, depressed commodity prices and continued volatility in international financial markets. While developed countries showed a slightly stronger growth momentum, developing countries were faced with increasing difficulties. According to International Monetary Fund, the global economy grew at 3.0% in 2013, slower than the previous year by 0.1 percentage point. The differentiation in major economies in 2013 was further heightened among the developed and developing worlds. Among the continuously differentiated developed economies, the United States sustained the modest recovery in an uptrend and the quantitative easing (QE) policies ushered in a turning point. Japan picked up the recovery momentum as stimulated by its monetary and fiscal incentive policies. The Eurozone struggled to step out of recession, but still closed the year with a negative growth. While East and Southeast Asian economies maintained rapid growths, the Fragile Five (India, Indonesia, Brazil, Turkey and South Africa, or "BIITS") suffered from internal and external imbalances, as worsened by capital outflows, and were faced with more difficulties.

In 2013, Chinese government continued its active fiscal policies and prudent monetary policies to keep the economy within a rational range. The GDP increased by 7.7% year-on-year to RMB56.9 trillion, and the total imports and exports exceeded US\$4 trillion and scaled a new height. Consumer price index inflation stayed within 2.6%. With a registered urban unemployment rate of 4.1%, there was an increase of 13.1 million in urban jobs which hit a record high. China's monetary credit and financial markets operated smoothly as a whole in 2013. The broad money (M2) increased to RMB110.7 trillion by 13.6%, continued to maintain modest growth although it fell 0.2 percentage points lower than that at the end of 2012. The balance of narrow money (M1) increased to RMB33.73 trillion with a year-on-year growth of 9.3% which was 2.8 percentage points

higher than that at the end of last year, suggesting a significantly higher business activity. The money in circulation (M0) posted a balance of RMB5.86 trillion, representing an increase of 7.1% year-on-year. The net cash issuance was RMB389.90 billion for the year, essentially unchanged from the previous year. In 2013, the PBOC fully liberalized lending rates of financial institutions and promulgated the Provisional Measures on Management of Interbank Deposit Certificates among other initiatives, indicating an accelerated process of interest rates marketization. As the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) issued by the CBRC came into effect, the capital regulatory framework has been formalized. Under the banking regulatory documents including the Notice on Standardizing the Investment Operations on Wealth Management Business by Commercial Banks issued by the CBRC, the investment operations of wealth management business by commercial banks were regulated effectively to mitigate the risks involved.

In 2013, Chongqing as the only municipality in western China maintained healthy economic and social progresses. It posted a local GDP of RMB1,265.67 billion, representing a year-on-year growth of 12.3% and 4.6 percentage points higher than the national growth. In particular, the primary, second and third industry grew by 4.7%, 13.4% and 12.0%, respectively. The city's per capita disposable income for urban residents was RMB25,216, representing a year-on-year increase of 9.8%. The city's total retail sales of consumer goods was RMB451.18 billion, representing an increase of 14.0% year-on-year or 12.0% upon deduction of inflation factors. Total imports to and exports from the city increased by 29.1% year-on-year to US\$68.70 billion, including total exports of US\$46.80 billion with a growth of 21.3%, and total imports of US\$21.91 billion with a growth of 49.7%. The annual foreign investment absorbed by the city has exceeded US\$10.00 billion for the third consecutive year. Total imports to and exports from Chongqing ranked 10th nationwide and 1st in the western region of China.

Management Discussion and Analysis

Going forward, the world economy in 2014 is expected to gain a momentum slightly stronger than before, as the favorable factors should outweigh the downsides. However, coupled with the continued differentiation in developed and developing economies, the growths will remain subdued in Europe and the developing countries outside of Asia. Despite a slightly higher expected overall growth rate of the world economy, China will still find itself in a mixed and complicated context both externally and internally. With a stable growth expectation on its economy, China should be able to maintain a GDP growth at 7.5% or above. In 2014, China will continue to implement appropriate fiscal policies and prudent monetary policies to ensure a smooth economic restructuring and stable transition, so as to ensure a long-term, healthy and sustainable economic development. Located in western China, Chongqing is the largest municipality directly under the PRC central government. It is well positioned to utilize the advantage in policy, market and location arising out of the government policies on industrial restructuring and industry immigration. As a result, the economic growth of Chongqing will remain substantially higher than the national average level and the GDP growth rate in this region is still targeted at 11.0% or above for 2014, exceeding that of the Yangtze River Delta, Pearl River Delta as well as provinces and regions in central China.

6.2. Development Strategy

In the coming three to five years, the Bank will take ongoing efforts towards the maximization of shareholder value under the operation philosophy of “scientific, harmonious and sustainable development”. To this end, the Bank will continue to support regional economic development and serve individuals and small, medium and micro enterprises based on refined and specialized management, and will seek to build up core competitiveness so as to become a leading integrated listed bank in western China.

In respect of our strategic positioning, the Bank will target a “specialist bank for customers” that provides tailored and distinctive products, services and integrated solutions to help customers realize value addition, in an effort to build itself into a “financial service specialist for target customers”.

In respect of our business development, the Bank will carry forward the development approach focusing on structural adjustment and strategic transformation under the general strategy of “transforming into a retail bank with clearly-managed business lines and rational business mix”. In particular, the corporate banking business line aims to establish a “specialized and integrated corporate finance service provider”; the small and micro enterprise business line seeks to become a “pioneer and pacesetter in small and micro enterprise financing”; the personal business line strives to become a “specialist bank for individual customers”; and the treasury business line is dedicated to developing itself into a “leading interbank trader”.

At the same time, benefiting from the opportunities of the construction of the pilot urban and rural integration area in Chongqing, the upper Yangtze River economic center and the Liangjiang New Area, the Bank will take efforts to become a regional player that extends its outlet and business presence across mid and western China. While strengthening its market position in Chongqing, the Bank will expand its network centering on Chongqing to cover key cities in western China with urban and rural businesses supporting each other, striving towards its goal as a leading regional bank in western China.

To steadily implement its strategic plan in line with business expansion needs, the Bank will continue to promote the implementation of its comprehensive risk management planning and information technology planning, and push forward the optimization of organizational structure and business processes. The Bank will continuously carry out reforms and management innovations in various aspects including product research and development, risk management, capital management, performance appraisal and financial management, construction of operational system, construction of information technology system, human resources management, brand building and channel management, so as to establish a vibrant and efficient framework and management, and improve our capabilities in operation and management as well as value creation.

Management Discussion and Analysis

6.3. Financial Review

For the past year, faced with a complex and harsh economy both domestically and globally, the Bank proactively responded to major challenges including the economic slowdown, the accelerated marketization of interest rates and the furtherance of financial regulation reform. The Bank also dedicated to an accelerated transformation and development while integrating its operations and management, thus setting the Bank off to a good start upon its listing. The Bank recorded a net profit of RMB2,329.27 million in 2013, representing an increase of 21.0% year-on-year which ranked high among listed PRC bank peers. The Bank's performance not only delivered sound returns to its shareholders and investors, but also laid down a solid foundation for its sustainable development.

As at the end of 2013, the total assets of the Bank reached RMB206,787.02 million by a significant year-on-year increase of 32.4%, and such increase rate represents a leading position among listed PRC peers. The Bank adhered to prudent and sustainable principles for credit management and risk control and rationally maintained a reasonable level of aggregate credit amount and lending pace based on regional and macroeconomic changes. As a result, net loans and advances to customers grew by 17.8% to RMB88,637.82 million, while the non-performing loan ratio remained low at 0.39%, on lower end among its listed peers. While striving for stable

and rapid growth in service network and business volume, the Bank remained customer-oriented in accelerating its business transformation and upgrades to keep abreast of customers' increasing demand for diversification of asset allocation and professional management of deposits. The Bank adopted an innovative approach in deposit management and optimized its pricing practice to meet the requirements for marketization of interest rate. As at the end of 2013, the amount of customer deposits increased by RMB34,757.86 million, representing a year-on-year increase of 30.5%, providing a stable source of funding for the rapid growth of the Bank's credit, interbank and other intermediate businesses.

On November 6, 2013, the shares of the Bank were listed on the Hong Kong Stock Exchange. A total number of approximately 684.61 million H Shares were offered by the Bank in the initial public offering and the net proceeds from the initial public offering were equivalent to RMB3,098.37 million. All the proceeds were used to replenish the Bank's capital base. As of December 31, 2013, the Bank's capital adequacy ratio and core capital adequacy ratio increased to 13.26% and 10.82%, respectively, which not only provided an adequate reserve for the furtherance of the Bank's asset size and business transformation, but also fulfilled the latest regulatory requirements on capital adequacy ratio for the PRC banking industry.

Management Discussion and Analysis

I. Analysis of the Income Statement

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Rate of change (%)
	2013	2012		
Interest income	10,467,150	8,308,816	2,158,334	26.0
Interest expense	(5,288,532)	(4,159,185)	(1,129,347)	27.2
Net interest income	5,178,618	4,149,631	1,028,987	24.8
Net fee and commission income	644,581	368,046	276,535	75.1
Net trading (losses)/income	(89,789)	25,789	(115,578)	(448.2)
Net gains/(losses) on investment securities	76,162	87,999	(11,837)	(13.5)
Other operating income	64,928	25,831	39,097	151.4
Operating income	5,874,500	4,657,296	1,217,204	26.1
Operating expenses	(2,282,858)	(1,901,448)	(381,410)	20.1
Impairment losses on loans and advances to customers	(535,632)	(239,627)	(296,005)	123.5
Share of (losses)/profits of an associate	1,435	1,162	273	23.5
Profit before income tax	3,057,445	2,517,383	540,062	21.5
Income tax expense	(728,179)	(592,578)	(135,601)	22.9
Net profit	2,329,266	1,924,805	404,461	21.0

In 2013, our profit before income tax was RMB3,057.45 million, representing a year-on-year increase of 21.5%; net profit was RMB2,329.27 million, representing a year-on-year increase of 21.0%. Both profit before income tax and net profit recorded a year-on-year growth of over 20.0%, mainly attributable to the stable growth of interest-earning assets. Net interest income achieved a year-on-year increase of RMB1,028.99 million or 24.8%.

1. Net interest income

In 2013, net interest income amounted to RMB5,178.62 million, representing a year-on-year increase of RMB1,028.99 million or 24.8%. Net interest income accounted for 88.15% of total operating income.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Rate of change (%)
	2013	2012		
Interest income	10,467,150	8,308,816	2,158,334	26.0
Interest expense	(5,288,532)	(4,159,185)	(1,129,347)	27.2
Net interest income	5,178,618	4,149,631	1,028,987	24.8

Management Discussion and Analysis

The following table sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or interest expense and average yield (for assets) or average cost ratio (for liabilities) for the years indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2013			Year ended December 31, 2012		
	Average balance	Interest income expense	Average yield/cost ratio (%)	Average balance	Interest income expense	Average yield/cost ratio (%)
ASSETS						
Loans and advances to customers	85,952,995	6,106,800	7.10	70,797,558	5,101,485	7.21
Investment securities	41,936,012	2,466,897	5.88	24,437,070	1,253,876	5.13
Balances with central banks	27,347,052	430,482	1.57	21,252,855	321,953	1.51
Due from other banks and financial institutions	25,964,192	1,260,963	4.86	26,408,126	1,446,687	5.48
Financial assets at fair value through profit or loss	3,139,015	202,008	6.44	2,873,117	184,815	6.43
Total interest-earning assets	184,339,266	10,467,150	5.67	145,768,726	8,308,816	5.70
LIABILITIES						
Customer deposits	134,537,605	(3,300,669)	2.45	102,738,078	(2,302,286)	2.24
Due to other banks and financial institutions	34,273,399	(1,779,260)	5.19	32,298,599	(1,760,418)	5.45
Debt issued	3,802,734	(208,603)	5.49	1,594,004	(96,481)	6.05
Total interest-bearing liabilities	172,613,738	(5,288,532)	3.06	136,630,681	(4,159,185)	3.04
Net interest income		5,178,618			4,149,631	
Net interest spread⁽¹⁾			2.61			2.66
Net interest margin⁽²⁾			2.81			2.85

Notes:

(1) Net interest spread is the difference between average return of interest-earning assets and average cost of interest-bearing liabilities.

(2) Net interest margin is the ratio of net interest income and average balance of interest-earning assets.

Due to increased market competition in lending rates and the changes in credit structure in 2013, the average yield on interest-earning assets of the Bank decreased slightly by 3 basis points to 5.67% as compared to that of the previous year.

Due to increased market competition and rising interest rates on deposits in 2013, the average cost ratio of customer deposits increased over the previous year, and the overall average cost ratio of interest-bearing liabilities increased slightly by 2 basis points to 3.06% as compared to the previous year.

As a result of the overall impact of the above-mentioned factors, net interest spread of the Bank decreased by 5 basis points to 2.61% as compared to that of the previous year, while net interest margin decreased by 4 basis points to 2.81% as compared to that of the previous year.

Management Discussion and Analysis

The following table sets forth the Bank's changes in interest income and interest expense due to changes in volume and interest rates. Changes in volume were calculated based on movements in average balances, while changes in interest rates were calculated based on movements in average interest rates.

(All amounts expressed in thousands of RMB unless otherwise stated)	Due to changes in volume	Due to changes in interest rate	Change in interest income and expense
ASSETS			
Loans and advances to customers	1,092,061	(86,746)	1,005,315
Investment securities	897,878	315,143	1,213,021
Balances with central banks	92,319	16,210	108,529
Due from other banks and financial institutions	(24,320)	(161,404)	(185,724)
Financial assets at fair value through profit or loss	17,104	89	17,193
Change in interest income	2,075,042	83,292	2,158,334
LIABILITIES			
Customer deposits	712,604	285,779	998,383
Due to other banks and financial institutions	107,635	(88,793)	18,842
Debt issued	133,689	(21,567)	112,122
Change in interest expense	953,929	175,418	1,129,347

2. Interest income

In 2013, the Bank's interest income amounted to RMB10,467.15 million, representing a year-on-year increase of RMB2,158.33 million or 26.0%.

The average balance, interest income and average yield for each component of the Bank's interest income are set forth as follows:

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2013			Year ended December 31, 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Assets						
Loans and advances to customers	85,952,995	6,106,800	7.10	70,797,558	5,101,485	7.21
Investment securities	41,936,012	2,466,897	5.88	24,437,070	1,253,876	5.13
Balances with central banks	27,347,052	430,482	1.57	21,252,855	321,953	1.51
Due from other banks and financial institutions	25,964,192	1,260,963	4.86	26,408,126	1,446,687	5.48
Financial assets at fair value through profit or loss	3,139,015	202,008	6.44	2,873,117	184,815	6.43

Management Discussion and Analysis

2.1. Interest income from loans and advances to customers

In 2013, interest income from loans and advances to customers amounted to RMB6,106.80 million, representing a year-on-year increase of RMB1,005.32 million or 19.7%, primarily due to the increase in average balance of loans and advances to customers as compared to the previous year.

2.2. Interest income from investment securities

In 2013, the Bank's interest income from investment securities amounted to RMB2,466.90 million, representing a year-on-year increase of RMB1,213.02 million or 96.7%, primarily due to the significant increase in average balance and average yield of investment securities as compared to the previous year.

2.3. Interest income from balances with central banks

In 2013, the Bank's interest income from balances with central banks amounted to RMB430.48 million, representing a year-on-year increase of RMB108.53 million or 33.7%, primarily due to the year-on-year increase of 28.7% in average balance of balances with central banks as a result of the growth in customer deposits.

2.4. Interest income from receivables from other banks and financial institutions

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2013			Year ended December 31, 2012		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Due from other banks and financial institutions	3,089,700	67,280	2.18	5,488,368	231,811	4.22
Financial assets held under resale agreements	22,874,492	1,193,683	5.22	20,919,758	1,214,876	5.81
Total amounts receivable from other banks and financial institutions	25,964,192	1,260,963	4.86	26,408,126	1,446,687	5.48

In 2013, interest income from the Bank's amount due from other banks and financial institutions amounted to RMB67.28 million, representing a year-on-year decrease of RMB164.53 million or 71.0%, primarily due to the significant decrease in both average balance and yield of amount due from other banks and financial institutions as compared to the previous year.

In 2013, interest income from the Bank's financial assets held under resale agreements amounted to RMB1,193.68 million, representing a year-on-year decrease of RMB21.19 million or 1.7%, primarily attributable to the low market interest rate, as a result of which the average yield decreased by 0.59 percentage point year-on-year. Meanwhile, by adjusting the utilisation structure of short-term fund and actively increasing the bonds and bills held under resale agreements, the average balances increased by 9.3% year-on-year.

As a result of the foregoing factors, the Bank's total amounts receivable from other banks and financial institutions decreased by RMB185.72 million to RMB1,260.96 million as compared to that of the previous year, representing a year-on-year decrease of 12.8%.

Management Discussion and Analysis

2.5. Interest income from financial assets at fair value through profit or loss

In 2013, the Bank's interest income from financial assets at fair value through profit or loss amounted to RMB202.01 million, representing a year-on-year increase of RMB17.19 million or 9.3%, primarily due to the increase in average balance of financial assets at fair value through profit or loss as compared to the previous year.

3. Interest expense

In 2013, the Bank's total interest expense was RMB5,288.53 million, representing a year-on-year increase of RMB1,129.35 million or 27.2%.

3.1. Interest expense of customer deposits

The average balance, interest expense and average cost ratio for each component of the Bank's customer deposits are set forth as follows:

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2013			Year ended December 31, 2012		
	Average balance	Interest expense	Average cost ratio (%)	Average Balance	Interest expense	Average cost ratio (%)
Corporate deposits						
Demand	43,577,799	374,178	0.86	38,343,520	361,053	0.94
Time	51,905,355	1,964,384	3.78	37,119,444	1,298,549	3.50
Subtotal	95,483,154	2,338,562	2.45	75,462,964	1,659,602	2.20
Retail deposits						
Demand	7,986,171	31,266	0.39	6,666,660	28,658	0.43
Time	13,283,893	428,465	3.23	9,144,335	300,616	3.29
Subtotal	21,270,064	459,731	2.16	15,810,995	329,274	2.08
Other deposits	17,784,387	502,376	2.82	11,464,119	313,410	2.73
Total customer deposits	134,537,605	3,300,669	2.45	102,738,078	2,302,286	2.24

In 2013, the Bank's interest expense on customer deposits was RMB3,300.67 million, representing a year-on-year increase of RMB998.38 million or 43.4%, primarily due to an increase of 21 basis points in the average cost rate to 2.45% as a result of the growth in customer deposits and the lagging effect of interest rate hikes in 2012 as well as the increase in deposit rates in 2013.

3.2. Interest expense on amount payable to other banks and financial institutions

The average balance, interest expense and average cost ratio for each component of the Bank's amount payable to other banks and financial institutions are set forth as follows:

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2013			Year ended December 31, 2012		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Due to other banks	18,509,624	1,041,416	5.63	14,246,011	797,820	5.60
Borrowings from central bank	1,927,630	48,813	2.53	868,332	24,843	2.86
Financial assets sold under repurchase agreements	13,836,145	689,031	4.98	17,184,256	937,755	5.46
Total borrowings from financial institutions	34,273,399	1,779,260	5.19	32,298,599	1,760,418	5.45

Management Discussion and Analysis

In 2013, the Bank's total interest expense on the amount due to other banks was RMB1,041.42 million, interest expense on borrowings from central bank was RMB48.81 million, representing a year-on-year increase of RMB243.60 million and RMB23.97 million respectively, or a year-on-year increase of 30.5% and 96.5% respectively, primarily due to the increase in average balance of the amount due to other banks and borrowings from central bank as compared to the previous year.

In 2013, the Bank's interest expense on sale of financial assets under repurchase agreements was RMB689.03 million, representing a year-on-year decrease of RMB248.72 million or 26.5%, primarily due to the decrease by 48 basis points in average cost ratio of sale of financial assets under repurchase agreements as compared to the previous year.

3.3 Interest expense on issuance of bonds

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2013			Year ended December 31, 2012		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Subordinated bonds	1,790,366	108,541	6.06	1,594,004	96,481	6.05
Financial bonds for small and micro enterprises	2,012,368	100,062	4.97	-	-	-
Subtotal	3,802,734	208,603	5.49	1,594,004	96,481	6.05

In 2013, interest expense on subordinated bonds and financial bonds for small and micro enterprises amounted to RMB208.60 million, representing a year-on-year increase of RMB112.12 million or 116.2%, primarily due to the Bank's new issuance of RMB3,000.00 million 5-year financial bonds for small and micro enterprises within China's interbank bond market in April 2013 (Please refer to "Analysis of the Statement of Financial Position – Liabilities – Debts issued").

4. Net interest spread and net interest margin

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

In 2013, the Bank's net interest spread was 2.61%, representing a year-on-year decrease of 5 basis points. The decrease in net interest spread was primarily due to (1) the decrease in yield of loans and advances to customers, and (2) the increase in the cost ratio of customer deposits.

In 2013, the Bank's net interest income amounted to RMB5,178.62 million, representing a year-on-year increase of RMB1,028.99 million or 24.8%. Average balance of interest-earning assets grew by 26.5%. The slower growth rate of net interest income as compared to that of average balance of interest-earning assets was due to: (1) the increase of 2 basis points in average cost ratio of interest-bearing liabilities year-on-year to 3.06%; and (2) the decrease of 3 basis points in yield on interest-earning assets year-on-year to 5.67%.

Management Discussion and Analysis

5. Non-interest income

5.1. Net fee and commission income

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Rate of Change (%)
	2013	2012		
Fee and commission income				
Commission income from financial advisory and consulting services	237,939	154,128	83,811	54.4
Commission income from wealth management agency service	180,224	107,406	72,818	67.8
Commission income from custodian service	128,348	28,834	99,514	345.1
Commission income from bank card services	72,466	45,750	26,716	58.4
Commission income from credit commitments	37,991	27,240	10,751	39.5
Commission income from settlement and agency services	37,350	42,648	(5,298)	(12.4)
Fee and commission expense	(49,737)	(37,960)	(11,777)	31.0
Net fee and commission income	644,581	368,046	276,535	75.1

In 2013, net fee and commission income amounted to RMB644.58 million, representing a year-on-year increase of RMB276.54 million or 75.1% and accounting for 11.0% of operating income, up by 3.1 percentage points from the previous year, primarily due to the Bank's adoption of measures to expand the sources of non-interest income and increase the income from intermediary banking services, such as the significant year-on-year increase in commission income from financial advisory and consulting services, commission income from wealth management agency services and commission income from custodian services.

Commission income from financial advisory and consulting services amounted to RMB237.94 million, representing a year-on-year increase of RMB83.81 million or 54.4%, primarily due to the substantial growth in financial advisory and consulting services.

Commission income from wealth management agency services amounted to RMB180.22 million, representing a year-on-year increase of RMB72.82 million or 67.8%, primarily due to the substantial growth in wealth management agency services.

Commission income from custodian services amounted to RMB128.35 million, representing a year-on-year increase of RMB99.51 million or 345.1%, primarily due to the substantial growth in custodian services.

Commission income from bank card services amounted to RMB72.47 million, representing a year-on-year increase of RMB26.72 million or 58.4%, primarily due to sustained stable growth in amount of settled transaction and inter-bank transactions through self-service facilities following the continuous increase in resources invested and significant improvement in card quality.

Management Discussion and Analysis

Commission income from credit commitments amounted to RMB37.99 million, representing a year-on-year increase of RMB10.75 million or 39.5%, primarily due to the substantial growth in turnover of guarantee and commitment services.

Commission income from settlement and agency services amounted to RMB37.35 million, representing a year-on-year decrease of RMB5.30 million or 12.4%, primarily due to the decrease in the rate of commission for settlement and agency services.

5.2. Net trading (losses)/income

Net trading (loss)/income mainly include gains and losses generated from the translation of foreign currency monetary assets and liabilities into Renminbi, and gains or losses generated from the fair value adjustment of the trading securities. In 2013, the Bank's net trading loss was RMB89.79 million, primarily due to the decrease in market value of the Bank's trading securities at fair value and the foreign exchange loss arising from the fluctuation in exchange rate during the foreign currency settlement of proceeds from initial public offering of H Shares in 2013.

5.3. Net gains/(losses) on investment securities

In 2013, the Bank's net gain on investment securities amounted to RMB76.16 million, representing a decrease of RMB11.84 million or 13.5% as compared to 2012.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Rate of change (%)
	2013	2012		
Net gains arising from derecognition of held-for-trading financial assets	71,852	95,565	(23,713)	(24.8)
Net gains arising from derecognition of available-for-sale financial assets	4,310	(7,566)	11,876	(157.0)
Total	76,162	87,999	(11,837)	(13.5)

6. Operating expenses

In 2013, the Bank's operating expense was RMB2,282.86 million, representing a year-on-year increase of RMB381.41 million or 20.1%.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Rate of change (%)
	2013	2012		
Staff costs	992,048	865,458	126,590	14.6
Business taxes and surcharges	381,018	313,225	67,793	21.6
Depreciation and amortisation	116,371	85,417	30,954	36.2
General and administrative expenses	685,074	564,352	120,722	21.4
Others	108,347	72,996	35,351	48.4
Total operating expenses	2,282,858	1,901,448	381,410	20.1

Management Discussion and Analysis

6.1. Staff costs

Staff costs constitute the largest component of the Bank's operating expenses, accounting for 43.5% and 45.5% of its total operating expenses for the years ended December 31, 2013 and 2012 respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Rate of change (%)
	2013	2012		
Salaries and bonuses	665,965	592,725	73,240	12.4
Pension costs	109,667	89,486	20,181	22.6
Housing benefits and subsidies	54,001	43,539	10,462	24.0
Union and employee education fees	22,225	23,787	(1,562)	(6.6)
Other social security and welfare expenses	140,190	115,921	24,269	20.9
Total staff cost	992,048	865,458	126,590	14.6

In 2013, the Bank's total staff costs amounted to RMB992.05 million, representing a year-on-year increase of RMB126.59 million or 14.6%, primarily due to the increase in headcounts driven by the expansion of business scale and the increase in number of branches. As of the end of 2013, the Bank had 3,307 full-time employees, representing an increase of 436 employees or 15.2% as compared to 2012.

6.2. Business taxes and surcharges

Business taxes 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. In 2013, business taxes and surcharges were RMB 381.02 million, representing a year-on-year increase of RMB67.79 million or 21.6%.

6.3. Depreciation and amortisation

Depreciation and amortization for 2013 increased by RMB30.95 million or 36.2% to RMB116.37 million over the previous year as the growth of our property and equipment remained stable during the period.

6.4. General and administrative expenses

For the year ended December 31, 2013, general and administrative expenses increased by 21.4% to RMB685.07 million as compared to RMB564.35 million in 2012, primarily due to greater business expansion.

7. Impairment losses on loans and advances to customers

Provisions for impairment losses recorded RMB535.63 million for the year ended December 31, 2013, representing a year-on-year increase of RMB296.01 million or 123.5% as compared to RMB239.63 million in 2012. The increase in impairment losses was primarily due to the increased volume of loans and the higher percentages of impairment loss for certain industries.

Management Discussion and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Rate of change (%)
	2013	2012		
Impairment losses on loans and advances to customers	535,632	239,627	296,005	123.5

8. Investment in an associate

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2013	December 31, 2012
Balance at beginning of the year	22,935	21,773
Share of profit after tax	1,435	1,162
Balance at the end of the year	24,370	22,935

On May 5, 2011, the Bank invested RMB22.00 million in the establishment of Xingyi Wanfeng Village Bank Co., Ltd., accounting for 20.0% of the registered capital of RMB110.00 million.

9. Income tax expense

The applicable income tax rate of the Bank was 25.0%. The effective tax rates of the Bank in 2013 and 2012 were 23.81% and 23.54% respectively.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Rate of change (%)
	2013	2012		
Profit before income tax	3,057,445	2,517,383	540,062	21.5
Tax calculated at applicable statutory tax rate of 25%	764,361	629,346	135,015	21.5
Add/(less) the tax effect of the following items:				
Non-taxable income	(44,077)	(50,862)	6,785	(13.3)
Non-deductible expenses	7,895	4,475	3,420	76.4
Differences from settlements for prior years	-	9,619		
Income tax expense	728,179	592,578	135,601	22.9

Management Discussion and Analysis

2. Analysis of the Statement of Financial Position

1. Assets

The following table sets forth the composition of the Bank's total assets for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	90,504,316	43.8	76,634,161	49.1
Provision for impairment losses on loans and advances to customers	(1,866,492)	(0.9)	(1,377,288)	(0.9)
Net loans and advances to customers	88,637,824	42.9	75,256,873	48.2
Investment securities ⁽¹⁾	47,430,761	23.0	32,132,312	20.6
Investments in associates	24,370	0.0	22,935	0.0
Cash and balances with central banks	32,822,748	15.9	25,243,334	16.2
Due from other banks and financial institutions	32,143,462	15.5	18,532,058	11.9
Financial assets at fair value through profit or loss	2,009,537	1.0	2,413,849	1.5
Fixed assets	2,068,972	1.0	1,470,527	0.9
Deferred income tax assets	305,651	0.1	176,701	0.1
Other assets	1,343,690	0.6	914,889	0.6
Total assets	206,787,015	100.0	156,163,478	100.0

Note:

(1) *Investment securities consist of available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables.*

As at December 31, 2013, the Bank's total assets amounted to RMB206,787.02 million, representing an increase of RMB50,623.54 million or 32.4% as compared to the end of the previous year, among which:

- Total loans and advances to customers increased by RMB13,870.16 million or 18.1% as compared to the end of the previous year. This was primarily due to the fact that the Bank increased loans to prime projects and key customers under effective risk control, whilst extending its support to loans to SMEs and small and micro enterprises with great market potentials and robust customer demand in line with the features in the economic development of Chongqing.
- Investment securities increased by RMB15,298.45 million or 47.6% as compared to the end of the previous year, primarily due to the expansion of trust beneficiary rights and directional asset management plans.
- Cash and balances with central banks increased by RMB7,579.41 million or 30.0% as compared to the end of the previous year, primarily due to the increase in statutory deposit reserves as a result of the increased customer deposits.
- Total amount due from other banks and financial institutions increased by RMB13,611.40 million as compared to the end of the previous year, representing a year-on-year increase of 73.4%, primarily due to the substantial increase in placements with other banks and financial assets held under resale agreements as well as the increase in financial assets held under resale agreements by RMB7,541.00 million or 46.3% as compared to the end of the previous year.

Management Discussion and Analysis

1.1. Loans and advances to customers (Contractual amount)

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans and advances to corporate entities				
– Corporate loans	60,083,587	66.4	50,675,848	66.1
– Discounted bills	5,245,372	5.8	6,458,419	8.4
Retail loans				
– Mortgage loans	15,790,408	17.4	12,397,665	16.2
– Personal consumer loans	2,233,591	2.5	1,694,812	2.2
– Credit card advances	1,007,641	1.1	535,575	0.7
– Personal business loans	6,127,637	6.8	4,846,272	6.3
– Others	16,080	0.0	25,570	0.0
Total loans and advances to customers	90,504,316	100.0	76,634,161	100.0

As at December 31, 2013, the Bank's total loans and advances to customers amounted to RMB90,504.32 million, representing an increase of RMB13,870.16 million or 18.1% as compared to the end of the previous year.

Loans and advances to corporate entities (excluding discounted bills) amounted to RMB60,083.59 million, representing an increase of RMB9,407.74 million or 18.6% as compared to that at the end of the previous year and accounting for 66.4% of total loans and advances to customers, up by 0.3 percentage points from the beginning of the year. During the year, the Bank actively adjusted the credit structure in support of the state's industrial policy and focused on real economies. During the year, additional loans to the manufacturing industry and the retail and wholesale industry amounted to RMB2,275.42 million and RMB3,277.02 million.

Discounted bills amounted to RMB5,245.37 million, representing a decrease of RMB1,213.05 million or 18.8% as compared to the end of the previous year, primarily due to weaker market demands.

Retail loans amounted to RMB25,175.36 million, representing an increase of RMB5,675.46 million or 29.1% as compared to the end of the previous year and accounting for 27.8% of total loans and advances to customers, up by 2.4 percentage points from the beginning of the year. Specifically, mortgage loans, mainly to finance self-occupied home purchases, increased by RMB3,392.74 million or 27.4% as compared to the end of the previous year; personal loans for business purposes grew by RMB1,281.37 million or 26.4% as compared to the end of the previous year. The growth was because that the Bank took active measures to avoid systemic risk in markets, and primarily met credit needs of premium personal customers in face of complex market changes.

Management Discussion and Analysis

Distribution of loans by type of collateral (Contractual amount)

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralised loans	41,959,416	46.4	33,715,821	44.0
Pledged loans	11,263,885	12.4	10,485,921	13.7
Guaranteed loans	32,529,589	35.9	26,985,660	35.2
Unsecured loans	4,751,426	5.3	5,446,759	7.1
Total loans and advances to customers	90,504,316	100.00	76,634,161	100.0

Movements on provision for impairment losses on loans and advances to customers (contractual amount)

The following table sets forth the Bank's provision for impairment losses on loans and advances to customers for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
Balance at beginning of the year	1,233,628	143,660	1,025,505	171,385
Impairment allowances for loans and advances charged to profit or loss	609,529	95,156	273,370	52,397
Reversal of impairment allowances for loans and advances	(92,215)	(76,838)	(65,247)	(20,893)
Net impairment allowances for loans and advances charged to profit or loss	517,314	18,318	208,123	31,504
Unwinding discount on allowances	–	(9,570)	–	(4,951)
Loans and advances written off during the year as uncollectible	–	(41,082)	–	(57,064)
Recoveries of loans and advances written off in prior years	–	4,224	–	2,786
Balance at end of the year	1,750,942	115,550	1,233,628	143,660

Management Discussion and Analysis

In 2013, the Bank was in strict compliance with the relevant requirements of accounting standards, so as to provide sufficient allowances for impaired loans and advances whilst fully considering external economic dynamics and macro monitoring policies. As at December 31, 2013, the balance of allowance for impairment losses on loans and advances to customers was RMB1,866.49 million, representing an increase of RMB489.20 million as compared to the end of the previous year; and the allowances to non-performing loans decreased by 11.3 percentage points to 526.4% as compared to the beginning of the year.

1.2. Investments

The following table sets forth the composition of the Bank's financial assets at fair value through profit or loss and investment securities for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss				
– Corporate bonds	2,009,537	4.1	2,413,849	7.0
Subtotal	2,009,537	4.1	2,413,849	7.0
Investment securities – Loans and receivables				
– Trust scheme	27,909,790	56.5	18,075,348	52.3
– Wealth management products purchased from financial institutions	1,683,233	3.4	2,046,788	6.0
– Directional asset management plan	5,407,537	10.9	1,110,000	3.2
Subtotal	35,000,560	70.8	21,232,136	61.5
Investment securities – Available-for-sale				
– Government bonds	–	0.0	–	0.0
– Non-commercial bank bonds	2,901,170	5.8	2,995,618	8.7
– Corporate bonds	1,872,925	3.8	49,417	0.1
– Equity Investment at fair value	182,850	0.4	199,052	0.5
– Others	14	0.0	14	0.0
Subtotal	4,956,959	10.0	3,244,101	9.3
Investment securities – Held-to-maturity				
– Government bonds	4,930,028	10.0	5,235,549	15.2
– Non-commercial bank bonds	1,947,214	3.9	1,824,526	5.3
– Commercial bank bonds	550,000	1.1	550,000	1.6
– Corporate bonds	46,000	0.1	46,000	0.1
Subtotal	7,473,242	15.1	7,656,075	22.2
Total	49,440,298	100.0	34,546,161	100.0

Management Discussion and Analysis

As at December 31, 2013, total investments amounted to RMB49,440.30 million, representing an increase of RMB14,894.14 million or 43.1% as compared to the end of the previous year. Financial assets held for trading at fair value through profit or loss decreased by RMB404.31 million as compared to the end of the previous year, primarily due to the decrease in the Bank's holdings of corporate bonds to adapt to the market. Available-for-sale financial assets increased by RMB1,712.86 million as compared to the end of the previous year, primarily due to the increase in the Bank's holdings of non-commercial bank bonds with high liquidity and low risks to increase the Bank's liquidity reserves. Investment securities-receivables increased by RMB13,768.42 million as compared to the end of the previous year, primarily due to increased holding of trust revenue products with controllable risks and high yield.

2. Liabilities

The following table sets forth the composition of the Bank's total liabilities for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to other banks and financial institutions	33,749,572	17.5	27,659,141	18.7
Customer deposits	148,801,045	77.0	114,043,185	77.1
Other liabilities	5,804,219	3.0	4,234,301	2.9
Current tax liabilities	175,138	0.1	172,826	0.1
Deferred income tax liabilities	-	0.0	5,789	0.0
Debt issued	4,777,770	2.4	1,789,886	1.2
Total liabilities	193,307,744	100.0	147,905,128	100.0

As at December 31, 2013, total liabilities amounted to RMB193,307.74 million, representing an increase of RMB45,402.62 million or 30.7% as compared to the end of the previous year. Customer deposits are the Bank's largest source of capital, which increased by RMB34,757.86 million or 30.5% as compared to the end of the previous year; amount due to other banks and financial institutions increased by RMB6,090.43 million or 22.0% as compared to the end of the previous year; debts issued increased by 2,987.88 million or 166.9% due to the issuance of financial bonds of RMB3,000.00 million for SMEs by the Bank.

Management Discussion and Analysis

2.1. Customer deposits

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate demand deposits	46,694,854	31.4	37,560,210	32.9
Corporate time deposits	56,788,904	38.2	44,568,723	39.1
Individual demand deposits	10,202,369	6.8	8,488,325	7.4
Individual time deposits	14,714,891	9.9	10,133,600	8.9
Other deposits	20,400,027	13.7	13,292,327	11.7
Total customer deposits	148,801,045	100.0	114,043,185	100.0
Of which: Pledged deposits held as collateral	20,286,637	13.6	13,146,873	11.5

As at December 31, 2013, customer deposits amounted to RMB148,801.05 million, representing an increase of RMB34,757.86 million or 30.5% as compared to the end of the previous year. Corporate deposits increased by RMB21,354.83 million or 26.0% as compared to the end of the previous year; individual deposits increased by 6,295.34 million or 33.8% as compared to the end of the previous year. Corporate and individual demand deposits amounted to RMB56,897.22 million, representing an increase of RMB10,848.69 million or 23.6% as compared to the end of the previous year; time deposits increased by RMB16,801.47 million or 30.7% as compared to the end of the previous year.

2.2. Debts issued

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Subordinated debts				
Fixed rate subordinated debt – 2019	995,856	20.8	995,192	55.6
Fixed rate subordinated debt – 2022	795,071	16.7	794,694	44.4
Financial debt				
Fixed rate financial debt – 2018	2,986,843	62.5	–	–
	4,777,770	100.0	1,789,886	100.0

Pursuant to a resolution of the extraordinary general meeting approved on November 11, 2008 and the “Approval to Bank of Chongqing for Issuing Subordinated Debts” (《關於重慶銀行發行次級債券的批覆》) (Yinjianfu [2009] No. 42) by the CBRC on February 9, 2009, the Bank issued a RMB1,000.00 million subordinated debt within China domestic Inter-bank Bond Market in April 2009. Such subordinated debts have a maturity of 10 years, with a coupon rate of 5.31% per annum for the first five years, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on April 3, 2014. If the bank does not exercise this option, the annual coupon rate for the second 5-year period shall be the original coupon rate plus 3.0% per annum, and shall remain fixed through to the maturity date.

Management Discussion and Analysis

Pursuant to a resolution of the extraordinary general meeting approved on August 12, 2011 and the "Approval to Bank of Chongqing for issuing subordinated debts" (《關於重慶銀行發行次級債券的批覆》) (Yin Jian Fu [2011] No. 511) by the CBRC on November 18, 2011, the Bank issued RMB800.00 million subordinated debts within China domestic Inter-bank Bond Market in March 2012. Such subordinated debts have a maturity of 10 years, with a fixed coupon rate of 6.8% per annum before maturity, payable annually. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on March 21, 2017.

The subordinated debts are subordinated to all other claims on the assets of the Bank except for the Bank's share capital. In the calculation of the Bank's capital adequacy ratio, those debts qualify for inclusion as supplementary capital.

Pursuant to a resolution of the extraordinary general meeting approved on November 25, 2011 and the "Approval to Bank of Chongqing for issuing small and micro enterprises financial bond" (《關於重慶銀行發行金融債券的批覆》) (Yin Jian Fu [2012] No. 526) by the CBRC on 21 September 2012, the Bank issued financial bonds of RMB3,000.00 million for small and micro enterprises within the Inter-bank Bond Market in April 2013. On April 25, 2013, the Bank issued 5-year financial bonds for small and micro enterprises with a principal amount of RMB3,000.00 million. Such financial debts bear a fixed coupon rate of 4.78% per annum before maturity, payable annually. The fund is raised all for loans to small and micro enterprises.

As at December 31, 2013, there were no defaults of principal and interest or other breaches with respect to these debts from the issue of these debt securities.

3. Shareholders' equity

The following table sets forth the composition of the Bank's shareholders' equity for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	2,705,228	20.1	2,020,619	24.5
Capital surplus	2,444,623	18.1	800	0.0
Other reserves	2,653,606	19.7	1,683,263	20.4
Retained earnings	5,675,814	42.1	4,553,668	55.1
Total equity	13,479,271	100.0	8,258,350	100.0

Pursuant to the "Reply Regarding the Approval for the Issue of Overseas Listed Foreign Invested Shares by Bank of Chongqing Co., Ltd." (《關於核准重慶銀行股份有限公司發行境外上市外資股的批覆》) ([2013] No.1255) issued by China Securities Regulatory Commission on September 29, 2013, the Bank is permitted to issue no more than 770,500,000 H Shares (including those issued under the over-allotment option). On November 6, 2013, the Bank issued 670,000,000 H Shares of with par value of RMB1 per share at an offer price of HK\$6 per share. On December 4, 2013, the Bank partially exercised its over-allotment options granted during the initial public offering by issuing additional 14,608,901 H Shares with par value of RMB1 per share at an offer price of HK\$6 per share.

Management Discussion and Analysis

As at December 31, 2013, the Bank had paid-in capital of RMB2,705.23 million, capital surplus of RMB2,444.62 million and other reserves of RMB2,653.61 million. Among other reserves, (i) surplus reserve increased by RMB232.92 million as compared to the end of the previous year, primarily due to the provisions made for statutory surplus reserve; and (ii) general reserve increased by RMB832.75 million as compared to the end of the previous year, as the general reserve was required to be not less than an additional reserve of 1.5% of balance of risk assets at the end of the previous year.

4. Loan quality analysis

4.1 Breakdown of Loans by the Five-Category Classification

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Pass	89,545,465	98.94	74,915,661	97.76
Special mention	604,249	0.67	1,462,356	1.91
Substandard	233,872	0.26	144,679	0.19
Doubtful	95,104	0.10	99,918	0.13
Loss	25,626	0.03	11,547	0.01
Total loans and advances to customers	90,504,316	100.00	76,634,161	100.00
Amount of non-performing loans	354,602	0.39	256,144	0.33

In 2013, facing complex macro-economic dynamics, the Bank strengthened its efforts in restructuring its credit structure, conducted a rollover risk surveillance of credit assets, actively prevented and mitigated risks and strengthened early risk warning and tracking as well as post loan management, resulting in continuous improvement in credit asset quality. As at December 31, 2013, the balance of non-performing loans was RMB354.60 million, representing an increase of RMB98.46 million as compared to the previous year; non-performing loan ratio was 0.39%, representing a slight increase of 0.06 percentage points as compared to the previous year. The proportions of doubtful loans were on a decline. The amount of special mention loans accounted for 0.67%, representing a decrease 1.24 percentage points as compared to that of the previous year.

Management Discussion and Analysis

4.2 Concentration of loans

4.2.1. Concentration by industry and non-performing loans

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013				As at December 31, 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 (%)
Manufacturing	15,550,827	17.2	121,636	0.78	13,275,408	17.3	122,119	0.92
Wholesale and retail	10,597,333	11.7	80,323	0.76	7,320,311	9.5	6,297	0.09
Construction	6,893,052	7.6	0	0.00	5,670,282	7.4	0	0.00
Real estate	6,572,898	7.2	30,000	0.46	4,437,890	5.8	31,548	0.71
Leasing and commercial services	4,599,200	5.1	1,854	0.04	4,319,477	5.6	1,944	0.05
Water conservation, environment and public facility administration	4,155,130	4.6	0	0.00	4,883,806	6.4	0	0.00
Transportation, warehousing and postal service	2,738,775	3.0	0	0.00	2,238,020	2.9	0	0.00
Mining	2,630,498	2.9	0	0.00	2,736,497	3.6	0	0.00
Electricity, gas and water production and supply	1,412,688	1.6	0	0.00	1,430,795	1.9	0	0.00
Agriculture, forestry, animal husbandry and fishery	1,143,960	1.3	0	0.00	1,379,400	1.8	0	0.00
Household Services and other services	853,643	0.9	0	0.00	653,943	0.9	0	0.00
Education	826,451	0.9	0	0.00	893,731	1.2	0	0.00
Financing	515,993	0.6	2,993	0.58	38,200	0.0	8,200	21.47
Science, technology and geological survey	477,196	0.5	0	0.00	62,000	0.1	0	0.00
Information transmission, computer services and software industries	382,263	0.4	8,597	2.25	302,907	0.4	43,997	14.52
Accommodation and catering	267,039	0.3	9	0.003	579,500	0.8	4,510	0.78
Culture, physical education and entertainment	247,700	0.3	0	0.00	407,000	0.5	0	0.00
Public administration and social organization	150,000	0.2	0	0.00	-	0.0	0	0.00
Health, social security and welfare	68,941	0.1	0	0.00	46,681	0.1	0	0.00
Discounted bills	5,245,372	5.8	0	0.00	6,458,419	8.4	0	0.00
Individual loans	25,175,357	27.8	109,190	0.43	19,499,894	25.4	37,529	0.19
Total	90,504,316	100.0	354,602	0.39	76,634,161	100.0	256,144	0.33

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

Management Discussion and Analysis

In 2013, in response to the tumultuous and ever-changing external economic conditions, the Bank continued to optimise its industry specific lending and exit criteria for customers and further refined the management of industry quotas.

The non-performing loan amount of the information transmission, computer services and software industries decreased by RMB35.40 million as compared to the end of the previous year, representing a decrease of 12.27 percentage points in non-performing loan ratio. This was due to the fact that the Bank partly recovered and wrote off a non-performing loan of relatively large amount.

The non-performing loan amount of the financing industry decreased by RMB5.21 million as compared to the end of the previous year, representing a decrease of 20.9 percentage points in non-performing loan ratio. This was due to the Bank's written-off of non-performing loans.

The non-performing loan amount and non-performing loan ratio of the real estate industry continued to maintain the momentum of decline, with a decrease of RMB1.55 million in non-performing loan amount and a decline of 0.25 percentage points in non-performing loan ratio as compared to the end of the previous year.

4.2.2. Concentration of borrowers

In 2013, the Bank's total loans to its largest single borrower accounted for 5.09% of its net capital while total loans to its top ten customers accounted for 22.84% of its net capital, which were in accordance with regulatory requirements. As at December 31, 2013, none of the Bank's loans to top ten largest single borrowers were non-performing loans.

(1) Indicators of concentration

Major regulatory indicators	Regulatory standard	As at December 31, 2013	As at December 31, 2012	As at December 31, 2011
Loan concentration ratio for the largest single customer (%)	<=10	5.09	4.63	6.17
Loan concentration ratio for the top ten customers (%)	<=50	22.84	31.95	40.47

Note: The data above are calculated in accordance with the formula promulgated by the CBRC.

(2) Loans to top ten single borrowers

(All amounts expressed in thousands of RMB unless otherwise stated) Customer	Industry	As at December 31, 2013	
		Amount	Percentage of total loans (%)
Customer A	Manufacturing	835,000	0.92
Customer B	Transportation, warehousing, and postal service	400,000	0.44
Customer C	Construction	360,000	0.40
Customer D	Real estate	320,000	0.35
Customer E	Real estate	320,000	0.35
Customer F	Construction	305,000	0.34
Customer G	Real estate	303,980	0.34
Customer H	Leasing and commercial services	300,000	0.33
Customer I	Real estate	300,000	0.33
Customer J	Manufacturing	300,000	0.33

Management Discussion and Analysis

4.2.3. Distribution of loans and non-performing loans by product type

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013			As at December 31, 2012		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	60,083,587	245,413	0.41	50,675,848	218,615	0.43
Short-term loans	40,891,142	242,360	0.59	31,678,381	209,312	0.66
Medium-and long-term loans	19,192,445	3,053	0.02	18,997,467	9,303	0.05
Retail Loans	25,175,357	109,189	0.43	19,499,894	37,529	0.19
Residential mortgage and personal commercial property loans ⁽¹⁾	15,278,964	15,221	0.41	11,976,329	6,720	0.19
Personal business and re-employment loans	6,127,637	81,780	1.33	4,846,272	22,493	0.46
Others ⁽²⁾	3,768,757	12,188	0.32	2,677,293	8,316	0.31
Discounted bills	5,245,372	0.00	0.00	6,458,419	0	0.00
Total	90,504,316	354,602	0.39	76,634,161	256,144	0.33

Notes:

- (1) Personal commercial property loans only include mortgage loans and exclude the part of other consumer loans which is used to purchase commercial properties.
- (2) Other loans include Yangtze Card revolving credit lines, Yangtze Quick and Easy Loan (長江快易貸), margin loans for overseas study, personal consumer automobile mortgage loans (intermediate type), personal consumer automobile mortgage loans (direct type), personal commercial automobile mortgage loans, special loans for non-agricultural migration (農轉非專項貸款) and other personal loans for general consumption needs.

As at December 31, 2013, non-performing loan ratio of corporate loans decreased by 0.02 percentage points to 0.41% as compared to the end of the previous year, and non-performing loan ratio of personal loans increased by 0.24 percentage points to 0.43% as compared to the end of the previous year.

4.2.4. Overdue loans and advances to customers

The following table sets forth the aging analysis of the Bank's overdue loans and advances to customers for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013		As at December 31, 2012	
	Total loans and advances Amount	Percentage (%)	Total loans and advances Amount	Percentage (%)
Past due within 3 months	150,730	33.87%	74,878	25.25%
Past due for 3 months to 1 year	127,489	28.65%	119,568	40.31%
Past due for over 1 year and within 3 years	120,714	27.12%	6,147	2.07%
Past due for more than 3 years	46,089	10.36%	95,989	32.37%
Total overdue loans and advances to customers	445,022	100.00%	296,582	100.00%

Note: Overdue loans and advances to customers include credit card advances.

Management Discussion and Analysis

As of December 31, 2013, the total overdue loans amounted to RMB445.02 million, representing an increase of RMB148.44 million as compared to the end of the previous year. Overdue loans accounted for 0.49% of total loans, representing an increase of 0.1 percentage points as compared to 2012.

5. Segment information

5.1. Summary of geographical segment

(Expressed in percentage)	Year ended December 31,							
	2013		2012		2011		2010	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Deposits	77.81	22.19	79.85	20.15	82.82	17.18	88.15	11.85
Loans	73.83	26.17	73.85	26.15	79.41	20.59	82.21	17.79
Assets	77.72	22.28	80.13	19.87	85.14	14.86	90.31	9.69
Loan-deposit ratio	57.71	71.74	62.14	87.24	68.74	85.92	66.88	107.71
Non-performing loan ratio	0.26	0.75	0.24	0.59	0.40	0.17	0.44	0.00
Allowance to non-performing loans ratio	787.84	268.30	748.91	294.96	476.47	978.26	461.05	-

(Expressed in percentage)	Year ended December 31,							
	2013		2012		2011		2010	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Return on average total assets	1.47	0.58	1.62	0.11	1.19	1.74	1.17	1.13
Net fee and commission income to operating income	10.88	11.48	7.05	13.74	7.49	11.03	6.52	11.80
Cost-to-income ratio	30.51	42.15	31.13	54.51	34.15	34.77	34.07	33.52

Management Discussion and Analysis

Other areas refer to areas outside Chongqing. The information of other areas include that of Chengdu Branch, Guiyang Branch and Xi'an Branch.

5.2 Summary of Business Segment

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2013				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,193,720	612,410	2,372,488	-	5,178,618
Inter-segment net interest income/(expense)	1,670,275	384,039	(2,054,314)	-	-
Net interest income	3,863,995	996,449	318,174	-	5,178,618
Net fee and commission income	466,427	178,154	-	-	644,581

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2012				
	Corporate banking	Retail banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,123,922	444,289	1,581,420	-	4,149,631
Inter-segment net interest income/(expense)	659,943	266,199	(926,142)	-	-
Net interest income	2,783,865	710,488	655,278	-	4,149,631
Net fee and commission income	212,857	155,189	-	-	368,046

Management Discussion and Analysis

6. Analysis of Off-balance-sheet Items

Off-balance-sheet items of the Bank mainly include contingent liabilities and commitments, such as the credit commitments, capital commitments and operating lease commitments. Credit commitments, the major component of off-balance sheet items, comprise bank acceptances, credit card commitments, issuance of letters of credit and issuance of letters of guarantee, among which credit card commitments, bank acceptances, and issuance of letters of credit are the major components. As at December 31, 2013, the balances of credit card commitments and bank acceptances and issuance of letters of credit were RMB802.73 million and RMB37,197.78 million, respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	No later than 1 year	1 to 5 years	Over 5 years	Total
December 31, 2013				
Unused credit card limits	802,728	–	–	802,728
Guarantees, acceptances and letters of credit	37,102,049	95,733	–	37,197,782
Operating lease commitments	50,842	97,025	2,164	150,031
Capital commitments	300,318	18,383	–	318,701
Total	38,255,937	211,141	2,164	38,469,242

(All amounts expressed in thousands of RMB unless otherwise stated)	No later than 1 year	1 to 5 years	Over 5 years	Total
December 31, 2012				
Unused credit card limits	651,269	–	–	651,269
Guarantees, acceptances and letters of credit	26,618,163	65,615	–	26,683,778
Operating lease commitments	41,256	83,811	46,842	171,909
Capital commitments	387,421	118,467	10,000	515,888
Total	27,698,109	267,893	56,842	28,022,844

Management Discussion and Analysis

6.4. Business Overview

I. Corporate Banking Business

The following table sets forth the accounting information and changes of the corporate banking segment:

All amounts expressed in thousands of RMB unless otherwise stated	December 31, 2013	December 31, 2012	Rate of change
Net interest income from external customers	2,193,720	2,123,922	3.3%
Inter-segment net interest income/(expense)	1,670,275	659,943	153.1%
Net interest income	3,863,995	2,783,865	38.8%
Net fee and commission income	466,427	212,857	119.1%
Other operating income	35,762	–	
Impairment losses on loans and advances to customers	(203,938)	(156,647)	30.2%
Operating expense	(1,649,309)	(1,428,528)	15.5%
– Depreciation and amortization	(91,095)	(64,172)	42.0%
– Others	(1,558,214)	(1,364,356)	14.2%
Profit before income tax	2,512,937	1,411,547	78.0%
Capital expenditure	357,027	219,680	62.5%
Segment assets	99,028,672	83,168,190	19.1%
Segment liabilities	(129,009,036)	(99,538,045)	29.6%

Note: The above corporate banking segment includes Small and Micro Enterprise Banking Business.

(I) Corporate Deposits

Corporate deposits maintained a rapid and steady growth. We proactively developed the corporate deposit market by enhancing our marketing efforts. As at 31 December 2013, the balance of our corporate deposits (excluding security deposits) amounted to RMB103.48 billion, accounting for 69.55% of the balance of total deposits and representing a year-on-year growth of RMB21.36 billion or 26.0%.

According to Chongqing Administration of the PBOC, as at 31 December 2013, the balance of our RMB corporate deposits (including security deposits) in Chongqing amounted to RMB93.62 billion, which ranked third (only next to the Chongqing branch of Industrial and Commercial Bank of China and the Chongqing branch of China Construction Bank) and moved up two spots from the beginning of the year. Our RMB corporate deposits in Chongqing accounted for a market share of 8.0%, representing an increase of 0.35 percentage point from the market share (7.65%) as at the end of last year. Our RMB corporate deposits in Chongqing increased by RMB18.39 billion from the beginning of the year, which increase ranked second in the city next to the Chongqing branch of China Construction Bank.

Management Discussion and Analysis

(II) Corporate Loans

Our corporate lending activities were prudent and moderate. We carried out corporate lending activities in a prudent, steady and moderate manner in line with the economic conditions and industry trend of the region where our customers operate and with reference to national macro control policies. As at 31 December 2013, the balance of our corporate loans (excluding discount of bills) amounted to RMB60.08 billion, representing a year-on-year growth of RMB9.41 billion or 18.6%.

(III) Corporate Banking Products

Our corporate banking product portfolio was further improved. To meet customers' needs, we tailored our financial products to their specific industry characteristics, settlement practices and capital retention patterns with reference to regional economic and industry conditions. In 2013, with a focus on supply chain financial services, the Bank concentrated its marketing efforts on upstream and downstream customers of large-scale conglomerates such as Lifan Group and Chongqing Construction Engineering Group. As at 31 December 2013, our supply chain credit facilities amounted to approximately RMB6.37 billion, representing an increase of RMB1.13 billion from the beginning of the year.

II. Small and Micro Enterprise Banking Business

(I) Overview of Small and Micro Enterprise Banking Business in 2013

According to governmental statistics, the balance of our small and micro enterprise loans amounted to RMB30.08 billion, representing an increase of RMB8.16 billion or 37.2% from the beginning of the year, which is 19.1 percentage points higher than the average increase of our total loans; and the growth of loans amplified by RMB2.36 billion on a year-on-year basis. We have met the "two minimums" regulatory requirements for five consecutive years, and was in a leading position among the peers in Chongqing area in terms of the number of small and micro enterprise clients and the loans extended to small enterprises. While developing the scale of the small and micro enterprise banking business, the Bank is further focused on the expansion of the small and micro enterprise client base. As at 31 December 2013, we had extended loans to 16,112 small and micro enterprise clients, accounting for more than 85% of the total number of clients receiving our corporate loans. For the sub-segment with individual lending amount of less than RMB5.00 million, the small and micro enterprise loans recorded a balance of RMB14.32 billion, representing an increase of RMB4.25 billion or 42.2% from the beginning of the year; and the number of clients reached 15,244, accounting for more than 94% of the total number of clients receiving small and micro enterprise loans.

(II) Micro Enterprise Financing Business

As at 31 December 2013, the balance of our micro-loans extended based on the technology from International Project Consult GmbH reached RMB1.46 billion, representing an increase of RMB483.00 million or 49% from the beginning of the year; the number of clients reached 5,455, representing an increase of 721 or 15.2% from the beginning of the year; and the weighted average lending rate was 14.67% per annum which was substantially higher than the average lending rate of the Bank. In view of the fact that the total number of small and micro enterprises and sole proprietors in Chongqing has exceeded 1 million, the Bank believes that the relevant financing business will enjoy a huge growth potential.

(III) Initiatives to Develop Small and Micro Enterprise Customers

(1) In respect of business promotion, the Bank seeks to develop segment markets and provide unique services targeting the customers clustered in industrial parks, professional circles, trade markets, business chambers or associations, suppliers and distributors of core businesses, as well as customers in special local industries or agricultural businesses. The Bank has developed standardized financial products and services catering to specific customer needs. Under the six business models including "Wulong Micro Hydropower", "Dazu Longshui • Honest Loan" and "Chaotianmen Small Commodity Wholesale Market • Rent-secured Loan", we have established a comprehensive marketing network with a focus on brand building, channel expansion and concentrated customer groups.

Management Discussion and Analysis

- (2) In respect of business management pattern, drawing from the advanced practices of peers with reference to its own experience over the years, the Bank has established a quasi-division operating model. The Bank integrated credit assessment functions into the small and micro enterprise banking department of the Bank to implement a centered and full-scope workflow management model, under which a standardized, mass-processed and streamlined credit assessment and approval mechanism has been established, giving us a leading position among the peers in Chongqing area and even western China.
- (3) In respect of business risk management, the Bank continued to improve the risk management system for small and micro enterprise banking business with the principle of emphasizing both risk management and business development. In 2013, we managed to reduce credit risk in small and micro enterprise banking business mainly with the following three methods: 1) establish a sound approval and management structure with a clear functional division, under which risk management and control over small and micro enterprise banking business are exercised at three levels: namely the assessment center of the small and micro enterprise banking department of the Bank, the risk management team of small enterprise loan center and the review panel of the business unit; 2) exercise risk control on segment markets, including separate operation and management of the loans extended to small enterprises (RMB1.00 million or higher) and to micro enterprises (below RMB1.00 million) at the business level as well as classifying customers into concentrated customer groups in specific industries and formulating quantitative customer entry thresholds at the customer level; and 3) implement a hierarchical risk authorization management model, under which the head office delegates certain credit approval authorities to branches and sub-branches upon satisfaction of the following conditions: willingness of such business unit's principal to carry out small and micro enterprise banking business, capability of such business unit in managing and controlling the risks associated with small and micro enterprise banking business, availability of suitable customer groups within the business areas of such business unit and such business unit having the necessary client management team to carry out small and micro enterprise banking business. Within the delegated authority, a business unit may conduct credit approval at its own discretion. In respect of our dedicated small enterprise loan center, the credit approval authorities are delegated to credit approval staff under a cross examination and approval mechanism. For transactions exceeding the delegated authority, credit approval will be carried out by dedicated personnel with the small and micro enterprise banking department and the small and micro enterprise risk assessment center of the Bank in accordance with their respective authorities.
- (4) In respect of business channel building, channel building is an important support for mass and commoditized development of small and micro enterprise customers. The Bank carried out channel building both internally and externally. Internally, the Bank developed online banking, mobile banking and other IT systems dedicated for small and micro enterprises according to their business characteristics, so as to provide them with convenient and efficient payment and settlement channels. Externally, the Bank actively partnered with market participants to establish a multi-dimensional cooperation platform with financing guarantee companies, governmental entities, chambers of commerce and associations as core participants and professional management companies and leading enterprises of various industries as supplementary participants, in an effort to diversify the footing of small and micro enterprises in the financing process. Currently, the Bank has established business cooperation with 146 guarantee companies, 50 associations and 26 professional management companies.

Management Discussion and Analysis

III. Retail Banking Business

The following table sets forth the accounting information and changes of the retail banking segment:

All amounts expressed in thousands of RMB unless otherwise stated	December 31, 2013	December 31, 2012	Rate of change
Net interest income from external customers	612,410	444,289	37.8%
Inter-segment net interest income/(expense)	384,039	266,199	44.3%
Net interest income	996,449	710,488	40.3%
Net fee and commission income	178,154	155,189	14.8%
Other operating income	4,288	–	
Impairment losses on loans and advances to customers	(331,694)	(82,980)	299.7%
Operating expense	(433,281)	(339,657)	27.6%
– Depreciation and amortization	(23,762)	(15,258)	55.7%
– Others	(409,519)	(324,399)	26.2%
Profit before income tax	413,916	443,040	(6.6%)
Capital expenditure	91,587	52,273	75.2%
Segment assets	25,403,594	19,789,768	28.4%
Segment liabilities	(25,352,437)	(18,861,273)	34.4%

(I) Personal Deposits

Benefiting from the boon of continued robust economic growth in Chongqing area, the Bank adhered to integrating its brand value in services with key account sales, fully utilizing its regional brand advantages to conduct service-oriented marketing mainly towards mid- to high-end target customer groups. As at the end of 2013, the balance of personal deposits increased by RMB6.30 billion or 33.8% year-on-year to RMB24.92 billion, continued to maintain a relatively high growth rate.

(II) Personal Loans

Our personal loans grew steadily with residential mortgage loans and personal business loans growing rapidly. The Bank continuously optimized its loan structure, introduced innovative personal loan products, refined customer mix and product mix, and gave priority to personal business loans with higher profit margins. Personal loans (including mortgage loans, personal consumer loans, credit card overdrafts and personal business loans) increased by RMB5.68 billion to RMB25.18 billion as compared with the end of last year, of which personal mortgage loans increased by RMB3.39 billion to RMB15.79 billion, and personal business loans increased by RMB1.28 billion to RMB6.13 billion from the end of last year.

Our policy loans witnessed steady growth. In particular, the collateral-backed re-employment micro-loans as an advantageous business line in our policy loan portfolio with risks partially shared by the government delivered sound profitability and had a positive impact on employment of urban and rural residents in Chongqing. As a result, mutual successes were achieved in our economic profit and social responsibility commitment.

Management Discussion and Analysis

(III) Bank Cards

New card issuance and transaction volume of our bank card business recorded continuous growths. As at 31 December 2013, we have issued a total of 2,304,188 debit cards and the transaction volume amounted to RMB8,256.90 million, representing a year-on-year growth of 66.76%. The Bank is committed to broadening the functions, diversifying the channels and enhancing safety performance in respect of bank card consumption, settlement and other bank card applications. In June 2013, the Bank issued public financial integrated circuit (IC) cards and hence became the first local corporate bank publicly issuing financial IC cards in Chongqing area.

IV. Treasury Operations

The following table sets forth the accounting information and changes of the treasury operations segment:

All amounts expressed in thousands of RMB unless otherwise stated	December 31, 2013	December 31, 2012	Rate of change
Net interest income from external customers	2,372,488	1,581,420	50.0%
Inter-segment net interest income/(expense)	(2,054,314)	(926,142)	121.8%
Net interest income	318,174	655,278	(51.4%)
Net fee and commission income	-	-	
Net trading income	(89,789)	25,789	(448.2%)
Net gains on investment securities	76,162	87,999	(13.5%)
Investment gains in associates	1,435	1,162	23.5%
Other operating income	8,659	5,947	45.6%
Impairment losses on loans and advances to customers	-	-	
Operating expense	(189,492)	(123,118)	53.9%
– Depreciation and amortization	(1,339)	(5,531)	(75.8%)
– Others	(188,153)	(117,587)	60.0%
Profit before income tax	125,149	653,057	(80.8%)
Capital Expenditure	295,783	140,046	111.2%
Segment assets	82,041,463	53,019,531	54.7%
Segment liabilities	(38,942,492)	(29,503,770)	32.0%

The interbank market witnessed the hiking interest rates as the central bank gradually tightened the liquidities in 2013. Addressing the increasingly stringent regulatory environment and complex economic situation, the Bank continued to strengthen risk management of its treasury operations. While ensuring adequate liquidity, the Bank steadily pushed forward its treasury operations with an investment focus on trust beneficiary rights, bonds and wealth management products in 2013.

Thanks to the efforts through the year, our treasury operations made sound and healthy progress, posting a profit before tax of RMB125.15 million for the year, decreased by RMB527.91 million as compared to that of 2012, mainly due to: 1) Higher funding cost from fast growth of Treasury Operation volume; and 2) High-level of Inter-Banking Market rate during 2013, led to higher funding cost.

Management Discussion and Analysis

(I) Breakdown of Securities Investment by Holding Purpose

All amounts expressed in thousands of RMB unless otherwise stated	December 31, 2013		December 31, 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity	7,473,242	15.17%	7,656,075	22.29%
Loans and receivables	35,000,560	71.06%	21,232,136	61.82%
Held for trading	2,009,537	4.08%	2,413,849	7.03%
Available for sale	4,774,095	9.69%	3,045,035	8.86%
Total	49,257,434	100.00%	34,347,095	100.00%

As at 31 December 2013, the Bank's held-to-maturity bonds decreased by RMB183.00 million from the end of last year, with the proportion decreasing by 7.12 percentage points; loans and debt securities classified as receivables increased by RMB13.77 billion from the end of last year, with the proportion increasing by 9.24 percentage points; held-for-trading bonds decreased by RMB404 million from the end of last year, with the proportion decreasing by 2.95 percentage points; and available-for-sale bonds increased by RMB1.73 billion from the end of last year, with the proportion increasing by 0.83 percentage points.

(II) Breakdown of Securities Investment by Credit Rating

All amounts expressed in thousands of RMB unless otherwise stated	December 31, 2013		December 31, 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	455,043	0.92%	741,616	2.16%
AA- to AA+	3,791,364	7.70%	2,317,650	6.75%
Unrated	45,011,027	91.38%	31,287,829	91.09%
Total	49,257,434	100.00%	34,347,095	100.00%

The Bank strengthened the analysis of interest rate movements in the interbank market in 2013. According to market interest rate movements, the Bank gradually increased the holdings of highly liquid book-entry government bonds and non-commercial bank bonds as well as high-coupon corporate bonds with credit rating of AA or above from the second half of 2013. As at 31 December 2013, the Bank's unrated securities investment increased by RMB13.72 billion from the end of last year, with the proportion increasing by 0.29 percentage points. The unrated securities investment mainly comprised loans, debt securities classified as receivables and government bonds.

Management Discussion and Analysis

(III) Breakdown of Securities Investment by Remaining Maturity

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2013		December 31, 2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Up to 3 months	7,507,460	15.24%	3,850,275	11.21%
3 months to 1 year	9,514,220	19.32%	4,807,236	14.00%
1 year to 5 years	25,329,847	51.42%	21,299,768	62.01%
Over 5 years	6,905,907	14.02%	4,389,816	12.78%
Total	49,257,434	100.00%	34,347,095	100.00%

As at 31 December 2013, the Bank's securities investment with remaining maturity within 12 months increased by RMB8.36 billion from the end of last year, with the proportion increasing by 9.35 percentage points.

(IV) Holdings of Financial Bonds

Financial bonds are marketable securities issued by policy banks, commercial banks and other financial institutions with a debt service term as agreed upon. As at 31 December 2013, the balance of our financial bonds was RMB5.58 billion in nominal value, mainly comprising financial bonds issued by policy banks. Set out below are the top 10 financial bonds in terms of nominal value held by the Bank as at the dates indicated.

Name of bond	Value	Annual interest rate	Maturity Date
2012 Policy Bank Bond	1,000,000	3.39	July 9, 2015
2012 Policy Bank Bond	500,000	3.93	April 23, 2015
2012 Policy Bank Bond	500,000	3.87	June 28, 2019
2012 Policy Bank Bond	500,000	5.69	June 29, 2019
2012 Policy Bank Bond	500,000	4.11	April 23, 2017
2013 Policy Bank Bond	460,000	5.04	October 24, 2023
2006 Policy Bank Bond	380,000	3.79	June 28, 2021
2005 Policy Bank Bond	200,000	4.10	August 30, 2025
2008 Commercial Bank Hybrid Capital Bonds	200,000	5.70	May 26, 2024
2002 China International Trust and Investment Corporation Bonds	120,000	5.10	December 12, 2023

Management Discussion and Analysis

V. Distribution Channels

(I) Physical Outlets

As at 31 December 2013, we operated our business through the business department of our head office, our small enterprise loan center, and 114 branches and sub-branches covering all 38 districts and counties of Chongqing as well as three provinces in western China namely Sichuan Province, Shaanxi Province and Guizhou Province.

We marketed our retail banking products and services through our extensive distribution channels, including the business department of our head office, small enterprise loan center, 114 branches and sub-branches, 61 self-service banking centers and 655 self-service terminals, as well as telephone banking, mobile banking and online banking as at 31 December 2013.

(II) Self-Service Banking Centers

Our offsite self-service banking centers and self-service terminals provide safe and convenient services to our customers, and also enhance our input-output ratio. As at 31 December 2013, we had 43 offsite self-service banking centers, 78 onsite service banking centers and 655 self-service terminals, including 315 ATMs, 180 self-service deposit and withdrawal machines and 160 multi-media self-service terminals that offer withdrawal, account inquiry, bill payment, deposit, passcode changing and/or fund transfer services. In 2013, we processed approximately 7.1 million self-service banking transactions, with total transaction volume of RMB9.50 billion.

(III) Electronic Banking

In 2013, the Bank maintained rapid growth in the construction and operation of electronic banking channels, leading to continuously improving product distribution and customer service capabilities of our electronic banking business. With significant improvements in business indicators year-on-year, the electronic banking business demonstrated stronger value creation and achieved notable efficiencies in saving transaction costs, boosting sale of wealth management products and fostering emerging business ecology.

(1) Online Banking

Corporate Online Banking

The Bank dedicatedly designed and optimized certain online banking functions pursuant to customers' needs, and our corporate online banking provides automated services including corporate call deposits, fuzzy input method for entry of receiving banks, batch payment and deduction, group-wide capital pooling and direct linkage to corporate customers. As at the end of 2013, we had 6,943 corporate online banking customers in aggregate, representing an increase of 24.25% year-on-year. The total transaction volume for the year increased by 76.60% year-on-year to RMB177.79 billion, and the number of transactions increased by 107.69% to 1,546,400 on a year-on-year basis.

Through continued optimizations and upgrades to our online banking system, we seek to satisfy multi-dimensional and diversified financial service needs and enhance the experience of customers.

Management Discussion and Analysis

Personal Online Banking

In 2013, the Bank continued to improve the service support capabilities and user friendliness of the personal online banking services, by optimizing the procedures for counter agreement signing and sale of wealth management products and introducing new functions such as text messaging alerts on transaction failures. As at the end of 2013, we had 133,900 personal online banking customers in aggregate, representing an increase of 83.2% year-on-year. The total number of transactions for the year increased by 134.9% year-on-year to 1,447,600, and the total transaction volume for the year increased by 259.3% year-on-year to RMB26.63 billion (including sales of wealth management products amounting to RMB10.30 billion). The online banking business focuses on providing multi-dimensional and diversified financial services that meet our customers' needs and improve our customer experience and satisfaction by continuous optimization and upgrading.

(2) Mobile Banking

In 2013, our mobile banking system introduced innovative services such as gesture password login, two-dimensional code collection and payment, mobile phone number-based fund transfers and linkage to other banks, and simplified certain cumbersome operational procedures related to mobile banking and hence substantially enhanced customer experience. Meanwhile, our mobile banking system continued to diversify its offerings by introducing value-added services such as instant payment, business travel booking and lottery purchase to enhance the customer adherence. As at the end of 2013, we had 64,900 mobile banking customers in aggregate, representing an increase of 338.9% year-on-year. The total transaction volume for the year increased by 1,270.0% year-on-year to RMB3.15 billion, and the number of transactions increased by 1,008.5% to 1,533,100 on a year-on-year basis.

Information Technology

We proactively promoted the construction of an information system to effectively support business development. Firstly, we revamped the core system customer information and achieved the feature of unified agreement signing, which greatly improved the efficiency of agreement signing at counters. Secondly, we launched the new telephone banking system with comprehensive functional upgrades, and consolidated the two existing call-out systems respectively for credit cards and debit cards. Thirdly, we completed the construction of a POS terminal system for small and medium merchants, which supports traditional Union pay purchase transactions as well as T+0 fund reception, payment of bills, cross-bank fund transfer and purchase of wealth management products to facilitate our fast-growing POS acceptance services. Fourthly, we completed the construction of mobile payment platform for small and micro enterprises to diversify the service channels for them and enhance their satisfaction and loyalty. Fifthly, we completed and launched our audit management system, internal non-retail credit risk rating system, operational customer management system, integrated statistical system and other management systems to further enhance the internal management level. Sixthly, we completed the survey and justification on core needs and identified the key business needs for upgrading our core systems, laying a solid foundation for the next-step system upgrade.

We strengthened the construction of infrastructure and disaster recovery system to ensure normal business operation. Firstly, we completed the construction and relocation of our new information center which met the national A-class datacenter standard. Throughout the year, our main machines and backbone networks for core businesses operated stably with an availability ratio of 100%. Secondly, we completed the site construction of intra-city disaster recovery center and the deployment of certain key systems, and successfully switched core business systems upon intra-city disaster recovery, thus achieving effective takeover of the production datacenter system.

Management Discussion and Analysis

We continued to strengthen internal control to enhance risk prevention and control capability based on information technology. Firstly, we carried forward the construction of IT internal control system, and formulated and revised 35 IT rules. Secondly, we pushed forward the construction of the information security management system, and established a basic framework for information security management. Third, we actively carried out information technology risk screening activities, including self-inspection and field inspection on operational risks in datacenter, branches and sub-branches and information security risk, and completed the assessment on information security protection level of key information systems to ensure their safe operation.

VI. Particulars of Principal Subsidiaries and Associates

On 5 May 2011, the Bank invested RMB22.00 million in establishment of Xingyi Wanfeng Village Bank Co., Ltd., accounting for 20% of its registered capital of RMB110.00 million. Set out below are the profits attributable to the Bank as at 31 December 2013 and 31 December 2012:

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2013	December 31, 2012
Balance at the beginning of the year	22,935	21,773
Share of profit after tax	1,435	1,162
Balance at the end of the year	24,370	22,935

6.5. Risk Management

6.5.1. Credit Management

Credit risk is the risk of losses resulting from the default, rating downgrade, or decline in repayment ability of a borrower or counterparty. The Bank is exposed to credit risk primarily through our loan portfolio, investment portfolio, guarantees and commitments, and other payment commitments.

The Bank managed its credit risk from various aspects including organizational structure, system construction, market access, risk exposure limits, measurement tools, dynamic authorization, credit review and approval, post-disbursement management and collection of non-performing loans.

In 2013, the Bank proactively responded to macroeconomic changes and issued guidelines on annual extension of credit, formulated lending policies for specific industries, regions and customers, continuously optimized its credit structure and actively backed up the real economy. The Bank also continued to exercise strict control over risks arising from loans extended via local government financing platforms and mortgage loans, while strengthening customer list-based management, intensifying its risk monitoring efforts and taking active measures to resolve potential default risks. In addition, the Bank further strengthened the unified credit management for financial institutions, standardized innovative business management for cooperation with financial institutions and reinforced control over the credit ratings of its partners and its cash flows.

6.5.2. Operational risk

Operational risk refers to the risks of losses that may be incurred due to inadequate or problematic internal procedures, staffing and information technology systems, as well as external events.

Management Discussion and Analysis

In 2013, in line with the New Basel Capital Accord and with the aim of building a comprehensive risk management system, the Bank continued to improve its operational risk management system and upgraded its operational risk management standard. It proactively promoted the utilization of operational risk management tools, and enhanced the effectiveness of self-assessment, indicator monitoring and collection of loss data through the construction of an operational risk management information system. The Bank continuously improved its banking process model, optimized its governance structure, streamlined its business processes, identified and solved problems in the process to enhance the efficiency of process execution and reduce process risks. Staff management was further refined to improve staff quality through continued training and learning while intensifying staff risk screening, optimizing procedures for handling employee misconducts and emphasizing accountability and punishment. The Bank also reinforced monitoring of IT-related risks, optimized risk monitoring indicators, extended the range of risk information collection, strengthened its risk information analysis efforts and activated warning of potential risks in a timely manner.

6.5.3. Market risk

Market risk refers to the possibility of losses that may be incurred against the Bank of its on/off-balance-sheet business as a result of unfavorable changes in market prices (interest rates, exchange rates, stock prices and commodity prices), which mainly includes interest rate risk of trading accounts and exchange rate risk.

6.5.3.1. Interest rate risk of trading accounts

The Bank is exposed to interest rate risk of trading accounts through its holding of financial instruments, mainly comprising bonds. As regards the management of interest rate risk of trading accounts, the Bank established a market risk management framework in which the front, middle and back offices were separated, and market risk management was implemented by using methods including hierarchical authorization, risk exposure limit system and periodic valuation.

In 2013, the Bank closely monitored the changes in the financial markets and continued to optimize its market risk management system and risk exposure limit system. The Value at Risk (VaR) method was gradually put in place to identify, monitor and control market risks.

6.5.3.2. Exchange rate risk

Exchange rate risk refers to the risk arising out of mismatches in the currency denominations of assets and liabilities. Through exposure limit management and the management of currency composition of assets and liabilities, the Bank seeks to ensure that the adverse impact of exchange rate fluctuations falls within an acceptable range.

6.5.4. Liquidity risk management

Liquidity risk refers to the risk of failing to obtain financing or liquidate a position at reasonable costs in a timely manner to fund asset acquisitions or to meet debt obligations on maturity. The Bank's objective in liquidity risk management is to ensure that it is able to fund all operations and meet all payment obligations in accordance with its development strategy. To this end, the Bank gradually and effectively identifies, measures, monitors and controls its liquidity risk over its major operations to strike a balance between risk and income.

The Board of the Bank formulated policies, strategies, procedures, limits and contingency plans in line with the overall management of liquidity risks in accordance with the risk preference. The Assets and Liabilities Management Committee has been designated by the senior management of the Bank to carry out day-to-day management of liquidity risks. The Assets and Liabilities Management Department, the Treasury Department and other operational departments and offices, each bearing their distinct responsibilities, work closely with each other to develop a well-organized, fully functional liquidity risk management system.

Management Discussion and Analysis

The Bank proactively utilized technological measures to continuously improve its information technology system utilization expertise in respect of liquidity management, which enable the Bank to conduct real-time monitoring of liquidity indicators and liquidity risk exposure so as to develop an automated measuring device and regular monitoring system for liquidity exposure. The Bank organized its assets and liabilities business according to the liquidity exposure status while actively adjusting the maturity timeframe of assets and liabilities through internal fund transfer pricing. The Bank also continuously upgrades its liquidity management methods, such as by establishing of a weekly asset liability management coordination system, by accelerating furtherance of system construction and by making timely policy adjustments, so as to reinforce the liquidity management.

In addition, the Bank continuously carried out liquidity risk stress tests (at least once a quarter), and introduced the liquidity risk sensitivity stress test. Through such stress tests, the Bank can constantly improve its liquidity risk control capability and substantially enhance its liquidity risk management expertise. The results of the quarterly stress tests in 2013 indicated that the liquidity risks remained under control although they tended to raise under stress. In the future, the Bank will continue to optimize its testing plans and enhance liquidity risk monitoring and early warning.

As at the end of 2013, all of the major indicators of the Bank's liquidity position met the regulatory requirements.

6.5.4.1. Analysis of liquidity risk management

Since 2013, due to a number of factors including the macroeconomic situation, regulatory policies and the monetary policies adopted by major countries, the inter-bank market liquidity in China has undergone serious stress. A severe crisis eventually broke out in June last year, leading to default in debt repayment among a few banks which adversely affected the market and gave rise to liquidity risks. The Bank has been dedicated to improving its liquidity risk management expertise by taking early precautions and adhering to prudent liquidity risk management philosophy, while developing and implementing corresponding policies and measures. As a result, the Bank did not come across any liquidity risks, nor were any costly financing activities incurred against the Bank during the outbreak of liquidity risks across the entire banking sector.

The Bank assessed the liquidity risk status through liquidity gap analysis. As at the end of 2013, the liquidity gap analysis of the Bank was as follows:

Undiscounted contractual cash flows categorised by contractual maturities

(All amounts expressed in thousands of RMB unless otherwise stated)	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Overdue	Total
December 31, 2013									
Net Liquidity Gap of non-derivative instruments	(55,854,045)	12,250,117	(5,111,781)	17,885,466	(3,363,167)	43,255,413	28,141,503	300,511	37,504,017

(All amounts expressed in thousands of RMB unless otherwise stated)	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Overdue	Total
December 31, 2012									
Net Liquidity Gap of non-derivative instruments	(44,605,322)	3,857,297	(3,005,882)	(9,573,948)	24,245,644	34,149,185	22,679,604	283,638	28,030,216

As at the end of 2013, the accumulated liquidity gap of the Bank was RMB37,504.02 million, representing an increase of RMB9,473.80 million as compared to the end of the previous year. Despite the negative gap for repayment on demand of RMB55,854.05 million, the Bank possessed a stable funding source with its strong and expansive deposit customer base and the relatively high proportion of core demand deposits. Such negative gap has no material impact on the actual liquidity of the Bank.

Management Discussion and Analysis

6.5.5. Market risk management

Market risks refer to the risks of losses that may be incurred against the Bank of its on/off-balance-sheet business as a result of unfavorable changes in market prices (interest rates, exchange rates, stock prices and commodity prices).

The Bank 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 the New Basel Capital Accord. The Bank has also formulated a system for market risk management to govern authorization, credit extension and limit of risks through regulation, monitoring and reporting measures.

6.5.5.1. Analysis of interest rate risk

The interest rate risk refers to the risk arising from changes in the fair value of financial assets and financial liabilities or future cash flows as a result of the fluctuation of market interest rates. The interest rate risk of cash flow refers to the risk arising from fluctuation of the future cash flows of the financial instruments caused by changes in market interest rates. The interest rate risk of fair value is the risk arising from fluctuation of the value of a certain financial instrument caused by the changes in market interest rates. The Bank’s interest rate is exposed to fair value risks and cash flow interest rate risks which are mainly caused by changes in the principal market interest rates.

The Bank 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’s economy continued to maintain a feeble recovery. In the context of the prevailing policy to accelerate the interest rate marketization process, continuously emerging financial innovations led to an unprecedented intensity of market supervision and regulation in recent years. Liquidity has become more precious and scarce. Interest rates in the monetary market underwent significant fluctuations twice within a year as the bond market yields rose to a much higher level. Facing the accelerating interest rate marketization process and intensified competition in the financial market, the Bank ensured a continued increase in earnings and market value through such means as proper use of FTP pricing system, optimization of its interest rate pricing management, timely adjustments to fund pricing, effective control over lending rates and interest costs as well as improvement in its forward-looking capability in interest rate risk management.

Management Discussion and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
December 31, 2013							
Assets							
Cash and balances with central banks	32,148,172	-	-	-	-	674,576	32,822,748
Due from other banks and financial institutions	19,045,264	7,049,088	4,009,110	2,040,000	-	-	32,143,462
Financial assets at fair value through profit or loss	-	-	63,517	1,049,852	896,168	-	2,009,537
Loans and advances to customers	59,339,944	7,742,789	18,736,977	2,406,330	411,784	-	88,637,824
Investment securities							
– Loans and receivables	240,537	4,731,390	9,079,233	20,949,400	-	-	35,000,560
– Available-for-sale	-	-	26,976	2,031,390	2,715,743	182,850	4,956,959
– Held-to-maturity	30,000	495,995	554,987	2,229,057	4,163,203	-	7,473,242
Investments in an associate	-	-	-	-	-	24,370	24,370
Other financial assets	-	-	-	-	-	991,253	991,253
Total assets	110,803,917	20,019,262	32,470,800	30,706,029	8,186,898	1,873,049	204,059,955
Liabilities							
Due to other banks and financial institutions	28,892,753	4,154,671	552,477	-	149,671	-	33,749,572
Customer deposits	67,497,677	15,143,947	29,204,308	36,949,902	5,211	-	148,801,045
Debt issued	-	-	995,856	3,781,914	-	-	4,777,770
Other financial liabilities	-	-	-	-	-	5,020,147	5,020,147
Total liabilities	96,390,430	19,298,618	30,752,641	40,731,816	154,882	5,020,147	192,348,534
Total interest sensitivity gap	14,413,487	720,644	1,718,159	(10,025,787)	8,032,016	(3,147,098)	11,711,421

Management Discussion and Analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
December 31, 2012							
Assets							
Cash and balances with central banks	24,721,552	–	–	–	–	521,782	25,243,334
Due from other banks and financial institutions	5,238,839	4,909,278	8,383,941	–	–	–	18,532,058
Financial assets at fair value through profit or loss	–	–	469,299	838,501	1,106,049	–	2,413,849
Loans and advances to customers	50,892,511	4,866,208	15,864,685	3,317,748	315,721	–	75,256,873
Investment securities							
– Loans and receivables	606,555	600,000	3,467,448	16,558,133	–	–	21,232,136
– Available-for-sale	–	28,890	–	1,985,524	1,030,635	199,052	3,244,101
– Held-to-maturity	–	229,993	1,493,033	2,602,865	3,330,184	–	7,656,075
Investments in an associate	–	–	–	–	–	22,935	22,935
Other financial assets	–	–	–	–	–	567,437	567,437
Total assets	81,459,457	10,634,369	29,678,406	25,302,771	5,782,589	1,311,206	154,168,798
Liabilities							
Due to other banks and financial institutions	17,101,070	4,609,601	5,948,470	–	–	–	27,659,141
Customer deposits	52,345,358	9,128,688	46,513,997	6,049,883	5,259	–	114,043,185
Debt issued	–	–	–	1,789,886	–	–	1,789,886
Other financial liabilities	–	–	–	–	–	3,793,312	3,793,312
Total liabilities	69,446,428	13,738,289	52,462,467	7,839,769	5,259	3,793,312	147,285,524
Total interest sensitivity gap	12,013,029	(3,103,920)	(22,784,061)	17,463,002	5,777,330	(2,482,106)	6,883,274

As at the end of December 2013, the Bank's accumulated interest rate risk gap amounted to RMB11,711.42 million, representing an increase of RMB4,828.15 million as compared to the previous year.

The following table illustrates the analysis of interest rate and exchange rate sensitivity of the Bank on the assumption that the overall interest rate and exchange rate in the market move in parallel and without considering any actions that may be taken by the management to mitigate interest rate risk or exchange rate risk:

Management Discussion and Analysis

6.5.5.2. Interest rate sensitivity analysis

In thousands of RMB	Expected changes of net interest income	
	As at December 31, 2013	As at December 31, 2012
+100 basis point parallel move in all yield curves	150,527	3,789
-100 basis point parallel move in all yield curves	(150,527)	(3,789)

In thousands of RMB	Change of other comprehensive income	
	As at December 31, 2013	As at December 31, 2012
+100 basis point parallel move in all yield curves	(54,736)	(81,697)
-100 basis point parallel move in all yield curves	56,926	85,871

6.5.5.3. Exchange rate sensitivity analysis

The following table sets forth the potential impact of an appreciation of RMB against foreign currencies by 1.0% on the Bank's net profit before tax:

In thousands of RMB	Expected changes of profit/ (loss) before income tax	
	As at December 31, 2013	As at December 31, 2012
+1.0% upward change of foreign exchange rate	12,334	835
-1.0% downward change of foreign exchange rate	(12,334)	(835)

6.6. Capital Management

The Bank's capital management activities aim to meet regulatory requirements and continuously improve the risk resilience and return on capital. On such basis, the Bank shall determine a rational capital adequacy ratio target and adopt performance appraisal, capital allocation and other means to guide business development, so as to achieve coordinated development of our overall strategy, business development and capital management strategies.

To upgrade the growth model with a balance between asset-based business and capital saving and further strengthen the capital saving awareness of business units for sustainable development, the Bank has included capital consumption and return levels into the performance appraisal scheme for our business units, and further optimized the risk-adjusted performance assessment scheme to guide branches and sub-branches and management departments to prioritize capital-saving businesses or businesses with higher return. Meanwhile, we implemented capital budget management. By introducing capital allocation, the Bank has established a sound checks-and-balances mechanism between capital occupation and risk assets to ensure constant compliance with respect to capital adequacy ratio.

Management Discussion and Analysis

6.6.1. Capital adequacy ratio

The following table sets forth the relevant information of the Bank's capital adequacy ratio for the dates indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2013	December 31, 2012
Core capital:		
Share capital	2,705,228	2,020,617
Counted part of capital surplus	2,316,711	(28,420)
Surplus reserve and general risk reserves	2,526,470	1,501,160
Counted part of retained earnings	5,916,348	4,652,918
Core Tier 1 Capital deductibles items:		
Full deductibles items	(81,476)	61,811
Threshold deduction items	-	-
Total Core Tier 1 Capital, net	13,383,281	8,084,464
Other Tier 1 Capital, net	-	-
Tier 2 Capital, net	3,011,817	2,898,840
Net capital	16,395,098	10,983,304
On-balance sheet risk-weighted assets	98,875,498	79,561,065
Off-balance sheet risk-weighted assets	13,861,718	9,444,945
Risk-weighted assets for exposure to counterparty credit risk	-	-
Total credit risk-weighted assets	112,737,216	89,006,010
Total market risk-weighted assets	2,219,454	3,031,209
Total operational risk-weighted assets	8,723,417	6,787,635
Total risk-weighted assets before applying capital base	123,680,087	98,824,854
Total risk-weighted assets after applying capital base	123,680,087	98,824,854
Core Tier 1 Capital adequacy ratio ⁽¹⁾	10.82%	8.18%
Tier 1 Capital adequacy ratio ⁽¹⁾	10.82%	8.18%
Capital adequacy ratio ⁽¹⁾	13.26%	11.11%

As at the end of the reporting period, the Bank's capital adequacy ratio and Tier 1 Capital adequacy ratio were 13.26% and 10.82%, respectively, 2.15 percentage points and 2.64 percentage points higher than those at the beginning of the year respectively. The change of capital adequacy ratio in 2013 was mainly due to: (i) the factor that the Bank replenished its core capital for an enlarged capital base based on profit growth; (ii) effective expansion of capital base through supplementing the capital with the proceeds of RMB3,098.37 million from the successful listing of the Bank's H Shares on Hong Kong Stock Exchange in November 2013; and (iii) the normal business development, together with the increase in on- and off balance sheet risk-weighted assets, which partially offset the impact of the increase of capital base on its capital adequacy ratio.

Note:

(1) Tier 1 Capital adequacy ratio and capital adequacy ratio for 2013 were calculated in accordance with the latest guidance promulgated by the CBRC (effective from January 1, 2013), while Tier 1 Capital adequacy ratio and capital adequacy ratio for 2012 were adjusted retroactively in accordance with the latest guidance effective from January 1, 2013.

Management Discussion and Analysis

6.6.2. Leverage ratio

As at December 31, 2013, the Bank's leverage ratio was 5.47%, above the regulatory requirement of the CBRC.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013	As at December 31, 2012
Leverage ratio (%)	5.47	4.41
Tier 1 Capital	13,464,757	8,146,275
Deductions from Tier 1 Capital	81,476	61,811
Tier 1 Capital, net	13,383,281	8,084,464
On-balance sheet assets after adjustment	206,787,015	156,163,478
Off-balance sheet assets after adjustment	38,000,510	27,335,049
On-and off-balance sheet assets after adjustment	244,787,525	183,498,527

Leverage ratio is calculated in accordance with relevant regulatory requirements. Tier 1 Capital, net is consistent with that used in the calculation of capital adequacy ratio by the Bank. On-balance sheet assets after adjustment include derivatives using the current risk exposure approach and other on-balance sheet assets calculated. Off-balance sheet items after adjustment include unconditionally cancellable commitments with a conversion factor of 10.0% and other off-balance sheet items. On and off-balance sheet assets after adjustment is equal to on-balance sheet assets after adjustment plus off-balance sheet items after adjustment minus deductions from capital.

SIGNIFICANT EVENTS

Related Party Transactions

No material related party transaction that has adverse impact on the Bank's business results and financial position occurred during the reporting period.

Material Litigation and Arbitration

During the reporting period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations. As at the end of 2013, the pending litigations to which the Bank was a defendant or a third party involved RMB20.69 million which in the opinion of the Bank would have no material impact on the Bank's business operations.

Punishment on the Bank and its Directors, Supervisors and Senior Management

During the reporting period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was a subject of any investigation, administrative penalty or public criticism by China Securities Regulatory Commission or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

Performance of Undertakings by Shareholders Holding 5% or More of Share Capital of the Bank

As at the end of the reporting period, there was no undertaking by the Bank or its Shareholders holding 5% or more of total share capital of the Bank.

Material Contracts and their Performance

During the reporting period, the Bank was not involved in any material contract or performance thereof.

Acquisition and Disposal of Assets and Business Merger

During the reporting period, the Bank was not engaged in any material acquisition or disposal of assets or business merger.

Change of External Auditors

Pan-China Certified Public Accountants was our domestic auditor for the year 2013. In light of the Listing of our H Shares and in order to maintain consistency between domestic and international auditors, the Board proposed to engage PricewaterhouseCoopers and PricewaterhouseCoopers

Zhong Tian LLP as the international and domestic auditors, respectively, of the Bank for the year 2013, and Pan-China Certified Public Accountants ceased to be the domestic auditor of the Bank for the year 2013 effective from December 26, 2013. The appointments of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international and domestic auditors, respectively, of the Bank for the year 2013 were approved at the second extraordinary general meeting of 2014 of the Bank held on March 7, 2014 with a term expiring upon the 2013 annual general meeting.

Subsequent Events

At the second extraordinary general meeting of 2014 held on 7 March 2014, the fifth session of the Board and the board of Supervisors were elected and the new Directors and Supervisors were appointed.

List of Directors:

1. Four executive Directors
GAN Weimin, RAN Hailing, NI Yuemin, ZHAN Wanghua
2. Six non-executive Directors
XIANG Li, LV Wei, YANG Jun, WONG Hon Hing, QIN Wei, DENG Yong
3. Five independent non-executive Directors
WANG Pengguo, LI He, TO Koon Man Henry, JIN Jingyu, KONG Xiangbin

Directors of the fifth session of the Board are appointed for a term of three years, of which, the qualification of directorship of YANG Jun, KONG Xiangbin, WANG Pengguo and JIN Jingyu is subject to the approval by the CBRC Chongqing Bureau, and their terms of office shall become effective from the date of approval by the CBRC Chongqing Bureau. As of the Latest Practicable Date, their approvals of qualification of directorship by the CBRC Chongqing Bureau have not been obtained. The Bank will make announcement(s) upon receipt of such approvals.

List of Supervisors:

1. Four employee Supervisors
MA Qianzhen, HUANG Changsheng, WAN Jiayu, LIN Min
2. Two shareholder Supervisors
CHEN Yan, TANG Jun
3. Three external Supervisors
ZHOU Yongkang, CHEN Zhengsheng, YIN Xianglong

Publication of Annual Report

This annual report is prepared in both English and Chinese versions, in the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

	December 31, 2012		Changes during the reporting period			December 31, 2013	
	Number	Percentage	Issue of new shares	Others ⁽²⁾	Sub-total	Number	Percentage
1. Shareholding of Domestic Shares legal persons	1,559,607,136	77.18%		(68,460,890)	(68,460,890)	1,491,146,246	55.12%
Of which: 1 Shareholding of state-owned legal persons ⁽¹⁾	1,091,876,831	54.04%		(68,460,890)	(68,460,890)	1,023,415,941	37.83%
2 Shareholding of private legal persons	467,730,305	23.15%			0	467,730,305	17.29%
2. Shareholding of Domestic Shares natural persons	56,887,747	2.82%			0	56,887,747	2.10%
Of which: 1 Shareholding of employee natural persons	34,779,409	1.72%			0	34,779,409	1.29%
2 Shareholding of natural persons other than employees	22,108,338	1.09%			0	22,108,338	0.82%
3. H Shares	404,123,721	20.00%	684,608,901	68,460,890	753,069,791	1,157,193,512	42.78%
Total	2,020,618,604	100.00%	684,608,901		684,608,901	2,705,227,505	100.00%

Note: (1) Domestic Shares of the Bank owned by 72 state-owned legal person shareholders, including Chongqing Yufu Assets Management Group Co., Ltd., Chongqing Land Group and Chongqing Water Conservancy Investment Group Co., Ltd.

(2) Shares transferred to the social security fund by domestic state-owned legal person shareholders upon the Listing.

Issuance and Listing of Securities

On November 6, 2013, the Bank was listed and traded on the Main Board of the Hong Kong Stock Exchange. 684,608,901 H Shares (including issuance under the over-allotment option) were offered by the Bank in its initial public offering, and 38,338,099 Shares were offered on behalf of the selling shareholders on behalf of National Council for Social Security Fund of the PRC. A total number of 722,947,000 H Shares were offered at an offer price of HK\$6.00 per share. Upon completion of the initial public offering, the total number of shares of the Bank was 2,705,227,505 and the paid-in capital amounted to RMB2,705,227,505.

Issuance of Bonds

As approved by the extraordinary general meeting of the Bank held on November 11, 2008, and the "Approval to Bank of Chongqing for Issuing Subordinated Debts" (Yin Jian Fu [2009] No. 42) by the CBRC on February 9, 2009, the Bank issued subordinated bonds of RMB1,000.00 million within China domestic Inter-bank Bond Market in April 2009. Such subordinated bonds have a term of 10 years, with a coupon rate of 5.31% per annum for the first five years, payable annually. The Bank has the option to exercise this option to exercise the redemption right to redeem all of the bonds at the par value on April 3, 2014. If the Bank does not exercise this option, the annual coupon rate for the second 5-year period shall be the original coupon rate plus 3.0% per annum, and shall remain fixed through to the maturity date. The Bank redeemed the aforesaid bonds in full at par value on April 3, 2014.

Change in Share Capital and Shareholders

As approved by the extraordinary general meeting of the Bank held on August 12, 2011 and the "Approval to Bank of Chongqing for Issuing Subordinates Debts (Yin Jian Fu [2011] No. 511) by the CBRC on November 18, 2011. The Bank issued subordinated bonds of RMB800.00 million within China domestic Inter-bank Bond Market in March 2012. Such subordinated bonds have a term of 10 years, with a fixed coupon rate of 6.8% per annum before maturity, payable annual. The Bank has the option to exercise the redemption right to redeem all of the bonds at the par value on March 21, 2017.

The subordinated bonds are subordinated to all other claims on the assets of the Bank except for the Bank's share capital. In the calculation of the Bank's capital adequacy ratio, those debts qualify for inclusion as supplementary capital.

In accordance with the "Approval to Bank of Chongqing for Issuing Small and Micro Enterprises Financial Bonds" (Yin Jian Fu [2012], No. 526) by the CBRC on September 20, 2012 and the "Decision on Administrative Approval from the People's Bank of China" (Yin Shi Chang Xu Zhun Yu [2013] No. 15) by the People's Bank of China, the Bank issued financial bonds of RMB3,000.00 million for small and micro enterprises within the PRC domestic inter-bank bond market in April 2013, aiming to support the development of small and micro enterprise businesses.

Particulars of Shareholdings

At the end of the reporting period, the Bank had a total of 2,705,227,505 Shares, comprising 1,548,033,993 Domestic Shares and 1,157,193,512 H Shares.

Particulars of Shareholdings of the Top Ten Shareholders of Domestic Shares

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Number of shares pledged
1	Chongqing Yufu Assets Management Group Co., Ltd.	State-owned	407,010,187	15.05%	0
2	Chongqing Road & Bridge Co., Ltd.	Private	171,339,698	6.33%	0
3	Chongqing Land Group	State-owned	139,838,675	5.17%	0
4	Chongqing Water Conservancy Investment Group Co., Ltd.	State-owned	139,838,675	5.17%	0
5	Lifan Industry (Group) Co., Ltd.	Private	129,564,932	4.79%	0
6	Peking University Founder Group Co., Ltd.	State-owned	94,506,878	3.49%	0
7	Chongqing South Group Limited	Private	68,602,362	2.54%	41,600,000
8	Chongqing Transport and Travel Investment Group Limited	State-owned	37,456,522	1.38%	0
9	Minsheng Industrial (Group) Co., Ltd.	State-owned	24,191,310	0.89%	0
10	Chongqing CECEP Yinqing Trading Company Limited (重慶中節能銀慶貿易有限責任公司)	State-owned	22,158,042	0.82%	0
Total			1,234,507,272	45.63%	

Change in Share Capital and Shareholders

Interests and Short Positions of Substantial Shareholders and Other Persons

As at December 31, 2013, the interests of substantial shareholders (as defined under the SFO), other than Directors and Supervisors, in the H Shares and underlying Shares of the Bank as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of H Shares held	Percentage of the total number of H shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
Dah Sing Bank, Limited ⁽¹⁾	Beneficial owner	458,574,853 (long position)	39.63	16.95
Dah Sing Banking Group Limited ⁽¹⁾	Interest of a controlled corporation	458,574,853 (long position)	39.63	16.95
Dah Sing Financial Holdings Limited ⁽¹⁾	Interest of a controlled corporation	458,574,853 (long position)	39.63	16.95
HSBC International Trustee Limited ⁽³⁾	Interest of a trustee	458,574,853 (long position)	39.63	16.95
David Shou-Yeh WONG ⁽¹⁾	Settlor of a discretionary trust/interest of the beneficiary of a trust	458,574,853 (long position)	39.63	16.95
Christine Yen WONG ⁽¹⁾	Interest of spouse	458,574,853 (long position)	39.63	16.95
Lifan International (Holdings) Limited (力帆國際(控股)有限公司) ⁽²⁾	Beneficial owner	139,000,000 (long position)	12.01	5.14
Chongqing Lifan Industry (Group) Import and Export Co., Ltd. (重慶力帆實業(集團)進出口有限公司) ⁽²⁾	Interest of a controlled corporation	139,000,000 (long position)	12.01	5.14
Lifan Industry (Group) Co., Ltd. ⁽²⁾	Interest of a controlled corporation	139,000,000 (long position)	12.01	5.14
Chongqing Lifan Holdings Co., Ltd. ⁽²⁾	Interest of a controlled corporation	139,000,000 (long position)	12.01	5.14
Chongqing Huiyang Holdings Co., Ltd. ⁽²⁾	Interest of a controlled corporation	139,000,000 (long position)	12.01	5.14
Chongqing Beiheng Investment & Development Limited	Beneficial owner	84,823,500 (long position)	7.33	3.14

Change in Share Capital and Shareholders

Notes:

- (1) *Dah Sing Bank, Limited held 458,574,853 H Shares of the Bank. Dah Sing Bank, Limited is wholly owned by Dah Sing Banking Group Limited, which is in turn owned as to approximately 74.59% by Dah Sing Financial Holdings Limited. Mr. David Shou-Yeh WONG is the beneficial owner of approximately 40.75% of the issued share capital of Dah Sing Financial Holdings Limited and Ms. Christine Yen WONG is the spouse of Mr. David Shou-Yeh WONG. Therefore, for the purpose of the SFO, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Mr. David Shou-Yeh WONG and Ms. Christine Yen WONG are deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited.*
- (2) *As confirmed by Chongqing Lifan Industrial (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd. and Chongqing Huiyang Holdings Co., Ltd., as at December 31, 2013, Lifan International (Holdings) Limited held 139,000,000 H Shares of the Bank. Lifan International (Holdings) Limited is wholly owned by Chongqing Lifan Industry (Group) Import and Export Co., Ltd. which is wholly owned by Lifan Industry (Group) Co., Ltd. Lifan Industry (Group) Co., Ltd. is owned as to 65% by Chongqing Lifan Holdings Co., Ltd., which is in turn owned as to 75% by Chongqing Huiyang Holdings Co., Ltd. Mr. YIN Mingshan, a former non-executive Director of the Bank whose term of office as a Director expired on 7 March 2014, is the beneficial owner of approximately 51% of the issued share capital of Chongqing Huiyang Holdings Co., Ltd. Therefore, for the purpose of the SFO, Chongqing Lifan Industrial (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd. and Chongqing Huiyang Holdings Co., Ltd. and Mr. YIN Mingshan are deemed to be interested in the Shares of the Bank held by Lifan International (Holdings) Limited.*
- (3) *HSBC International Trustee Limited, the trustee of a discretionary trust established for the benefit of Mr. David Shou-Yeh Wong and his family members, held 37.66% interests in Dah Sing Financial Holdings Limited. For the purpose of the SFO, HSBC International Trustee Limited is deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited (see note (1) above).*

Shareholders Holding 5% or More of the Total Share Capital

As at the end of the reporting period, Chongqing Yufu Assets Management Group Co., Ltd., Dah Sing Bank, Limited, Lifan Industry (Group) Co., Ltd., Chongqing Road & Bridge Co., Ltd., Chongqing Land Group and Chongqing Water Conservancy Investment Group Co., Ltd. held 462,010,187 Shares, 458,574,853 Shares, 268,564,932 Shares, 171,339,698 Shares, 139,838,675 Shares and 139,838,675 Shares of the Bank respectively, representing 17.08%, 16.95%, 9.93%, 6.33%, 5.17% and 5.17% of the Bank's total share capital respectively, and are substantial shareholders of the Bank for the purpose of the SFO. 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.

As at the end of the reporting period, save for the information disclosed, there were no other substantial shareholders holding 10% or more of the Shares (as defined under the Listing Rules).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Basic Information of Directors, Supervisors and Senior Management as at the Latest Practicable Date

Name	Position	Gender	Age
GAN Weimin	Chairman and Executive Director	Male	46
RAN Hailing	Executive Director and President	Male	50
NI Yuemin	Executive Director and Vice President	Female	48
ZHAN Wanghua	Executive Director and Chief Risk Officer	Male	48
WONG Hon Hing	Non-executive Director	Male	61
YIN Mingshan	Non-executive Director	Male	76
XIANG Li	Non-executive Director	Male	58
QIN Wei	Non-executive Director	Male	52
DENG Yong	Non-executive Director	Male	54
LV Wei	Non-executive Director	Female	42
LI He	Independent Non-executive Director	Male	60
TO Koon Man Henry	Independent Non-executive Director	Male	61
ZHANG Weiguo	Independent Non-executive Director	Male	48
SUN Fangcheng	Independent Non-executive Director	Male	51
HAN Deyun	Independent Non-executive Director	Male	51
MA Qianzhen	Employee Supervisor and Chairperson of Board of Supervisors	Female	60
HUANG Changsheng	Employee Supervisor	Male	50
WAN Jiayu	Employee Supervisor	Female	48
LIN Min	Employee Supervisor	Male	43
CHEN Yan	Shareholder Supervisor	Male	50
TANG Jun	Shareholder Supervisor	Male	44
SI Houchun	Shareholder Supervisor	Male	49
LIU Xingyu	Shareholder Supervisor	Male	64
ZHOU Yongkang	External Supervisor	Male	65
CHEN Zhengsheng	External Supervisor	Male	63
YIN Xianglong	External Supervisor	Male	51
WEN Yuping	External Supervisor	Female	57
WANG Min	Vice President	Male	50
LIU Jianhua	Executive Head of Retail Banking	Male	48
YANG Shiyin	Executive Head of Corporate Banking	Female	48
Zhou Guohua	Chief Operations Officer	Male	48
LI Zaining	Secretary to the Board	Male	59

Basic Information of the Newly Appointed Directors Whose Appointments are subject to Approval of the Qualification of Directorship by CRBC Chongqing Bureau

Name	Position	Gender	Age
KONG Xiangbin	Independent Non-executive Director	Male	44
WANG Pengguo	Independent Non-executive Director	Male	42
JIN Jingyu	Independent Non-executive Director	Male	48
YANG Jun	Non-executive Director	Male	53

Directors, Supervisors and Senior Management

Changes in Directors, Supervisors and Senior Management

1. Mr. LI He was elected as an independent non-executive Director at the general meeting held by the Bank in July 2013. On September 6, 2013, the Bank received a document issued by CBRC Chongqing Bureau (Yu Yin Jian Fu [2013] No. 110) which approved the qualification of Mr. LI He as an independent non-executive Director. Concurrently, Mr. LI He acted as the chairman of the Risk Management Committee, and member of Audit Committee and Connected Transactions Control Committee.
2. Mr. TO Koon Man Henry was elected as an independent non-executive Director at the general meeting held by the Bank in July 2013. On September 6, 2013, the Bank received a document issued by CBRC Chongqing Bureau (Yu Yin Jian Fu [2013] No. 110) which approved the qualification of Mr. TO Koon Man Henry as an independent non-executive Director. Concurrently, Mr. TO Koon Man Henry acted as the chairman of the Risk Management Committee, and member of Audit Committee and Connected Transactions Control Committee.
3. The terms of office as Directors of Mr. YIN Mingshan has expired, and he did not stand for re-election as Directors of the fifth session of the Board at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. Mr. YIN Mingshan officially retired as a non-executive Director of the Bank, and ceased to be the member of the Remuneration and Appraisal Committee, Nomination Committee and Strategic Committee of the Bank upon the conclusion of the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014.
4. Mr. YANG Jun was elected as a non-executive Director at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On March 20, 2014, the Board proposed and approved the appointment of Mr. YANG Jun as the member of the Strategic Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board. The appointment of Mr. YANG Jun is subject to the approval of his qualification of directorship by the CBRC Chongqing Bureau.
5. Mr. KONG Xiangbin was elected as an independent non-executive Director at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On March 20, 2014, the Board proposed and approved the appointment of Mr. KONG Xiangbin as the member of the Connected Transactions Control Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board. The appointment of Mr. KONG Xiangbin is subject to the approval of his qualification of directorship by the CBRC Chongqing Bureau.
6. Mr. WANG Pengguo was elected as an independent non-executive Director at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On March 20, 2014, the Board proposed and approved the appointment of Mr. WANG Pengguo as the member of the Connected Transactions Control Committee, Audit Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board. The appointment of Mr. WANG Pengguo is subject to the approval of his qualification of directorship by the CBRC Chongqing Bureau.
7. Dr. JIN Jingyu was elected as an independent non-executive Director at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On March 20, 2014, the Board proposed and approved the appointment of Dr. JIN Jingyu as the member of the Connected Transactions Control Committee, Remuneration and Appraisal Committee, Nomination Committee and Information Technology Guidance Committee under the Board. The appointment of Dr. JIN Jingyu is subject the approval of his qualification of directorship by the CBRC Chongqing Bureau.

Directors, Supervisors and Senior Management

8. The terms of office of Dr. ZHANG Weiguo as an independent non-executive Director expired and Dr. ZHANG did not stand for re-election of the Directors of the fifth session of the Board at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. In accordance with relevant PRC laws and regulations and the Articles of Association, Dr. ZHANG Weiguo will continue to perform his duties as an independent non-executive Director and member of respective Board committees, until the CBRC Chongqing Bureau approves the qualification of directorship of Dr. JIN Jingyu. Upon the qualification of Dr. JIN Jingyu as a Director becoming effective, Dr. ZHANG Weiguo will officially retire as an independent non-executive Director of the Bank, and ceased to be the chairman of the Remuneration and Appraisal Committee and the Nomination Committee, and member of the Information Technology Guidance Committee and Connected Transactions Control Committee of the Bank.
9. The terms of office of Dr. SUN Fangcheng as an independent non-executive Director expired and Dr. SUN did not stand for re-election of the Directors of the fifth session of the Board at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. In accordance with relevant PRC laws and regulations and the Articles of Association, Dr. SUN Fangcheng will continue to perform his duties as an independent non-executive Director and member of respective Board committees, until the CBRC Chongqing Bureau approves the qualification of directorship of Mr. WANG Pengguo. Upon the qualification of Mr. WANG Pengguo as a Director becoming effective, Dr. SUN Fangcheng will officially retire as an independent non-executive Director of the Bank, and ceased to be the chairman of the Audit Committee, and member of the Remuneration and Appraisal Committee, Nomination Committee and Connected Transactions Control Committee of the Bank.
10. The terms of office of Mr. HAN Deyun as an independent non-executive Director expired and he did not stand for re-election of the Directors of the fifth session of the Board at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. In accordance with relevant PRC laws and regulations and the Articles of Association, Mr. HAN Deyun will continue to perform his duties as an independent non-executive Director and member of respective Board committees, until the CBRC Chongqing Bureau approves the qualification of directorship of Mr. KONG Xiangbin. Upon the qualification of Mr. KONG Xiangbin as a Director becoming effective, Mr. HAN Deyun will officially retire as an independent non-executive Director of the Bank, and ceased to be the member of the Remuneration and Appraisal Committee and Nomination Committee, and the chairman of the Connected Transactions Control Committee of the Bank.
11. Mr. ZHOU Yongkang, Mr. CHEN Zhengsheng and Mr. YIN Xianglong were elected as external Supervisors of the fifth session of the Board of Supervisors of the Bank, and Mr. CHEN Yan and Mr. TANG Jun as shareholder Supervisors of the fifth session of the Board of Supervisors at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On the same day, Ms. WEN Yuping officially retired as the Bank's external Supervisor, and Mr. SI Houchun and Mr. LIU Xingyu officially retired as the Bank's shareholder Supervisors.
12. On February 28, 2014, Mr. NIU Yueqiang, the Bank's Vice President, resigned from his position due to job transfer, and his resignation was approved by the Board on March 20, 2014.
13. On March 11, 2014, Mr. ZUO Xiaobo, the Bank's chief information officer, resigned from his position due to personal reasons, and his resignation was approved by the Board on March 20, 2014. Mr. ZHOU Guohua (Chief Operations Officer) serves as acting chief information officer for the time being.

Directors, Supervisors and Senior Management

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Biographies of Incumbent Directors as at the Latest Practicable Date

Executive Directors

Mr. GAN Weimin (甘為民), aged 46, has been an executive Director since June 26, 2007 and the Chairman of the Bank since December 28, 2012.

Mr. GAN joined the Bank in December 2006 as the president until December 28, 2012. Before joining the Bank, Mr. GAN worked as the president and the party secretary of the Chongqing branch of China Minsheng Banking Corp., Ltd. from February 2001 to December 2006. Prior to that, he served as the general manager of the corporate business department and the president of the Jiefangbei sub-branch of the Chongqing branch of CITIC Industrial Bank Co., Ltd (中信實業銀行有限公司) (now known as China CITIC Bank Corporation Limited (中信銀行股份有限公司)) from August 1998 to February 2001, the manager of the finance department of Sichuan Jialing Co., Ltd. (四川省嘉陵公司) and Jialing Finance Co., Ltd. (嘉陵財務公司) from July 1994 to August 1998, and the secretary of the youth league branch of China Sichuan International Economy and Technology Cooperation Co., Ltd (中國四川國際經濟技術合作公司) from July 1989 to July 1994.

Mr. GAN obtained a bachelor's degree in engineering, majoring in industry management engineering, from the Management Engineering Department of Xi'an Jiaotong University in July 1989 and a master's degree in business administration from Southwestern University of Finance and Economics in June 2005. He is an economist.

Mr. RAN Hailing (冉海陵), aged 50, has been an executive Director since February 18, 2011 and the president of the Bank since April 9, 2013.

Mr. RAN joined the Bank in March 2003 and served as a vice president since May 2003. Before joining the Bank, Mr. RAN worked as the assistant to the president of Southwest Securities Company Limited (西南證券有限責任公司) from December 2002 to March 2003, vice general manager and party secretary of Fuling office (涪陵辦事處), general manager of Fuling Securities Business Department (涪陵證券營業部) of Sichuan Trust and Investment Corporation (四川省信託投資公司) from March 1993 to December 2002, the deputy director and party committee member of Chongqing Fuling Canned Food Plant (重慶涪陵地區罐頭食品廠) from March 1992 to March 1993 and the secretary to the general office and section chief of Chongqing Fuling District Administrative Office (重慶涪陵地區行政公署) from February 1990 to March 1992.

Mr. RAN obtained a diploma in the special basic courses for party and government cadres from Sichuan Radio and TV University in December 1989, a completion certificate of postgraduate class for advanced studies in civil and commercial laws from Southwest University of Political Science and Law in October 2000, and an executive master of business administration degree from Chongqing University in June 2007. Mr. Ran is an economist.

As of the Latest Practicable Date, Mr. RAN held 45,374 Domestic Shares of the Bank, representing 0.002% of the total issued share capital of the Bank.

Directors, Supervisors and Senior Management

Ms. NI Yuemin (倪月敏), aged 48, has been an executive Director since February 1, 2013. She joined the Bank in October 2009 and has been a vice president since May 7, 2010 and the chief financial officer of the Bank since December 29, 2010.

Before joining the Bank, Ms. NI worked as the chief of the examination and distribution division and the chief of the property rights administration division of Chongqing State-owned Assets Supervision and Administration Commission from October 2003 to October 2009 and the deputy chief of the Enterprise Division I of Chongqing Municipal Finance Bureau from September 2000 to October 2003.

Ms. NI obtained an executive master of business administration degree from Chongqing University in December 2011, and obtained a bachelor's degree in economics, majoring in accounting and statistics, from the Economics and Management Department of Yuzhou University (now known as Chongqing Technology and Business University) in July 1987. Ms. NI is a non-practicing member of the Chinese Institute of Certified Public Accountants and a senior accountant.

Mr. ZHAN Wanghua (詹旺華), aged 48, was nominated by Dah Sing Bank, one of our substantial shareholders, to join the Bank as an executive Director on February 1, 2013 and has been our chief risk officer since February 1, 2013. Prior to joining the Bank, Mr. ZHAN worked as the director of the risk management department and the secretary of risk control committee of Dah Sing Bank (China) Co., Ltd. (大新銀行(中國)有限公司).

He previously served as the president of Huafu sub-branch of Shenzhen Branch of China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司) between January 2008 and August 2010. Between July 1995 and January 2008, Mr. ZHAN served successively as the loan administration manager, loan review manager and assistant to general manager of the risk management department, and full-time member of the loan review committee of Shenzhen Branch of China Guangfa Bank Co., Ltd..

Mr. ZHAN obtained a master's degree in economics from Xiamen University in July 1995 and obtained his doctorate graduation certificate in world economics from Xiamen University in June 2008.

Non-executive Directors

Mr. WONG Hon Hing (黃漢興), aged 61, nominated by Dah Sing Bank, one of our substantial shareholders, has been a non-executive Director and vice chairman of the Bank since July 25, 2007.

Mr. WONG joined Dah Sing Bank in 1977 and is currently the vice chairman of its board of directors. Between 1977 and 1989, Mr. WONG served as the head of various departments at Dah Sing Bank. He was appointed as an executive director in 1989, promoted to the managing director in 2000 and then appointed as the vice chairman of Dah Sing Bank in April 2011. He is currently a director of Banco Comercial De Macau, a vice chairman of the board of directors of Dah Sing Life Assurance Company Ltd., an executive director of Dah Sing Insurance Co., Ltd., an executive director of Dah Sing Insurance (1976) Co., Ltd. (大新保險(1976)有限公司), a director of Greatwall Life Insurance Co., Ltd. and the chairman of Dah Sing Bank (China) Co., Ltd. (大新銀行(中國)有限公司).

Mr. WONG is the vice chairman of the board of directors of Dah Sing Banking Group Limited (listed on the Hong Kong Stock Exchange, stock code: 2356), the holding company of Dah Sing Bank. He is also the managing director and the chief executive officer of Dah Sing Financial Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 0440).

Mr. WONG obtained a higher diploma in business studies from the Hong Kong Polytechnic College (now known as Hong Kong Polytechnic University) in October 1977. Mr. WONG is an associate of The Institute of Bankers (U.K.) and a founding member of The Hong Kong Institute of Bankers and The International Retail Banking Council of the U.K.. He has over 35 years of banking experience.

Directors, Supervisors and Senior Management

Mr. XIANG Li (向立), aged 58, nominated by Chongqing Water Conservancy Investment Group Co., Ltd., has been a non-executive Director since August 2, 2013.

Mr. XIONG has served as the chairman, party committee secretary and general manager of Chongqing Water Conservancy Investment Group Co., Ltd. since November 2012. Mr. XIANG previously worked as the chairman of the board of supervisors of Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司) from August 2010 to November 2012, a director and vice president of Chongqing Water Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601158) from August 2007 to August 2010, and concurrently the chairman of the board of Chongqing Municipality Tap Water Co. Ltd. (重慶市自來水有限公司) from August 2008 to July 2011. He also served successively as the president, party committee secretary and general manager of Chongqing Three Gorges Water Co., Ltd. (重慶市三峽水務有限責任公司), the president assistant of Chongqing Water Holding (Group) Co. Ltd. (重慶市水務控股(集團)有限公司) from May 2003 to March 2007, the vice president of Chongqing Three Gorges Water Co., Ltd. from March 2007 to August 2007, and the deputy party committee secretary, the party committee secretary and the vice manager of Chongqing Municipality Tap Water Co., Ltd. from December 1998 to May 2003.

Mr. XIANG graduated from Chongqing Normal College (now known as Chongqing Normal University) majoring in Chinese language and literature in June 1986.

Mr. QIN Wei (覃偉), aged 52, nominated by Yufu, one of our substantial shareholders, has been a non-executive Director since February 18, 2011.

Mr. QIN has been a party committee member and vice general manager of Yufu since March 2008. Mr. QIN had successively held various positions

since he commenced his career in August 1983, including a section member of the first enterprise finance section of Chongqing Municipal Finance Bureau, the deputy head of the Jiulongpo district factory settlement team and the Jiangbei district factory settlement team, a senior staff member of the general office, the deputy director of the general office, vice division chief of the industry and traffic division and the division chief of the enterprise division I and the enterprise division.

Mr. QIN obtained a bachelor's degree in economics, majoring in finance, from Sichuan Finance and Economics College (四川財經學院) in July 1983 and an executive master of business administration degree, from Chongqing University in June 2008. Mr. QIN is a senior accountant.

Mr. DENG Yong (鄧勇), aged 54, nominated by Yufu, one of our substantial shareholders, has been a non-executive Director since February 1, 2013.

Mr. DENG has been the chief financial officer of Yufu since April 2012. Mr. DENG commenced his career in December 1982. He served successively as a director, the assistant to president and the general manager of the planning and finance department of Southwest Securities Company Limited from August 2008 to April 2012, the assistant to general manager and the manager of finance department of Yufu from March 2004 to August 2008, the deputy general manager of the Linjiang Road and Jiulongpo business office (臨江路·九龍坡營業部) of China Galaxy Securities Co., Ltd. from September 2000 to March 2004 and the deputy general manager of Chongqing Securities Division of China Cinda Trust and Investment Corporation (中國信達信託投資公司重慶證券營業部) from June 1997 to September 2000.

Mr. DENG has been a non-executive director of Chongqing Machinery & Electric Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 2722) since June 2013 and a director of Chongqing Chuanyi Automation Co., Ltd. since April 2013.

Directors, Supervisors and Senior Management

Mr. DENG obtained a graduation certificate from the Applied Mathematics Department of Yuzhou University (now known as Chongqing Technology and Business University) in July 1982 and obtained a postgraduate certificate from the Applied Mathematics Department of Chongqing University in 1988.

Ms. LV Wei (呂維), aged 42, nominated by Chongqing Road & Bridge, has been a non-executive Director since June 3, 2009.

Ms. LV has been a vice president of Chongqing International Trust Co., Ltd. (formerly known as Chongqing International Trust & Investment Co., Ltd) since September 2012, and the secretary to the board of directors and the head of the legal affairs department of Chongqing International Trust Co., Ltd. since March 2007. Ms. LV successively worked as the business manager and the deputy head of the legal affairs department of Chongqing International Trust & Investment Co., Ltd. from February 2005 to March 2007. She was an assistant judge of the criminal tribunal, the research office and the third civil tribunal of the Higher People's Court of Chongqing between October 1998 and February 2005. Ms. LV also worked as a clerk of the second economic tribunal and the trial supervision tribunal of the First Intermediate Court of Chongqing from June 1997 to October 1998 and a clerk of the second economic tribunal of the then Chongqing Intermediate People's Court of Sichuan Province from July 1995 to June 1997.

Ms. LV has been a director of Chongqing Road & Bridge since August 2007.

Ms. LV obtained a bachelor's degree in law, majoring in economic laws, from Southwest University of Political Science and Law in July 1995 and a master's degree in law, majoring in civil and commercial laws, from Southwest University of Political Science and Law in 2005. Ms. LV obtained the Legal Profession Certificate (法律職業資格證書) in February 2008 and the Practising Corporate Counsel Certificate (企業法律顧問執業資格證書) in 2007.

Independent Non-executive Directors

Mr. LI He (李和), aged 60, was appointed as an independent non-executive Director on September 4, 2013. Mr. LI served successively as vice president, president and supervisor of Huishang Bank from December 2005 to June 2013. Prior to that, Mr. LI worked as the party committee secretary and president of Wuhan Branch of China Minsheng Banking Corp., Ltd., and the general manager of retail banking department and enterprise planning department at head office of China Minsheng Banking Corp., Ltd. from September 1997 to December 2005, the party committee secretary and the president of Wuhan Branch of China Investment Bank from November 1995 to September 1997, and the director of the general office of Hubei Bureau of the State Administration of Foreign Exchange from December 1993 to November 1995. He also worked as a clerk and section chief of planning department of Hubei Branch of the People's Bank of China, the vice president of Shiyuan Branch of the People's Bank of China and the deputy director and director of planning department of Hubei Branch of the People's Bank of China from July 1982 to December 1993.

Mr. LI obtained a graduation certificate from Huazhong College of Technology (now known as Huazhong University of Science and Technology) in July 1982, and a master's degree from Zhongnan University of Economics and Law in June 1996. Mr. LI is a senior economist.

Mr. TO Koon Man Henry (杜冠文), aged 61, was appointed as an independent non-executive Director on September 4, 2013.

Mr. TO served as the chief financial officer of Shanghai Commercial Bank Ltd. (上海商業銀行有限公司) from 1988 to November 2012. Prior to that, Mr. TO served as a senior manager in Hong Kong office of PricewaterhouseCoopers from 1980 to 1988, and a senior accountant of the auditing department in Toronto office of Deloitte & Touche from 1976 to 1980.

Directors, Supervisors and Senior Management

Mr. TO obtained a bachelor's degree in arts from University of Toronto in 1975, and qualified as a Chartered Accountant and a Certified Management Accountant of Canada in 1979 and 1980, respectively. Mr. TO is currently a Hong Kong certified public accountant, a Certificated Tax Advisor and a fellow member of Hong Kong Institute of Directors. He used to be a member of Financial Services Group Committee of the Hong Kong Institute of Certified Public Accountants (香港會計師公會金融服務利益集團委員會) and a member of the Expert Panel on Listing of the Hong Kong Institute of Certified Public Accountants (香港會計師公會上市專家評審委員會委員).

Dr. ZHANG Weiguo (張衛國), aged 47, was appointed as an independent non-executive Director of the Bank on 18 February 2011.

Dr. ZHANG has been the president of Southwest University since May 2011. Dr. ZHANG previously worked as a vice president of Chongqing University from July 2003 to May 2011, the vice director and the director of the planning and finance division (計劃財務處) of Chongqing University from August 1997 to July 2003, and the director of the department of management of the School of Economics and Business Administration of Chongqing University from July 1993 to August 1997. Dr. ZHANG did not hold any directorship in any other listed companies in the last three years.

Dr. ZHANG obtained a doctorate degree in management, majoring in technology economy and management from Chongqing University in December 2003. Dr. ZHANG is a professor and a doctoral supervisor.

Dr. SUN Fangcheng (孫芳城), aged 50, was appointed as an independent non-executive Director of the Bank on February 18, 2011.

Dr. SUN has been the president of Chongqing Three Gorges University since September 2009. Dr. SUN worked as a vice president of Chongqing University of Technology (formerly known as Chongqing Institute of Technology and Chongqing Institute of Industrial Management) from June 1997 to August 2009, the deputy director and the director of the department of accounting of Chongqing Institute of Industrial Management (currently known as Chongqing University of Technology) from January 1993 to June 1997, and he was teaching accounting at the Chongqing Institute of Industrial Management (currently known as Chongqing University of Technology) from January 1989 to December 1992 and was appointed as lecturer in 1990.

Dr. SUN has been an independent director and the chairman of the audit committee of Chongqing Water Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601158) since August 2007, an independent director and the chairman of the audit committee of Chongqing Jian Feng Chemical Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000950) since September 2008, as well as an independent director and a member of the audit committee of Chongqing Brewery Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600132) since April 2010.

Dr. SUN obtained a bachelor's degree in economics, majoring in mercantile financial accounting, from Anhui Institute of Finance and Trade (now known as Anhui University of Finance & Economics) in July 1984 and a doctorate degree in management, majoring in accounting from the Research Institute of Fiscal Science of the Ministry of Finance of the PRC in July 2008. Dr. SUN is a professor and a non-practicing member of the Chinese Institute of Certified Public Accountants.

Mr. HAN Deyun (韓德雲), aged 50, was appointed as an independent non-executive Director of the Bank on February 18, 2011.

Directors, Supervisors and Senior Management

Mr. HAN has been an attorney at law and managing partner of Solton & Partners since January 1995. From July 1982 to January 1995, Mr. HAN served as a member of the youth league committee and the world bank loan office of Southwest Institute of Political Science and Law, a teaching assistant, a lecturer and an associate professor of Southwest Institute of Political Science and Law and a visiting lecturer at the faculty of law of the University of California, Los Angeles.

Mr. HAN was an independent director of Loncin Motor Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 603766) from October 2010 to November 2012, an independent director of Chongqing Jiulong Electric Power Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600292) from September 2006 to May 2010. He also served as an independent director of Chengdu Commercial Bank from 2006 to 2009.

Mr. HAN obtained a master's degree in law from University of California, Los Angeles in May 1989. Mr. HAN obtained a grade I lawyer certificate from Chongqing Municipal Bureau of Justice in January 2007.

2. Biographies of Newly Appointed Directors Whose Appointments are subject to Approval of the Qualification of Directorship by CRBC Chongqing Bureau

Mr. YANG Jun (楊駿), aged 53, is currently a vice president of Lifan. Mr. Yang was a deputy general manager of Chongqing Lifan Holdings Co., Ltd. (重慶力帆控股有限公司) from May 2011 to June 2013, the general manager of Chongqing Lifan Passenger Vehicle Co., Ltd. (重慶力帆乘用車有限公司) from May 2008 to May 2011, the general manager of Chongqing Lifan Automobile Co., Ltd. (重慶力帆汽車有限公司) from May 2004 to May 2008 and the general manager of Chongqing Lifan Motorcycle Manufacturing Co., Ltd. (重慶力帆摩托車製造有限公司) from February 1997 to May 2004. Prior to that, Mr. YANG served successively as the secretary of the general manager, the director of the General Affairs Office and the assistant to the general

manager of China Rural Development Investment and Trust Corporation, Hainan Branch (中國農村發展信託投資公司海南公司) from February 1993 to February 1997. He was the office director of the Foreign Investment Service Center of the Economic Cooperation Bureau of Hainan (海南省經濟合作廳外商投資服務中心) from March 1991 to February 1993 and an engineering technician of the Transportation Division of the State-owned Wangjiang Machinery Manufacturing Plant (望江機器製造總廠) from August 1989 to March 1991.

Mr. Yang graduated from the School of Mechanical Engineering of Chongqing University majoring in automotive design in June 2004. Mr. Yang is an engineer.

Mr. KONG Xiangbin (孔祥彬), aged 44, is the director of Chongqing Zhongshi Law Office (重慶中世律師事務所). Mr. KONG has been appointed as the director of Chongqing Zhongshi Law Office since January 2003. He also serves concurrently as a member of the Chongqing Committee of Chinese People's Political Consultative Conference, a member of the Chongqing Arbitration Committee and an executive director of Chongqing Law Society. Mr. KONG served as the deputy director of Chongqing Lida Law Firm (重慶麗達律師事務所) from July 1998 to January 2003 and head of sales department of the Yumei branch of Chongqing General Trading Group (重慶商社集團渝美分公司) from July 1992 to July 1998. Mr. KONG served as legal advisor for a number of PRC companies and government agencies since January 2006.

Mr. KONG obtained a bachelor of laws degree from the Southwest University of Political Science and Law (西南政法大學) in July 1992, he was accredited as the "Top 100 Excellent Lawyers of Honest Practice in Chongqing" (重慶市誠信執業百優律師) by the Judiciary of Chongqing and Chongqing Law Society in January 2003, he was awarded the "Chongqing Youth May Fourth Medal of the 12th Session" (第十二屆重慶青年五四獎章) by the Chongqing Committee of the Chinese Communist Party and the Chongqing People's Government in May 2008, and was accredited as "Top 10 Best Lawyers in Chongqing of the 4th Session" (重慶市第四屆十佳律師) by the Judiciary of Chongqing and Chongqing Law Society in July 2011.

Directors, Supervisors and Senior Management

Mr. WANG Pengguo (王彭果), aged 42, has been the chief accountant and the chairman of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) since March 2001, the chairman of Chongqing Zhongding Certified Tax Agents Co., Ltd. (重慶中鼎稅務師事務所有限責任公司) since December 2005 and the chairman of Chongqing Zhongding Asset Appraisal and Real Estate Valuation Co., Ltd. (重慶中鼎資產評估土地房地產估價有限責任公司) since March 2007.

Mr. WANG served as deputy chief accountant of Chongqing Zhongding Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) from August 1999 to February 2001, deputy chief accountant of Chongqing Zhongding Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) from December 1996 to July 1999, as well as the financial director and deputy head of the finance department of Chongqing Machine Tools Industry Company (重慶機床工具工業公司) from December 1992 to November 1996.

Mr. WANG obtained a professional diploma in financial management from the Chongqing Radio and TV University (重慶廣播電視大學) in July 1991, bachelor of accountancy degree from the Chongqing University (重慶大學) in July 2003, and an executive MBA degree from Chongqing University in July 2007. Mr. WANG is a senior accountant and one of the first batch of senior certified public accountants in the PRC; Mr. WANG is also a certified tax advisor, a certified asset appraiser, second-hand motor vehicle valuer, land valuer and certified real estate valuer in the PRC. Mr. WANG is an executive director of the China Appraisal Society (中國資產評估協會), executive director of Chongqing Institute of Certified Public Accountants (重慶註冊會計師協會), executive director of Chongqing Certified Tax Agents Association (重慶註冊稅務師協會) and executive director of Chongqing Land Resources and Housing Appraisal and Brokers Association (重慶國土資源房屋評估和經紀協會).

Dr. JIN Jingyu (靳景玉), aged 48, is the chairman of the Academic Council of the School of Finance of Chongqing Technology and Business University (重慶工商大學). Dr. JIN is a professor in finance and tutor of doctorate and master degree postgraduate students.

Dr. JIN has served in the Chongqing Technology and Business University (重慶工商大學) (formerly known as Chongqing College of Commerce (重慶商學院) in 2003 and before) since May 1997, where he has served successively as associate professor, professor and deputy director of the Department of Finance and Investment. Dr. JIN also served concurrently as the chairman of Chongqing Tiandi Pharmaceutical Industry Co., Ltd. (重慶天地藥業有限公司) from June 2005 to February 2010, and served concurrently as a director and secretary to the board of Chongqing Wanli Storage Battery Co., Ltd. (重慶萬里蓄電池股份有限公司) (now known as Chongqing Wanli New Energy Co., Ltd. (重慶萬里新能源股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600847)), from January 2006 to March 2010, served as a director and secretary to the board of Southwest Synthetic Pharmaceutical Co., Ltd. (西南合成製藥股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000788), from July 2002 to June 2003, and a business director of the Financing Service Company (融資服務公司) and general manager of the 1st business division of Dapeng Securities Company Limited (大鵬證券有限責任公司) from September 1997 to September 2002. Dr. JIN is currently an independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 2722).

Dr. JIN graduated with a bachelor's degree from the department of mathematics of Henan University (河南大學) in 1992, studied in the University of Science and Technology of China (中國科學技術大學) majored in management science and received a master's degree in engineering in 1995, and studied in the Southwest Jiaotong University

Directors, Supervisors and Senior Management

(西南交通大學) majored in management science and engineering and received a doctor's degree in management in 2007. Dr. JIN is a director of the corporate operations research branch of the Operations Research Society of China (中國運籌協會), director of the China Investment Professional Construction Committee (中國投資專業建設委員) and a part-time researcher of the Upper Yangtze River Economic Research Center (長江上游經濟研究中心).

3. Biographies of Supervisors

Employee Supervisors

Ms. MA Qianzhen (馬千真), aged 60, was appointed as an employee Supervisor of the Bank on November 19, 2012 and has been the chairperson of our Board of Supervisors since April 10, 2013.

Ms. MA joined the Bank in February 2008 and served as the party committee secretary and the chairperson of the Bank since December 2008. She ceased to be the chairperson of the Bank in November 2012 due to a job relocation within the Bank, and ceased to be the party committee secretary of the Bank in October 2013 due to a job relocation within the Bank.

Prior to joining the Bank, Ms. MA worked as a staff member of the budget section, deputy director and director of the budget division, deputy director-general, director-general and party committee secretary of Chongqing Municipal Finance Bureau from March 1983 to February 2008. Ms. MA previously worked in Chongqing Foundry Machinery Factory from April 1972 to March 1983. She previously served as a member of the board of supervisors of China Banking Association. Ms. MA did not hold any directorship in any other listed companies in the last three years.

Ms. MA obtained a graduation certificate in Chinese literature from Chongqing Junior Teachers' College (now known as Chongqing Normal University) in August 1976, a postgraduate certificate in accounting from the postgraduate department of the Research Institute of Fiscal

Science of the Ministry of Finance of the PRC in May 1999, and an executive master of business administration degree from Chongqing University in December 2010. Ms. MA is a senior accountant.

Mr. HUANG Changsheng (黃常勝), aged 50, was appointed as our employee Supervisor in April 2013. Mr. HUANG joined the Bank in October 1995. Mr. HUANG is currently a deputy party committee secretary, secretary of the discipline committee and chairman of the labor union of the Bank. Mr. HUANG previously served as the director of the banking department, the director of the credit department and the director of the general office of the Xiaolongkan sub-branch of the Bank, the assistant to the manager of Guanyinqiao sub-branch of the Bank, assistant to the director, deputy director and director of the general office of the Bank, the board secretary of the Bank and the deputy director of the office of board (in charge), the general manager of the human resources department of the Bank, the head of the preparation group of Guiyang Branch, and the party committee secretary and the manager of Guiyang Branch of the Bank.

Prior to joining the Bank, Mr. HUANG worked as the director of the credit department of Shapingba Urban Credit Cooperative in Chongqing from February 1994 to October 1995. Mr. HUANG did not hold any directorship in any other listed companies in the last three years.

Mr. HUANG obtained an executive master in business administration degree from Chongqing University in December 2012. Mr. HUANG is an economist.

Ms. WAN Jiayu (萬嘉妤), aged 48, was appointed as our employee Supervisor in April 2011. Ms. WAN joined the Bank in May 2001.

She served as the deputy manager and manager of Yangshilu sub-branch from 2001 to 2009, the manager of Hi-tech Zone sub-branch from 2009 to 2011, and the general manager of our head office business department from 2011 to 2013. Ms. WAN is currently the manager of Great Hall sub-branch of the Bank.

Directors, Supervisors and Senior Management

Prior to joining the Bank, Ms. WAN served as a deputy director of the Jiulongpo sub-branch of the Bank of China in Chongqing from 1992 to 2001. She was a teacher at the school for children of staff members of Huxi Electrical Machinery Factory in Chongqing from 1987 to 1992. Ms. WAN did not hold any directorship in any other listed companies in the last three years.

Ms. WAN obtained an executive master of business administration degree from Chongqing University in December 2012. Ms. WAN is an assistant economist.

Mr. LIN Min (林敏), aged 43, was appointed as our employee Supervisor in April 2013. Mr. LIN joined the Bank in December 1999. Mr. LIN is currently the manager and party committee secretary of the Xi'an Branch of the Bank. Mr. LIN previously served as an assistant to the manager of Linjiangmen sub-branch, the deputy manager of Fuling sub-branch, the deputy general manager of the marketing department (in charge), the manager of Nanping sub-branch, the manager of Banan sub-branch, and a member of the preparation group of the Xi'an Branch of Chongqing Bank.

Prior to joining the Bank, Mr. LIN served successively as a clerk, the deputy director and director of the general office, and the assistant to manager of Chongqing International Trust & Investment Co., Ltd. from January 1993 to December 1999, and worked at Chongqing Municipality Tap Water Co. Ltd. from December 1991 to December 1992. Mr. LIN did not hold any directorship in any other listed companies in the last three years.

Mr. LIN obtained an executive master of business administration degree from Chongqing University in December 2009. Mr. LIN is an accountant.

Shareholder Supervisors

Mr. CHEN Yan (陳焰), aged 50, was appointed as our shareholder Supervisor of the fifth session of the Board of Supervisors in March 2014.

Mr. CHEN served successively as managers of the investment and financing department and the investment and development department of Chongqing Jiangbeizui Corporation (重慶市江北嘴公司) and director and general manager of Jiangbeizui Equity Investment Fund Management Co., Ltd. (江北嘴股權投資基金管理有限公司), and concurrently as director and deputy general manager of Chongqing Jiangbeizui Xingen Stock Co., Ltd. (重慶江北嘴鑫根股份有限公司) since 2009.

Mr. CHEN served successively as an expert member of the asset appraisal and review committee, and manager of the appraisal and legal department, the debt management department, the operation management department and the investment business department of the Chongqing Representative Office of China Huarong Asset Management Corporation (中國華融資產管理公司) from 2001 to 2009. Prior to that, Mr. CHEN served as deputy general manager of Chongqing Huitong Land and Assets Appraisal Co., Ltd. (重慶匯通土地資產評估有限公司) from 1998 to 2001, director of the general office of Chongqing Zhongye Property Development Co., Ltd. under the MCC Group (中冶集團重慶中冶房地產開發有限公司) from 1997 to 1998, deputy director of the general office of Chongqing Xiexin Property Development Co., Ltd. (重慶協信房地產開發有限公司) from 1996 to 1997, deputy factory manager of Chengdu Feixiang Surveying Instrument Plant (成都飛翔測繪儀器廠) from 1992 to 1996, and a teacher at Chongqing Zishui Middle School (重慶市字水中學) from 1984 to 1992.

Mr. CHEN graduated from an on-the-job postgraduate course in civil and commercial law at Southwest University of Politics Science and Law in October 2003. He graduated from Sichuan Normal University, majoring in mathematics, with a bachelor of science degree in July 1984. Mr. Chen is a registered land valuer, registered

Directors, Supervisors and Senior Management

corporate legal advisor, certified price verifier and real estate economist in the PRC.

Mr. TANG Jun (唐峻), aged 44, was appointed as our shareholder Supervisor of the fifth session of the board of Supervisors in March 2014.

Mr. TANG has served as the general manager of Chongqing Yugao Science & Technology Industry (Group) Co., Ltd. (重慶渝高科技產業(集團)股份有限公司) since November 2011 and the general manager of Chongqing Beiheng Investment & Development Ltd. (重慶北恒投資發展有限公司) since November 2012. Mr. TANG served as deputy general manager of Chongqing Yugao Science & Technology Industry (Group) Co., Ltd. from July 2008 to November 2011, an assistant to the general manager and a manager of the property branch of Chongqing Yugao Science & Technology Industry (Group) Co., Ltd. from July 2007 to July 2008, successively served as manager of the general department and deputy manager of the property branch of Chongqing Yugao Science & Technology Industry (Group) Co., Ltd. from April 1993 to July 2007, and served as chief construction engineer at Chongqing Second Construction Company (重慶第二建築工程公司) from July 1991 to 1993. Mr. TANG did not hold any directorship in any other listed companies in the last three years.

Mr. TANG obtained a master's degree in construction and civil engineering from Chongqing University in December 2006 and graduated from Chongqing Institute of Architectural Engineering, majoring in construction materials and products, with a bachelor of engineering degree in July 1991. Mr. TANG is a senior engineer.

External Supervisors

Mr. ZHOU Yongkang (周永康), aged 65, was appointed as the Supervisor of the fourth Session of the board of Supervisors of the Bank in December 2010 and the Supervisor of the fifth session of the board of Supervisors in March 2014. Mr. ZHOU is an external Supervisor.

Mr. ZOU has over 42 years of experience in the banking industry. He held various positions, including deputy director, at People's Bank of China Chongqing Lianglukou local branch (中國人民銀行重慶市兩路口分理處) from 1971 to 1983, and served successively as the deputy director and director of the Central Division Agency of the Chongqing branch of Industrial and Commercial Bank of China from 1983 to 1988 and director of the accounting department, vice president and counsel of the Chongqing branch of Industrial and Commercial Bank of China from 1988 to 2008. Mr. ZHOU retired in 2008. Mr. ZHOU did not hold any directorship in any other listed companies in the last three years.

Mr. ZHOU graduated from the undergraduate course in the Correspondence School of Chongqing Party School of the Chinese Communist Party, majoring in finance, in December 1997. Mr. Zhou is a senior economist.

Mr. CHEN Zhengsheng (陳正生), aged 63, was appointed as the Supervisor of the fourth session of the board of Supervisors of the Bank in May 2013 and the Supervisor of the fifth session of the board of Supervisors in March 2014. Mr. CHEN is an external Supervisor.

Mr. CHEN has over 39 years of experience in banking industry. Mr. CHEN held a number of positions in the Chongqing Branch of Industrial and Commercial Bank of China between May 1984 and April 2011, including director of Jiefangbei Local Branch (解放碑分理處主任), deputy director of the office of Central City District (currently Yuzhong District), director of fund planning office (資金計畫處處長), and vice president and counsel of Chongqing Branch. He was the deputy head of the credit group and deputy director of the former Chongqing Qixinggang Local Branch of the People's Bank of China between April 1972 and May 1984. Mr. CHEN retired in April 2011. Mr. CHEN has been an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 3618)

Directors, Supervisors and Senior Management

from December 2011, an independent director of Chongqing Yukaifa Company Limited (重慶渝開發股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000514) from August 2012, and an independent director of Loncin Motor Company Limited (隆鑫通用動力股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 603766) from November 2012.

Mr. CHEN obtained a postgraduate certificate in political economics (including regional economics) from Chongqing Party School of the Chinese Communist Party in June 1998. Mr. CHEN is a senior economist.

Mr. YIN Xianglong (殷翔龍), aged 51, was appointed as our external Supervisor of the fifth session of the board of Supervisors in March 2014.

Mr. YIN has been the deputy head of Kanghua Certified Public Accountants (康華會計師事務所) since November 2010. Mr. YIN served as deputy head of the Chongqing branch of RSM China Certified Public Accountants (中瑞岳華會計師事務所) from January 2010 to October 2010. Prior to this, Mr. YIN served as head of Fengdu branch and head of compliance, chief quality supervisor, deputy chief accountant at the head office of Chongqing Jinhui Certified Public Accountants (重慶金匯會計師事務所) from January 2001 to December 2009; chief accountant at Chongqing Fengrui Certified Public Accountants (重慶豐瑞會計師事務所) from November 1998 to December 2000, head of Fengdu branch of Fuling Certified Public Accountants (涪陵會計師事務所) from December 1990 to October 1998. Mr. YIN worked at Fengdu County Finance Bureau from August 1986 to November 1990, from August 1983 to August 1984 and from December 1978 to August 1981, respectively. Mr. YIN did not hold any directorship in any other listed companies in the last three years.

Mr. YIN obtained a bachelor's degree in economics from the department of accountancy of Southwestern University of Finance and Economics (西南財經大學) in June 1994. Mr. YIN is a qualified senior accountant, as well as a senior certified public accountant, certified asset appraiser, certified real estate valuer, certified land valuer, certified cost engineer and certified tax agent in China.

4. Biographies of Senior Management

For the biography of **Mr. RAN Hailing (冉海陵)**, please refer to the section headed "Biographies of Incumbent Directors as at the Latest Practicable Date" in this annual report.

Mr. WANG Min (王敏), aged 50, joined the Bank as vice president in September 2006. He is responsible for the management of the treasury department, the bills department and the general office.

Prior to joining the Bank, Mr. WANG served as an internal auditor (section-level) of the general office of the internal audit office and a deputy director of the internal audit division II of the credit department of China Development Bank, and director of audit & supervision division and director of customer division II of the Chongqing Branch of China Development Bank from December 1994 to July 2006. Mr. WANG did not hold any directorship in any other listed companies in the last three years.

Mr. WANG obtained a bachelor's degree in history, majoring in archival science, from Renmin University of China in July 1986. Mr. WANG obtained an EMBA degree from Sichuan University in June 2013. Mr. Wang is an archivist (館員).

For the biography of **Ms. NI Yuemin (倪月敏)**, please refer to section headed "Biographies of Incumbent Directors as at the Latest Practicable Date" in this annual report.

Directors, Supervisors and Senior Management

Mr. LIU Jianhua (劉建華), aged 48, was appointed as our executive head of retail banking in September 2011. Mr. LIU joined the Bank in December 1996. He had served as deputy manager and manager of Shangqingsi sub-branch, manager of Renhe Street sub-branch, employee Supervisor of the second, third and fourth session of the Board of Supervisors and general manager of the corporate banking department of the Bank. He is currently responsible for management and development of small and micro enterprise banking business of the Bank.

Prior to joining the Bank, Mr. LIU served as deputy director of Chongqing Chujin Urban Credit Cooperative (重慶儲金城市信用社) from June 1993 to December 1996, and served as a clerk at the Transmission Department of Chongqing Post Office (重慶市郵政局轉運處) from December 1984 to June 1993. Mr. LIU did not hold any directorship in any other listed companies in the last three years.

Mr. LIU obtained an executive master of business administration degree from Chongqing University in December 2011, and obtained a graduation certificate from the postgraduate course in law of Chongqing Party School of the Chinese Communist Party in June 2001. Mr. LIU is a senior economist.

Ms. YANG Shiyin (楊世銀), aged 48, was appointed as our executive head of corporate banking in September 2011. Ms. YANG joined the Bank in September 2001. She had served as chief and manager of Yangjiaping sub-branch, and chief and manager of Jiefangbei sub-branch of the Bank. She is currently responsible for management and development of corporate business of the Bank.

Prior to joining the Bank, Ms. YANG served as deputy section chief of currency exchange section, chief cashier and director of banking department of Jiulongpo sub-branch of Bank of China in Chongqing from May 1989 to August 2001, and accountant of Chongqing Jiulongpo Department

Store and Wholesale Company (重慶市九龍坡地區百貨批發公司) from August 1987 to May 1989. Ms. YANG did not hold any directorship in any other listed companies in the last three years.

Ms. YANG obtained a bachelor's degree in economics from Anhui College of Finance and Economics (now known as Anhui University of Finance & Economics) in July 1987. Ms. YANG obtained an EMBA degree from Chongqing University in December 2012. Ms. YANG is a senior economist.

Mr. ZHOU Guohua (周國華), aged 48, was appointed as our chief operations officer in September 2011. Mr. ZHOU joined the Bank in September 2003. He had served as chief and assistant to the director of the office of the Board of Supervisors, deputy manager of Yubei sub-branch (in charge), and manager of Chongqing Hi-tech Industrial Development Zone branch and chief and manager of Great Hall sub-branch of the Bank. He is currently responsible for the management and development of the retail business of the Bank.

Prior to joining the Bank, Mr. ZHOU served as section member and deputy section chief of finance management section (金管科) of Changshou sub-branch of the People's Bank of China from January 1998 to September 2003, and director of banking department of Changshou sub-branch of Agricultural Bank of China from December 1996 to December 1997. Mr. ZHOU did not hold any directorship in any other listed companies in the last three years.

Mr. ZHOU obtained an undergraduate diploma majoring in agriculture and animal husbandry economic management from Sichuan Agricultural University in July 1991. Mr. ZHOU is an assistant economist.

For the biography of **Mr. ZHAN Wanghua (詹旺華)**, please refer to the section headed "Biographies of Incumbent Directors as at the Latest Practicable Date" in this annual report.

Directors, Supervisors and Senior Management

Mr. LI Zaining (李在寧), aged 59, was appointed as secretary to the Board of Directors in September 2007. Mr. LI joined the Bank in January 2001. He had served as chief and deputy manager of the Market Development Department, chief and general manager of the Individual Banking Department and director of the Capital Raising & Listing Office of the Bank. Mr. LI is currently responsible for preparation of shareholders' meetings and board meetings of the Bank, files management and information disclosure.

Prior to joining the Bank, Mr. LI worked successively as a teacher at the Chongqing School of Finance and Trade and served as head of the Teaching and Research Office, vice dean of the President's Office and dean of the Finance & Investment Department in Chongqing Institute of Commerce from December 1983 to January 2001. Mr. LI served as a director at Chongqing Department Store Co., Ltd (重慶百貨大樓有限公司) (listed on Shanghai Stock Exchange, stock code: 600729) from March 2007 to August 2007. Mr. LI did not hold any directorship in any other listed companies in the last three years.

Mr. LI obtained a bachelor's degree in law from the Political Science Department of Southwest Normal College (now known as Southwest Normal University) in January 1982. Mr. LI was awarded the title of assistant professor, lecturer and associate professor in 1983, 1987 and 1994 respectively.

Emolument of Directors, Supervisors and the Five Highest Paid Individuals of the Bank

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see the note 12 to the financial statements.

CORPORATE GOVERNANCE REPORT

The Bank strives to improve the transparency and accountability of corporate governance and ensure high standards of corporate governance to safeguard shareholders' interests and enhance its enterprise value and commitment.

During the period from the Listing Date to December 31, 2013, the Bank strictly complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules, and adopted the recommended best practices as specified therein where appropriate. The Bank also strictly complied with the provisions of relevant laws and regulations and the Listing Rules governing management of insider information, amended the Articles of Association, optimized the composition of the Board and its special committees, elected additional external Supervisors, and conducted performance appraisals on the Board, senior management and their members. The Bank further upgraded its standards of information disclosure and standardized its work on management of investor relations to enhance the transparency and corporate governance standards of the Bank.

None of the Directors is aware of any information which would reasonably indicate that the Bank was not in compliance with the code provisions set out in the Code during the period from the Listing Date to December 31, 2013.

The Bank will continue to review and enhance its corporate governance in order to ensure compliance with the Code and meet the rising expectations of the Shareholders and investors.

General Meeting Information of General Meetings

During the year of 2013, the Bank held five general meetings, details of which are set out below:

At the 2013 first extraordinary general meeting of the Bank held on February 22, 2013, the proposals on, among others, initial public offering and the listing of shares and relevant authorizations, engagement of auditors and the related audit fees, were considered and approved.

At the 2012 annual general meeting of the Bank held on April 2, 2013, 12 proposals were considered and approved on the matters mainly including the 2012 work report of the Board, the 2012 work report of the Board of Supervisors, the 2012 final accounts, the 2012 profit distribution plan, the 2013 financial budget plan, the proposed Articles of Association (draft), the procedural rules of general meetings, the procedural rules of the Board, the procedural rules of the Board of Supervisors, and the Administrative Measures on Holding of Shares and Change of Shareholdings by Directors, Supervisors and Senior Management Personnel of the Bank.

At the 2013 second extraordinary general meeting of the Bank held on May 24, 2013, four proposals were considered and approved on the matters mainly including resignation of Mr. WU Jiahong as Director, election of Mr. XIANG Li as Director, election of Mr. CHEN Zhengsheng as External Supervisor, and amendments to relevant provisions of the External Supervisor system of the Bank.

At the 2013 third extraordinary general meeting of the Bank held on July 12, 2013, the proposal on election of Mr. TO Koon Man Henry and Mr. LI He as independent non-executive Directors was considered and approved.

At the 2013 fourth extraordinary general meeting of the Bank held on September 11, 2013, the proposals on amendments to the draft Articles of Association (H shares) and the procedural rules of general meetings were considered and approved.

The above general meetings were convened in compliance with relevant legal procedures pursuant to the relevant laws and regulations.

Corporate Governance Report

The Board and Special Committees

Implementation of Resolutions of General Meetings by the Board

In 2013, the Board strictly implemented the resolutions passed at general meetings, and earnestly implemented the proposals considered and approved at general meetings regarding the 2012 profit distribution plan, the 2013 financial budget, the engagement of auditors for the year of 2013, the proposed amendments to the Articles of Association, the proposed amendments to the procedural rules of general meetings, the proposed amendments to the procedural rules of the Board, and the proposed amendments to the procedural rules of the Board of Supervisors.

Composition of the Board

As at the end of the reporting period, the Board of the Bank comprised a total of 15 Directors, including four executive Directors, namely, Mr. GAN Weimin (Chairman), Mr. RAN Hailing (President), Ms. NI Yuemin (Vice President) and Mr. ZHAN Wanghua (Chief Risk Officer); six non-executive Directors, namely, Mr. YIN Mingshan (whose term of office as a Director expired on 7 March 2014), Mr. DENG Yong, Ms. LV Wei, Mr. XIANG Li, Mr. WONG Hon Hing (Vice Chairman) and Mr. QIN Wei; and five independent non-executive Directors, namely, Dr. SUN Fangcheng, Dr. ZHANG Weiguo, Mr. LI He, Mr. TO Koon Man Henry and Mr. HAN Deyun.

The list of Directors (by category of Directors) was disclosed in all corporate communications issued by the Bank in accordance with the Listing Rules.

The Board is responsible for developing the management system and monitoring the decisions on business and financial strategies, results and other matters of the Bank, and reports to the general meeting. The Board has delegated to the management the powers and duties for management of the Bank. In addition, the Board has also defined respective terms of reference of the audit committee, the nomination committee and the remuneration and appraisal committee. Details of such committees are set out in this report.

The Board is also responsible for performing corporate governance functions. During the period from the Listing Date to December 31, 2013, the Board performed the corporate governance functions as set out in code provision D.3.1 of the Code.

Changes in Directors

Please refer to “Directors, Supervisors and Senior Management – Changes in Directors, Supervisors and Senior Management” of this annual report for details of changes in Directors of the Bank.

Operation of the Board

The Board convenes meetings on a regular basis, including regular meetings at least four times a year and other meetings when necessary. Board meetings may be convened by way of on-site meetings or written resolutions. Agenda for a regular meeting of the Board is prepared after consulting Directors, and the Board paper and relevant materials for such meeting are usually circulated to all Directors and Supervisors 14 days prior to the date of such meeting. All Directors maintain communication with the secretary to the Board to ensure compliance with the procedures of Board meetings and all applicable rules and regulations. Detailed minutes of Board meetings are maintained and are available for all attending Directors for their review, comments and signature after the conclusion of such meeting. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The President reports regularly to and is overseen by the Board.

Relevant members of senior management are invited to participate in Board meetings from time to time to provide explanations and answers to inquiries. Directors can express their opinions freely at Board meetings, and major discussions are made after detailed discussions. A director shall abstain from discussion and voting at a board meeting on any proposal in which he is materially interested, and shall not be counted in the quorum for such proposal.

The Board has set up an office as its working body, which is responsible for preparation of general meetings, Board meetings and meetings of the special committees under the Board, information disclosure and other routine matters.

Duties and Powers of the Board

Duties and powers of the Board mainly include, but are not limited to, the following:

- (1) to convene general meetings and report its performance to general meetings;
- (2) to implement the resolutions adopted at general meetings;
- (3) to decide on business plans, investment proposals and development strategy of the Bank;
- (4) to formulate the annual financial budget and final accounts of the Bank;
- (5) to formulate profit distribution plan and loss recovery plan of the Bank;
- (6) to formulate proposals regarding increase or reduction of the Bank's registered capital, issue of bonds or other securities and listing plans;
- (7) to formulate proposals on major acquisitions, share repurchases, mergers, separation, dissolution or change in corporate form of the Bank;
- (8) to decide on external investments, acquisition and disposal of assets, pledges of assets, trust asset management and major connected transactions of the Bank within the authorities authorized by the general meeting;
- (9) to consider and approve any guarantee to be provided by the Bank when the total amount of external financing guarantees of the Bank has exceeded 10% but not more than 30% of the latest audited total assets of the Bank;
- (10) to decide on establishment, dissolution and merger of the Bank's internal management departments and branches;
- (11) to appoint or remove the president and the secretary to the Board; to appoint or remove vice presidents, the chief financial officer, the chief executive officer and other senior management personnel based on the recommendations of the president, and to decide on matters relating to their emoluments and on the imposition of any disciplinary measures;
- (12) to oversee the senior management's performance of their duties to ensure that senior management has effectively performed its management duties;
- (13) to establish the Bank's basic management system, and conduct regular evaluations to improve corporate governance of the Bank;
- (14) to determine the Bank's policies on risk management and internal control;
- (15) to formulate proposals for any amendments to the Articles of Association;
- (16) to manage information disclosure matters and assume ultimate responsibility for completeness and accuracy of the accounting and financial reporting system of the Bank;
- (17) to propose appointment or change of auditors of the Bank at general meetings;
- (18) to receive the work report of the president and assess his performance;
- (19) to review the Bank's development strategy on a regular basis and supervise its implementation, to manage the Bank's capital base, and assume ultimate responsibility for the capital adequacy ratio management; and

Corporate Governance Report

- (20) to exercise other duties and powers prescribed by the laws, administrative regulations, department rules or the Articles of Association or conferred by the general meetings.

Unless otherwise required by the laws, regulations, regulatory authorities and the Articles of Association, the resolutions of the above matters of the Board shall be approved by more than half of all Directors, but for the cases of paragraphs (5), (6), (7), (11) and (16) above, the resolutions shall be approved by more than two-thirds of all Directors.

Appointment of Directors

The Directors (including non-executive Directors) are appointed for a term of three years, and are eligible for re-election upon expiry of their term of office. Independent non-executive Directors are appointed for a term of three years, and are eligible for re-appointment as non-executive Directors upon expiry of their term of office, provided that the total length of service shall not exceed six years.

Board Meetings

Pursuant to the Code, regular meetings of the Board shall be convened at least four times a year and approximately once for every quarter. Such regular meetings do not include obtaining board consent through circulating written resolutions.

During the year of 2013, the Board convened 15 meetings in total (including written resolutions), at which 67 proposals were considered and approved on the matters mainly including amendments to relevant corporate governance documents, financial reports, profit distribution and nomination of director candidates. Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2013 (Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present) are set out below:

Members of the Board	The Board	Attendances in person/by proxy/required (times)							
		Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategic Committee	Risk Management Committee	Connected Transactions Control Committee	Information Technology Guidance Committee	General Meeting
Executive Directors									
GAN Weimin	15/0/15				8/0/8	6/0/6		1/0/1	5/0/5
NI Yuemin	14/1/15				7/0/7			3/0/4	3/0/5
RAN Hailing	14/0/14				7/0/7	6/0/6		4/0/5	3/0/5
ZHAN Wanghua	13/1/14					6/0/6		4/0/4	3/0/5
Non-executive Directors									
WONG Hon Hing	15/0/15				8/0/8			5/0/5	4/0/5
YIN Mingshan	11/4/15		0/0/1	6/0/6	7/0/7				0/0/5
XIANG Li	3/3/6				2/0/2				0/0/5
QIN Wei	14/1/15				7/0/7				4/0/5
DENG Yong	13/1/14	8/2/10							1/0/5
LV Wei	15/0/15	10/0/10	1/0/1	6/0/6					2/0/5
Independent non-executive Directors									
ZHANG Weiguo	12/3/15		1/0/1	5/0/6				6/0/6	3/0/5
SUN Fangcheng	14/1/15	11/1/12	1/0/1	6/0/6				6/0/6	0/0/5
HAN Deyun	10/5/15		0/0/1	6/0/6				6/0/6	0/0/5
LI He	4/0/4	3/0/3				3/0/3	1/0/1		0/0/1
TO Koon Man Henry	4/0/4	4/0/4				3/0/3	1/0/1		0/0/1

- Notes:
1. For details of changes in Directors, please refer to the paragraph above headed "Changes in Directors".
 2. Attendances in person include participation by way of on-site attendance as well as electronic means such as telephone and online video conference.
 3. Upon the Listing Date, the Bank established the remuneration and appraisal committee and the nomination committee to replace the former remuneration and nomination committee.

Independent Non-executive Directors

During the period from the Listing Date to December 31, 2013, the composition of the Board at all times met the requirements under the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive Directors do not have any business or financial interests, nor hold any management positions, in the Bank. All the current independent non-executive Directors are elected and appointed for a term of three years, and are eligible for re-appointment as non-executive Directors upon expiry of their term of office, provided that the total length of service shall not exceed six years.

The Bank has received the annual confirmation from each independent non-executive Director confirming his/her independence as required by the Listing Rules. The Bank considers that all independent non-executive Directors are independent.

Director's Responsibilities for the Preparation of Financial Statements

The Directors have acknowledged their responsibility for preparing the financial statements of the Bank for the year ended December 31, 2013.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operation results and cash flows of the Bank. In preparing the financial statements for the year ended December 31, 2013, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

Continuous Professional Development Program for Directors

Each newly appointed Director should receive a comprehensive, formal and tailored induction upon his/her first appointment, to ensure that he/she has a proper understanding of the operations and business of the Bank and that he/she is fully aware of his/her duties and responsibilities under the Listing Rules, applicable laws and regulatory rules.

Training for the Directors shall be carried out on an ongoing basis. The Bank encourages all Directors to participate in continuous professional development, to develop and update their knowledge and skills. During the reporting period, all 15 Directors of the Bank (including executive Directors Mr. GAN Weimin, Ms. NI Yuemin, Mr. RAN Hailing and Mr. ZHAN Wanghua; non-executive Directors Mr. WONG Hon Hing, Mr. YIN Mingshan, Mr. XIANG Li, Mr. QIN Wei, Mr. DENG Yong and Ms. LV Wei; and independent non-executive Directors Dr. ZHANG Weiguo, Dr. SUN Fangcheng, Mr. HAN Deyun, Mr. LI He and Mr. TO Koon Man Henry) participated in training sessions provided by legal advisers engaged by the Bank on continuing obligations of the issuer and its Directors in Hong Kong, connected transactions under the Listing Rules, the newly revised Code, and the disclosure requirements of inside information effective from January 1, 2013. The Bank also provides the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will make their contribution to the Board with informed and relevant information, abide by the Code and enhance their awareness of sound corporate governance practices.

Corporate Governance Report

In addition, certain Directors attended the seminars and training courses provided by professional institutions. For the year ended December 31, 2013, the trainings attended by the Directors covered the following topics:

1. Duties and responsibilities of Directors;
2. Corporate governance;
3. The Listing Rules, compliance laws and regulations;
4. Exchange, training and experience sharing on capital management; and
5. Implementation of internal control matters.

Directors	Topics of Trainings Attended
Executive Director	
GAN Weimin	1. 3. 4
RAN Hailing	1. 3. 4
NI Yuemin	1. 3. 4
ZHAN Wanghua	1. 3. 4. 5
Non-executive Directors	
WONG Hon Hing	1. 2. 3. 4. 5
YIN Mingshan	1. 3
XIANG Li	1. 3
QIN Wei	1. 3. 4
DENG Yong	1. 3. 4
LV Wei	1. 3
Independent non-executive Directors	
SUN Fangcheng	1. 3
ZHANG Weiguo	1. 3
HAN Deyun	1. 3
LI He	1. 3
TO Koon Man Henry	1. 2. 3. 4

Corporate Governance Functions of the Board

The Board is responsible for ensuring the Bank to establish sound corporate governance practices and procedures. During the reporting period, the Board has:

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
2. reviewed and monitored the training and continuous professional development of Directors and senior management members;
3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws and regulatory requirements;
4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and
5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.

Special Committees under the Board

Prior to its listing on the Hong Kong Stock Exchange, the Bank maintained the following Board committees: audit committee, remuneration and nomination committee, strategic committee, information technology guidance committee, connected transactions control committee and risk management committee. Upon its listing on the Hong Kong Stock Exchange on November 6, 2013, the Bank established the remuneration and appraisal committee and the nomination committee to replace the former remuneration and nomination committee. The Board committees have operated in accordance with their respective terms of reference defined by the Board.

(I) Audit Committee

As at December 31, 2013, the Bank's audit committee consisted of five Directors, including Dr. SUN Fangcheng (independent non-executive Director) as chairman, and Mr. DENG Yong (non-executive Director), Ms. LV Wei (non-executive Director), Mr. LI He (independent non-executive Director) and Mr. TO Koon Man Henry (independent non-executive Director) as members. The composition of the audit committee complies with Rules 3.10(2) and 3.21 of the Listing Rules and paragraph C3 of the Code.

The primary duties of the audit committee include:

1. to conduct audit analysis and monitoring assessment on significant matters of the Bank including implementation of strategic planning, corporate governance, risk management, internal control, business development and information technology and the overall risks that may arise;
2. to provide guidance to special audits on risk management, connected transactions management, compliance management, financial management, treasury management, remuneration management, information technology management and other aspects;
3. with respect to external auditors:
 - (1) to make recommendations to the Board on appointment and removal of the external auditors (including any questions on resignation or dismissal of such auditors), and give opinions on the qualification, expenses and terms of engagement for such auditors;
 - (2) to review and monitor whether the external auditors are independent and objective and the audit procedures are effective in accordance with appropriate criteria, and discuss with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;
 - (3) to develop and implement policies on the engagement of an external auditor to provide non-audit services;
 - (4) to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and the management's response; and
 - (5) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

Corporate Governance Report

4. to monitor accounting policies, financial position and financial reporting procedures, examine financial information and its disclosure including the integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Bank, and to review significant financial reporting judgments contained therein. In this regard, in reviewing the relevant statements and reports before submission to the Board, the committee shall focus particularly on:
 - (1) any changes in the accounting policies and practices;
 - (2) areas involving major judgment calls;
 - (3) significant adjustments resulting from audit;
 - (4) the going concern assumptions and any qualifications;
 - (5) compliance with accounting standards; and
 - (6) compliance with the Listing Rules and other legal or regulatory requirements in relation to financial reporting;

With regard to the aforesaid duties, the audit committee must liaise with the Board and senior management, and must meet, at least twice a year, with the external auditors. The audit committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting functions, compliance officer or auditors;
5. to be in charge of the Bank's annual audits, and supervise the senior management to remedy the problems identified in audit and implement the auditing recommendations;
6. to act as the key representative body for overseeing the Bank's relation with the external auditor; and to serve as a bridge between the internal audit department and external auditors, and ensure coordination between the internal and external auditors; to decide on establishment of internal audit department, staffing, appointment and dismissal of the person in charge, audit project budget and remuneration of internal auditors, and ensure that the internal audit department is adequately resourced in the Bank;
7. to approve the internal audit regulations such as internal audit rules, mid- to long-term audit plans and annual work plans, and monitor their implementation;
8. to regularly examine the Bank's internal audit work and assess working procedures and results of the internal audit department, and reports to the Board;
9. with respect to internal control matters:
 - (1) to review and monitor financial control, internal control and risk management systems of the Bank, review relevant rules and regulations and their implementation, and examine and evaluate the compliance and effective of major business activities of the Bank;
 - (2) to discuss with the management on the internal control system, and conduct continuous inspection and supervision to ensure that the management has discharged its duty to maintain an effective internal control system, including the adequacy of resources, qualifications and experience of staff of the Bank's accounting and financial reporting function, and their training programs and budget;

Corporate Governance Report

- (3) to ensure that appropriate arrangements are made to enable employees to raise concerns in strict confidence on potential misconduct in respect of financial reporting, internal control or other aspects, and enable the Bank to conduct a fair and independent investigation and take proper measures;
 - (4) to consider any findings of major investigations of internal control matters and the management's response on its own initiative or as delegated by the Board;
- 10. to keep abreast of internal audit trends, research and analysis, guide and promote the internal audit department to update and improve audit techniques, methods and tools; and
 - 11. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's securities are listed and as delegated by the Board.

During the reporting period, the audit committee held a total of 12 meetings, at which 25 matters were considered including amendments to the terms of reference of the audit committee, the 2012 financial statements and notes thereto, the 2012 internal audit evaluation report, the 2012 final accounts, the 2012 profit distribution plan, the 2013 financial budget, and the proposed appointment of auditors for the year of 2013. Meanwhile, the audit committee held two meetings with the auditors in accordance with the code provisions of the Code.

(II) Remuneration and Appraisal Committee

As at December 31, 2013, the Bank's remuneration and appraisal committee consisted of five Directors, including Dr. ZHANG Weiguo (independent non-executive Director) as chairman, and Mr. YIN Mingshan (non-executive Director), Ms. LV Wei (non-executive Director), Dr. SUN Fangcheng (independent non-executive Director) and Mr. HAN Deyun (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the remuneration and appraisal committee include:

- 1. to propose the remuneration management measures or plans for Directors and senior management to the Board according to their scope of duties, importance, complexity of work, scarcity on market and the remuneration level for comparable positions in the same industry in accordance with relevant policies and regulations, which should mainly include, but are not limited to: the basis, basic criteria, appraisal procedures and key indicators for basic salary and performance-based salary, specific steps of implementation and incentives;
- 2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives established by the Board;
- 3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management members;
- 4. to make recommendations to the Board on the remuneration of non-executive Directors;

Corporate Governance Report

5. to consider salaries paid by comparable companies, time commitment and responsibilities, and propose the employment conditions elsewhere in the Bank to be determined by the Board;
6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
7. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
8. to review duty performance of the Directors and senior management and make annual performance assessment on them;
9. to make recommendations to the Board on the Bank's policies and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration, and to supervise the execution of and amendments to the Bank's remuneration system;
10. to ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration; and
11. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's shares are listed and as delegated by the Board.

During the reporting period, the remuneration and appraisal committee (including its predecessor, the remuneration and nomination committee, with respect to remuneration matters) held six meetings in total, at which seven proposals were considered on the matters including amendments to the terms of reference of the remuneration and appraisal committee and remuneration of executives of the headquarter.

(III) Nomination Committee

As at December 31, 2013, the Bank's nomination committee consisted of five Directors, including Dr. ZHANG Weiguo (independent non-executive Director) as chairman, and Mr. YIN Mingshan (non-executive Director), Ms. LV Wei (non-executive Director), Dr. SUN Fangcheng (independent non-executive Director) and Mr. HAN Deyun (independent non-executive Director) as members, with a majority of members being independent non-executive Directors.

The primary duties of the nomination committee include:

1. to review the structure, size and composition (including skills, knowledge and experience) of the Board and the management annually with reference to the Bank's business management, asset scale and share capital structure, and make recommendations regarding any proposed changes in the Board in line with the Bank's corporate strategy;
2. to consider and formulate criteria and procedures for selection of Directors and senior management members, and submit specific proposals to the Board;
3. to search for qualified candidates for Director and senior management posts;

Corporate Governance Report

4. to conduct first review of the candidates for Director and senior management posts and make recommendations to the Board on their appointments;
5. to assess the independence of independent non-executive Directors;
6. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the President; and
7. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's shares are listed and as delegated by the Board.

During the reporting period, the nomination committee (including its predecessor, the remuneration and nomination committee, with respect to nomination matters) held seven meetings in total, at which 14 proposals were considered on the matters including amendments to the terms of reference of the nomination committee and examination on qualifications of Directors.

The diversity policy of the Board is summarized as follows:

The Board believes that a board of Directors with a diverse composition will enable the Bank to, in a more efficient manner, improve the work quality of the Board, understand and meet customer needs and enhance decision-making ability of the Board. In selecting candidates, the Board and the nomination committee consider a large number of factors including but not limited to gender, age, cultural and educational background, race, professional experience, skills and knowledge and years of service, in order to achieve the diversity of members of the Board. The nomination committee reports annually on the composition of the Board from the perspective of diversity, and monitors the implementation of this policy.

As at the date hereof, the Board comprises 14 Directors, including two females and two persons who are ordinarily resident in Hong Kong. The Board is diverse in terms of gender, nationality, professional background and skills of its members.

(IV) Strategic Committee

As at December 31, 2013, the Bank's strategic committee consisted of seven Directors, including Mr. GAN Weimin (Chairman and executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Ms. NI Yuemin (executive Director and Chief Financial Officer), Mr. WONG Hon Hing (non-executive Director), Mr. YIN Mingshan (non-executive Director), Mr. XIANG Li (non-executive Director) and Mr. QIN Wei (non-executive Director) as members.

The primary duties of the strategic committee include:

1. to formulate business objectives and long-term development strategy of the Bank;
2. to oversee and inspect the implementation of annual business plans and investment schemes;
3. to adjust the Bank's long-term development strategy according to its actual conditions; and
4. to evaluate the feasibility of significant external investment and expansion of business units of the Bank.

During the reporting period, the strategic committee held eight meetings in total to report and consider 18 matters including the Bank's business outlet plan in 2013.

Corporate Governance Report

(V) Information Technology Guidance Committee

As at December 31, 2013, the Bank's information technology guidance committee consisted of five Directors, including Mr. WONG Hon Hing (non-executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Ms. NI Yuemin (executive Director and Chief Financial Officer), Mr. ZHAN Wanghua (executive Director and Chief Risk Officer) and Dr. ZHANG Weiguo (independent non-executive Director) as members. The primary duties of the information technology guidance committee include:

1. to examine and approve the Bank's information technology strategy, organization of information technology governance and major information technology projects and budgets, to ensure their consistency with the overall business strategy and major policies;
2. to regularly assess the overall performance of information technology work as well as the implementation progress of information technology strategic planning and major projects on an annual basis;
3. to guide and supervise the senior management and relevant management departments to carry out activities for identification, measurement, monitoring and control of information technology risk; and
4. to guide the work of the information technology management committee, and conduct a first review of its annual report on information technology risk before submitting to the Board.

During the reporting period, the information technology guidance committee held five meetings in total, at which 15 matters were considered including the 2012 information technology risk monitoring report, the 2012 evaluation report on implementation of the Twelfth Five-year IT Plan, and amendments to the terms of reference of the information technology guidance committee.

(VI) Connected Transactions Control Committee

As at December 31, 2013, the Bank's connected transactions control committee consisted of five Directors, including Mr. HAN Deyun (non-executive Director) as chairman, and Dr. ZHANG Weiguo (independent non-executive Director), Dr. SUN Fangcheng (independent non-executive Director), Mr. LI He (independent non-executive Director) and Mr. TO Koon Man Henry (independent non-executive Director) as members, with all members being independent non-executive Directors.

The primary duties of the connected transactions control committee include:

1. to confirm connected persons of the Bank in accordance with relevant laws, rules and regulations;
2. to inspect, monitor and review major connected transactions; and
3. to ensure that the Bank's connected transactions are within the scope permitted by laws, and take necessary steps to control or mitigate the risks associated with connected transactions.

During the reporting period, the connected transactions control committee held six meetings in total, at which eight proposals were considered on the matters including changes in the list of connected persons as well as credit facilities and loans granted to Chongqing Land Group, Chongqing Tourism Investment Group Co., Ltd., Chongqing International Trust Co., Ltd. and other companies involving connected transactions.

(VII) Risk Management Committee

As at December 31, 2013, the Bank's risk management committee consisted of five Directors, including Mr. LI He (independent non-executive Directors) as chairman, and Mr. GAN Weimin (Chairman and executive Director), Mr. RAN Hailing (executive Director and President), Mr. ZHAN Wanghua (executive Director and Chief Risk Officer) and Mr. TO Koon Man Henry (independent non-executive Directors) as members.

The primary duties of the risk management committee include:

1. to develop risk management strategies and the management policies on risk limits, and implement such strategies and policies as approved by the Board;
2. to supervise the senior management with respect to the controls over credit risk, market risk, liquidity risk, operational risk, compliance risk, reputation risk and other risks;
3. to carry out regular evaluations and provide corresponding risk control measures based on the report of the senior management on identification, monitoring and control of the Bank's risks, risk management status and risk tolerance; and
4. to assess working procedures and results of the Bank's risk management department, and provide suggestions on improving risk management and internal control of the Bank.

During the reporting period, the risk management committee held six meetings in total to report and consider 36 matters including the 2012 risk monitoring report and the risk management strategies for 2013 of the Bank.

Board of Supervisors

Composition of the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors comprised nine Supervisors, including two shareholder Supervisors, namely, Mr. SI Houchun and Mr. LIU Xingyu; three external Supervisor, namely, Mr. ZHOU Yongkang, Ms. WEN Yuping and Mr. CHEN Zhengsheng; and four employee Supervisors, namely, Ms. MA Qianzhen, Mr. HUANG Changsheng, Ms. WAN Jiayu and Mr. LIN Min.

Chairperson of the Board of Supervisors

Ms. MA Qianzhen serves as the chairperson of the Board of Supervisors and is responsible for organization and performance of duties of the Board of Supervisors.

Changes in Supervisors

Please refer to "Directors, Supervisors and Senior Management – Changes in Directors, Supervisors and Senior Management" of this annual report for details of changes in Supervisors of the Bank.

Meetings of the Board of Supervisors

In 2013, the Board of Supervisors held a total of 12 meetings, at which 33 proposals were considered and approved on matters including the appraisal report on performance of Directors, audit report on resigned senior management personnel, report of the Board of Supervisors, report on supervision and inspection, periodic report of the Bank, final account report and profit distribution plan.

Corporate Governance Report

Attendance records of the Supervisors at the meetings of the Board of Supervisors during the reporting period are set out below:

Members of the Board of Supervisors	Attendance in person/by proxy/required attendance (times)
MA Qianzhen	12/0/12
HUANG Changsheng	6/1/7
WAN Jiayu	10/2/12
LIN Min	6/1/7
SI Houchun	6/6/12
LIU Xingyu	7/5/12
ZHOU Yongkang	12/0/12
WEN Yuping	12/0/12
CHEN Zhengsheng	6/0/6

Senior Management

The senior management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The division of authority between the senior management and the Board is in strict accordance with the Articles of Association and other corporate governance documents of the Bank.

The President mainly exercises the following duties and powers in accordance with the Articles of Association:

- (1) to be in charge of the Bank's day-to-day operations and administration, organize the implementation of the Board's resolutions, and report his work to the Board;
- (2) to organize the implementation of the Bank's annual business plan and investment proposals;
- (3) to draft plans for the establishment of the Bank's internal management structure;
- (4) to draft the Bank's basic management system;
- (5) to formulate concrete regulatory systems for the Bank;
- (6) to nominate candidates and recommend removal to the Board for vice presidents, the chief financial officer, the chief executive officer and other senior management members;
- (7) to appoint or remove other executive officers within internal management departments and branches (other than those required to be appointed or removed by the Board);
- (8) to authorize senior management members and executive officers of the internal functional departments and branches to engage in ordinary operation and management;
- (9) to take urgent measures to assist the Bank in case of a run on the Bank or other major emergencies, and report to the relevant banking regulatory authorities, the Board, and the Board of Supervisors immediately; and
- (10) to exercise other duties and powers prescribed in the Articles of Association or delegated by the Board.

Delegation of Power by the Board

The Board and the management led by the President exercise their respective powers in accordance with their responsibilities as set out in the Articles of Association. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank. Major capital expenditure projects should be approved by the Board through the annual budget proposal and then be implemented. Any projects that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the President with the authorization by the Board. Such other matters delegated by the Board to the management include loans and guarantees, related party transactions, mortgage financing and guarantees, inter-bank financing business, acquisition of fixed assets, disposal of assets, disposal of non-performing assets and mortgage assets, write-off of assets, donations to external bodies, and establishment, merger and relocation of non-independent accounting sub-branches, provided that the amount of such transaction does not exceed a certain limit. For details, please refer to the section headed "Duties and Powers of the Board" in the Corporate Governance Report of this annual report.

Chairman and President

The roles and functions of the Chairman and the President of the Bank are carried out by different persons.

Mr. GAN Weimin as the Chairman and legal representative of the Board is responsible for overall strategic planning and presiding over the Board, to ensure that the Board works effectively and timely considers all significant matters. Mr. RAN Hailing as the President is responsible for business development and overall operation and management of the Bank. The President is appointed by and accountable to the Board, and shall perform his duties in accordance with the Articles of Association and authorization of the Board. The roles of the Chairman and the President are separated with a clear division of responsibilities. The management is responsible for day-to-day operation and management.

Securities Transactions by Directors and Supervisors

Since the Listing Date, the Bank has adopted the Administrative Measures on Holding of Shares and Change of Shareholdings by Directors, Supervisors and Senior Management Personnel of Bank of Chongqing Co., Ltd. ("Administrative Measures") regarding securities transactions by Directors and Supervisors on terms not less exact than the required standard in the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors confirmed that they have complied with the Administrative Measures during the period from the Listing Date to December 31, 2013.

External Auditors and 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 107 to 108.

The Bank has engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian (special general partnership) respectively as the international and domestic auditors of the Bank for 2013. The fees as agreed to be paid by the Bank to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian (special general partnership) for the audit of the financial statements for the year ended December 31, 2013 were RMB1,850,000. Other fees were RMB800,000 which mainly included the fees for review of financial statements for the first six months of 2014.

Internal Control

The Board is responsible for establishing a sound internal control system and its effective implementation. The Board of Supervisors supervises the establishment and implementation of internal control by the Board and senior management. The senior management is responsible for day-to-day operation of internal control across the Bank. Meanwhile, the Board has established the audit committee, the risk management committee and the connected transactions control committee to fulfill their respective responsibilities for internal control management and evaluate the effectiveness of internal control.

Corporate Governance Report

The Board attaches great importance to the construction of its internal control. Pursuant to the Basic Rules on Internal Control of Enterprises jointly promulgated by five ministries and commissions including the Ministry of Finance, the Internal Control Guidelines for Commercial Banks issued by CBRC as the fundamental basis and guideline for implementation of internal controls and codes for business and management activities of the Bank. These guidelines specify the structure of the Bank's internal control system, as well as objectives, policies and principles of internal control. They define the principles and requirements for five components of the internal control system namely internal control environment; risk identification and assessment; internal control measures; monitoring, evaluation and remedies; and information communication and feedback. They also provide general arrangements for controls with focuses on credit, capital, deposits and bank card business as well as accounting management, financial activities and information system.

The Board, the Board of Supervisors and senior management will continue to pay attention to and put emphasis on the effectiveness of internal control, actively carry forward remedies to optimize its framework, processes and IT system, and promote its functional departments and branches to strengthen risk prevention and control in order to improve business efficiency and results.

During the year ended 31 December 2013, the Board conducted an annual review of the effectiveness of the Bank's internal control system. The review covered all material controls of the Group, including financial, operational and compliance controls and risk management functions. The Board also believes that the resources, qualifications and experience of staff of the Bank's accounting and financial reporting function as well as their training programs and financial budgets are adequate and appropriate. There was no significant area of concern during the year.

Company Secretary

Ms. HO Wing Tsz Wendy of Tricor Services Limited, an external service provider, has been engaged as a joint company secretary of the Bank, and Mr. ZHOU Wenfeng, another joint company secretary, is the chief contact person for the external company secretary. Each of them has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended December 31, 2013.

Information Disclosure

Effective Communication with Shareholders

The Bank places great emphasis on communication with the Shareholders, and strives to improve mutual understanding and communication with the Shareholders through various channels including general meeting, results presentation, roadshows, visit reception and telephone enquiries.

Amendments to the Articles of Association

On June 6, 2013, the Bank received the approval from CBRC Chongqing Bureau (Yu Yin Jian Fu [2013] No. 68) in respect of the Articles of Association, which came into effect from the Listing Date.

On November 22, 2013, in view of the listing of H Shares and the actual business development, the Board proposed to make certain amendments to the Articles of Association to mainly reflect the change in the Bank's business scope and specify certain procedures of share transfer and participation of shareholders at general meetings. The said amendments were approved by the 2014 first extraordinary general meeting of the Bank on January 17, 2014, and were submitted to CBRC Chongqing Bureau for approval. Once approved, the amended Articles of Association will be published on the websites of the Hong Kong Stock Exchange and the Bank.

Shareholders' Rights

Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects shareholders' rights in strict compliance with regulatory regulations and its corporate governance system. An extraordinary general meeting shall be convened by the Board within two months upon request in writing by shareholders holding 10% or more of the Bank's outstanding shares with voting rights to convene an extraordinary general meeting. In addition, shareholders individually or collectively holding 10% or more shares of the Bank shall have the right to request in writing the Board to convene an extraordinary general meeting or a class meeting. In the event that the Board does not agree to convene such extraordinary general meeting or fails to furnish any reply within 30 days upon receipt of such request, the shareholders making such request may convene an general meeting on their own within four months upon receipt of such request by the Board. The procedure for convening such meeting shall be consistent with that for convening general meetings by the Board to the greatest extent possible. (Shareholders may refer to the Articles of Association published on the websites of Hong Kong Stock Exchange and the Bank for details.)

Proposals at General Meetings

The Board and the Board of Supervisors as well as shareholders individually or collectively holding 3% or more shares of the Bank shall have the right to put forward proposals at a general meeting of the Bank. (Shareholders may refer to the Articles of Association published on the websites of Hong Kong Stock Exchange and the Bank for details).

Shareholders may refer to the Methods and Procedures for Nominating Candidates for Directors as set out in Article 84 of the Articles of Association published on the website of the Bank for details of the procedures for nominating Directors.

Investor Relations

Shareholders and investors may send enquiries to the Board as follows:

Investor Relations and Securities Affairs, Bank of Chongqing Co., Ltd.

No. 153 Zourong Road, Yuzhong District, Chongqing, the PRC

Tel: +86 (23) 6379 2129

Fax: +86 (23) 6379 9024

E-mail: ir@bankofchongqing.com

Principal place of business in Hong Kong of Bank of Chongqing Co., Ltd.:

Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

This annual report is available on websites of the Bank (<http://www.cqcbank.com>) and Hong Kong Stock Exchange (www.hkexnews.hk).

Shareholders' Enquiries

Any enquiries related to your shareholding of H shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, 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, Wanchai, Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

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

Investor Relations and Securities Affairs, Bank of Chongqing Co., Ltd.

No. 153 Zourong Road, Yuzhong District, Chongqing, the PRC

Tel: +86 (23) 63792129

Fax: +86 (23) 63799024

Corporate Governance Report

Additional Information

The Bank currently holds a Financial License (institution number: B0206H250000001) issued by CBRC Chongqing Bureau, and a Corporate Legal Person Business License (registration number: 500000000008213) issued by the Administration for Industry and Commerce of Chongqing. The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present the Report of the Board of Directors together with the audited financial statements of the Bank for the year ended December 31, 2013.

Principal Activities

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

Earnings and Dividends

The Bank's revenue and earnings for the year ended December 31, 2013 and the financial position of the Bank as at the same date are set out in the "Financial Statements" section of this annual report.

Pursuant to the resolutions passed at the annual general meeting of 2012 on April 2, 2013, the Bank distributed a cash dividend of RMB0.07 per share (tax inclusive), RMB141.44 million in aggregate (tax inclusive) for the year 2012 to all the Shareholders whose names appeared on the register of members on April 2, 2013. Such dividend was denominated in Renminbi.

For the year ended December 31, 2013, the Board has proposed the payment of a cash dividend of RMB0.224 per share (tax inclusive), RMB605.97 million in aggregate (tax inclusive) to all Shareholders. The dividend distribution plan will be submitted to the annual general meeting of 2013 for consideration and approval. If such proposal is approved at 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 May 30, 2014. Such proposed dividend will be denominated in Renminbi. Dividends payable to holders of domestic shares shall be paid in Renminbi, whereas dividends payable to holders of H Shares shall be paid in Hong Kong Dollars. The exchange rate of Renminbi to Hong Kong Dollars to be adopted shall be the average middle rates of the five business days preceding and including the date of declaration of such dividends at the Bank's annual general meeting of 2013 (being May 16, 2014, inclusive) as announced by the People's Bank of China.

The register of members of the Bank will be closed from Sunday, May 25, 2014 to Friday, May 30, 2014 (both days inclusive), during such period no H Share transfer will be registered. In order to be entitled to the final dividend, holders of H Shares of the Bank who have not registered the related transfer documents are required to lodge the transfer documents, together with 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 Friday, May 23, 2014.

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

(All amounts expressed in millions of Renminbi except percentages, unless otherwise stated)	2012	2011	2010
Cash dividend (inclusive of tax)	141.44	101.03	101.03
As a percentage of profit for the year	7.35%	6.79%	9.17%

Annual General Meeting and Closure of Register of Members

The Bank's annual general meeting of 2013 will be held on Friday, May 16, 2014. In order to determine the holders of H 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, April 16, 2014 to Friday, May 16, 2014 (both days

inclusive). During such 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 of 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, April 15, 2014.

Report of the Board of Directors

Changes in the Reserves

Details of the changes in the reserves of the Bank for the year ended December 31, 2013 are set out in the “Statement of Changes in Equity” of this annual report.

Summary of Financial Information

The summary of the operating results and assets and liabilities of the Bank for the five years ended December 31, 2013 is set out in the “Financial Highlights” of this annual report.

Donations

The charitable and other donations made by the Bank for the year ended December 31, 2013 amounted to approximately RMB5.968 million.

Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended December 31, 2013 are set out in the Note “Property, Plant and Equipment” to the “Financial Statements” in this annual report.

Retirement Benefits

Details of the retirement benefits provided by the Bank to employees are set out in the Note “Retirement Benefit Obligations” to the “Financial Statements” in this annual report.

Substantial Shareholders

Details of the Bank’s substantial shareholders as at December 31, 2013 are set out in “Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons” and the relevant parts of the Notes to the “Financial Statements” respectively in this annual report.

Purchase, Sale and Redemption of the Listed Securities of the Bank

Since the Listing Date to the end of the reporting period, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

Pre-emptive Rights

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to shareholders of the Bank. The Articles of Association provide that the Bank may increase its capital by offering new shares to non-specific investors for subscription, placing or distributing new shares to its existing shareholders, or using any other ways permitted by laws and 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.

Use of Proceeds

The Bank applied the proceeds from the initial public offering in accordance with the usage as disclosed in the Prospectus – to strengthen our capital base so that we may continue to grow our business.

Share Capital

The details of the change in share capital of the Bank during the year are stated in the note headed “Share Capital” to the “Financial Statements” section of this annual report.

Directors, Supervisors and Senior Management

The details of the Directors, Supervisors and senior management are stated in the “Directors, Supervisors and Senior Management” in this annual report.

Report of the Board of Directors

Confirmation of Independence by the Independent Non-executive Directors

The Bank has received from each of its independent non-executive Directors the annual confirmation of his independence, and considered that all the existing independent non-executive Directors are independent pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules.

Directors', Chief Executives' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2013, the interests or short positions of the Directors, the chief executives and the Supervisors in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO 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 Companies in Appendix 10 to the Listing Rules were set out as follows:

Domestic Shares

Name	Nature of interest	Number of domestic shares held (share)	Percentage of total capital of the Bank (%)
Wan Jiayu	Beneficial owner	123,285	0.00%
Ran Haniling	Beneficial owner	45,374	0.00%
Huang Changsheng	Beneficial owner	123,451	0.00%
	Interest of spouse	60,647	0.00%
Lin Min	Beneficial owner	104,002	0.00%
Zhou Yongkang	Interest of spouse	28,019	0.00%

Note: As at December 31, 2013, Yin Mingshan, a former Director whose term of office expired on March 7, 2014, was deemed to be interested in 129,564,932 Domestic Shares and 139,000,000 H Shares, respectively, through his controlled corporations.

Report of the Board of Directors

Save as disclosed above, none of the Directors, the chief executives, or the Supervisors or their respective connected persons or associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at December 31, 2013.

Financial, Business and Family Relationships between Directors, Supervisors and Senior Management

There are no relationships between each of 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 year 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 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 Contracts and Service Contracts

Saved for the continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at December 31, 2013 and at any time during the reporting period, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Bank's business to which the Bank, or its associated companies is a party.

None of the Directors and Supervisors have entered into a service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

Management Contract

Save for the service contracts entered into with the management of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

Directors and Supervisors' Interests in Competing Businesses

None of the Directors and Supervisors has any interest in a business that competes to may compete, directly or indirectly, with the business of the Bank.

Corporate Governance

We are committed to maintaining high standards in corporate governance. Our approach to applying the principles and provisions of the corporate governance code are set out in the "Corporate Governance Report" under the "Corporate Governance" section in this annual report.

Connected Transactions

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the 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 Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Listing Rules.

Report of the Board of Directors

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB. Certain related party transactions set out in Note 39 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none constitute any discloseable connected transaction as defined under the Listing Rules.

Remuneration Policies for Directors, Supervisors and Senior Management

Under the guidance of the relevant policies of the PRC, the Bank endeavours to improve its remuneration management measures and performance evaluation system for Directors, Supervisors and senior management.

The remuneration system for the Directors, Supervisors and senior management adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The structure of the remuneration system consists of basic salary, annual performance bonus, mid-to-long term incentives, allowances and benefits. The Bank makes contribution to various statutory pension plans organized by governments at all levels for its Directors, Supervisors and senior management. As no related national policy is issued, the Bank has not implemented any mid-to-long term incentive scheme.

Public Float

Based on the public information available to the Bank and to the knowledge of the Directors, as at the Latest Practicable Date, Lifan International (Holdings) Limited held 139,000,000 H Shares of the Bank. Lifan International (Holdings) Limited is an associate of the Bank's former Director Mr. YIN Mingshan, and thus a connected person of the Bank. Mr. YIN Mingshan retired as a Director of the Bank on March 7, 2014. Therefore, assuming there are no other changes in circumstances, Mr. YIN Mingshan and Lifan International (Holdings)

Limited will cease to be connected persons of the Bank under the Listing Rules from March 7, 2015 and accordingly, the Bank will have sufficient public float to comply with the minimum public float requirement under the Listing Rules and the waiver granted by the Hong Kong Stock Exchange upon its Listing.

Tax Relief (H shareholders) Non-resident enterprise shareholders

According to the Enterprise Income Tax Law of the PRC and the related provision of implementation, both effective on January 1, 2008, and other related implemental rules, the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of H shareholders on May 30, 2014.

Non-resident individual shareholders

Pursuant to the Circular (Guo Shui Han No. [2011] 348) issued by the State Administration of Taxation of the PRC, the Bank shall withhold and pay the non-resident individual personal income tax for the non-resident H shareholders. Non-resident individual shareholders are entitled to enjoy relevant preferential tax treatment provided that the countries in which they reside in have entered into double taxation treaties with the PRC and there are relevant provisions of taxation arrangement between Mainland China and Hong Kong (Macau).

Where the countries in which non-resident individual H shareholders reside have entered into taxation treaties with the PRC and the tax rates stipulated therein are lower than 10%, the Bank will apply on behalf of these individual shareholders to seek entitlement of relevant treatment under the taxation treaties according to the requirements of Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-Residents (Trial) (Guo Shui Fa [2009] No. 124).

For Hong Kong residents, Macau residents and non-resident H shareholders who are residents of the countries or regions that have entered into taxation treaties with the PRC stipulating the tax rate at 10%, the Bank will shall withhold the personal income tax at the rate of 10%.

Report of the Board of Directors

For those non-residential H shareholders who are residents of the countries or regions that have entered into taxation treaties with the PRC stipulating tax rates of higher than 10% but lower than 20%, the Bank shall withhold the personal income tax at the applicable tax rates stipulated in the relevant taxation treaties.

For those non-residential H shareholders who are residents of the countries or regions that have entered into taxation treaties with the PRC stipulating the tax rate at 20%, who are residents of the countries or regions that have not entered into any taxation treaties, or otherwise, the Bank shall withhold the personal income tax at the rate of 20%.

Auditors

PricewaterhouseCoopers Zhong Tian LLP (special general partnership) and PricewaterhouseCoopers were appointed as the domestic and international auditors for 2013 respectively.

PricewaterhouseCoopers has audited the Bank's financial report for 2013 prepared according to the international financial reporting standards and issued an auditor report with no qualified opinions.

REPORT OF THE BOARD OF SUPERVISORS

In 2013, the Board of Supervisors diligently performed its duties, proactively conducted supervision on performance of duties, finances, internal control and risk management, and played its role in improving the corporate governance and promoting the sustainable and sound development of the Bank pursuant to laws and regulations and the Articles of Association of the Bank.

(I) Report on Major Tasks

Establishment of Regulations: During the reporting period, the Board of Supervisors formulated the Rules for the Board of Supervisors of Bank of Chongqing Co., Ltd. (H Shares), and amended the Bank of Chongqing Co., Ltd. External Supervisors System, Regulations on the Nomination Committee and the Board of Supervisors of the Bank of Chongqing Co., Ltd., as well as the articles in relation to the Board of Supervisors in the Articles of Association.

Board of Supervisors in Action: During the reporting period, 12 meetings were held by the Board of Supervisors, at which 33 resolutions were considered and approved, including the Appraisal Report on Performance of Directors, Resignation Audit Report on Members of Senior Management, Report of the Board of Supervisors, Report on Supervision and Inspection, Periodic Report of the Bank, Final Budget Report, as well as the Profit Distribution Plan. Seven special committee meetings were held, at which 15 resolutions were considered and approved, including the Work Plan for the Annual Centralized Inspection by Supervisors and Performance Appraisal, various Inspection Reports, Directors' Performance Appraisal Report, Resignation Audit Report on Members of Senior Management, Assessment of External Supervisors, as well as Qualifications of Candidates for Shareholder Supervisors. In addition, Supervisors were in-attendance at on-site meetings of the Board of Directors and its special committee, as well as shareholders' meetings.

Performance Appraisal on Directors and Members of Senior Management: An overall appraisal on performance of duties by Directors and members

of senior management in 2012 was conducted through routine supervision and centralized inspection, and individual appraisals of the Chairman of the Board, President and Chief Financial Officer were conducted separately. Performance appraisals of resigning Directors were conducted, with resignation reports issued separately.

Taking the Lead in Conducting Annual Inspections to Enhance the Effectiveness of Inspections: During the reporting period, the Board of Supervisors earnestly carried out the centralized inspection by Supervisors for 2012. The inspection revolved around financial aspects, internal control and risk management, as well as strategic development issues. Seminars were held to recognize achievements but also to exchange views and discuss prominent problems identified during daily inspections, revealing areas with room for improvement in operation risks, credit risks and off-balance-sheet businesses.

Proactively Carrying Out Special Supervision and Inspection Concerning Financial Position, Internal Control and Risk Management: During the reporting period, special supervision and inspection was conducted on the Bank's systems, procedures, and profit and loss concerning housing and vehicle transfer; on information exchange, supervision, appraisal and rectification within the internal control system; as well as on overall risk management. Through conducting interviews with various departments in the main branch, receiving briefings and reports, comprehensive analysis, discussion and research to reveal deficiencies, the Board of Supervisors further enhance the comprehensiveness and relevance of its supervision work.

Recommendations on Management: During the reporting period, based on supervision, inspection, investigation and research, the Board of Supervisors raised key operation management problems with the Board of Directors and members of senior management, made recommendations, and gave advice on their performance. Such recommendations and advice were seriously considered by the Board of Directors and members of senior management,

Report of the Board of Supervisors

and they diligently rectified any problems. The Board of Supervisors remained very involved in checking on the implementation of the rectification measures and expressed evaluative opinions on the rectification work. Such opinions helped strengthen the Bank's internal control and risk control measures and refine its management model.

Self-Reinforcement to Better Performance: This comprises two main ideas, the first being training for Supervisors. During the reporting period, training on marketisation of interest rates, capital management and corporate governance was organised for Supervisors. Secondly, investigation and research were conducted at the front-line, operational went on site visits to branches outside Chongqing to enhance their understanding regarding the operation, management, business development, internal control of these branches and to canvass opinions and recommendations. Through better training, research, Supervisors became more aware and performed better, resulting in continuous improvement in the quality of supervision by the Board of Supervisors.

(II) Independent Opinions on Relevant Matters

1. Performance of Duties by the Board of Directors and Senior Management

During the reporting period, the Board of Directors with earnestly, diligently and proactively implemented national financial policies and resolutions of shareholders' meetings in accordance with the provisions of the Articles of Association of the Bank and Due Diligence Guidelines for Board of Directors in Joint-stock Commercial Banks. They placed emphasis on corporate governance and internal control management while consciously accepting advice from the Board of Supervisors. They also had an accurate grasp of the macro trends in the nation and the Bank's vision for reform and development, making key decisions

and adjustments in a timely manner. This enabled them to make remarkable achievements, including the successful listing of the Bank, establishment of a comprehensive risk management system, reinforcement of capital management, and enhancement of strategic transformation. The decisions of the Board of Directors were made with sound reason, and complied with the procedures set out in of the Articles of Association of the Bank.

During the reporting period, the senior management conscientiously and comprehensively implemented the regulatory requirements imposed by relevant regulatory authorities and the resolutions of the Board of Directors and the Board of Supervisors. Under a complex and challenging economic and financial environment, the senior management proactively responded to market changes and seized opportunities to reinforce management, optimise organisational structure and accelerate transformation. This enhanced operation management standards and operation results continuously, laying a solid foundation for the healthy development of the Bank.

2. 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 laws, regulations and the Articles of Association of the Bank. The Directors and senior management were faithful, 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 or to have committed any act detrimental to the interests of the Bank.

3. 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.

Report of the Board of Supervisors

4. Use of Raised Funds

During the reporting period, the Bank issued RMB3.00 billion of bonds for small and micro enterprise loans. All of the raised funds were used as loans granted to small and micro enterprises, which is consistent with the use promised by the Bank.

During the reporting period, the Bank issued 684,608,901 shares. All of the raised funds were used for supplementing the Bank's capital, which is consistent with the use promised by the Bank.

5. Acquisition and Disposal of Assets

During the reporting period, the Board of Supervisors was not aware of any insider transactions or any acts detrimental to the interests of shareholders or leading to loss of assets in the course of acquiring or disposing assets.

6. Related Party Transactions

During the reporting period, the Board of Supervisors was not aware of any acts detrimental to the interests of the Bank in related party transactions.

7. Internal Control

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

8. Social Responsibility

During the reporting period, the Bank earnestly undertook social responsibilities. The Board of Supervisors had no objection to the 2013 Social Responsibility Report of the Bank.

SOCIAL RESPONSIBILITY REPORT

1. Providing financial services to benefit the general public and making contributions to boost the real economies

- The Bank supported the transformation of the local economy and industrial restructuring by providing total credit facilities of over RMB100.00 billion last year.
- The Bank supported the development of the private sector and small and micro enterprises, with a balance of loans to small and micro enterprises reaching RMB30.08 billion as at December 31, 2013, representing an increase of 37.2%.
- The Bank supported the development of the community and drove personal consumption by organising 533 marketing activities during the year. As at December 31, 2013, the balance of personal consumption loans amounted to RMB19,125 million (including credit card overdraft), representing an increase of 331.4%.

2. Developing green finance and advocating a low-carbon environment through environmental protection

- The Bank issued green loans to promote low-carbon development and tightened loans to industries with high pollution, high energy consumption and excess capacity, strengthening support for industries including renewable energy, energy conservation, emission reduction and environmental protection that are subsidised by the State and local governments.

- The Bank explored green channels to optimise means of services such as electronic banking, mobile banking and telephone banking, providing customers with convenience while reducing consumption of ink and paper. As at December 31, 2013, the number of corporate online banking customers reached 6,943, a year-on-year increase of 24.25%; during the year, the total transaction amount reached RMB177.79 billion, a year-on-year increase of 76.60%, and the number of transactions reached 1,546.4 thousand, a year-on-year increase of 107.69%. In terms of personal online banking, the number of customers reached 133.9 thousand, a year-on-year increase of 83.2%, with an annual transaction amount of RMB26,626 million, a year-on-year increase of 259.3%. The mobile banking service recorded a transaction amount of RMB3,151 million, with 64.9 thousand customers. The number of transactions of telephone banking reached 6.2 million.
- The Bank advocated environmental-friendly operations and employees' involvement in energy conservation and emission reduction by encouraging a paperless and green office, tightening up vehicle regulation and conducting video conferences so as to reduce expenditure on consumables and energy in the workplace.

3. Undertaking financial services in harmony with society and ardently participating in charitable events

- The Bank provided its customers with sincere services, made every effort to bring returns to its shareholders, continuously launched innovative financial products, perfected its service strategies and improved its standards so that services could be more civilised and standardised. In 2013, another 17 sub-branches carried out an on-site trial of the outlet transformation. Now, 53% of outlets in Chongqing and 100% non-local outlets have been transformed.
- The Bank protected the legitimate rights of employees to establish a harmonious labour relationship by being committed to people-oriented principle and caring for the physical and psychological health of employees. During the year, a total of RMB6.08 million was invested in training with 23,283 employees participating in various training sessions and 49,956 employees receiving training via e-learning.
- The Bank conscientiously assumed its social responsibility and enthusiastically contributed to the community by popularising financial knowledge and participating in charitable activities. Donations of RMB5.3 million were made during the year to help the poor resolve difficulties.

INTERNAL CONTROL

The Board is the decision-making authority which establishes and implements an adequate and effective internal control system, responsible for ensuring the monitoring and assessment of the senior management on the adequacy and effectiveness of internal control. The Board of Supervisors is responsible for supervising the Board and the senior management and optimising internal control, assuming the duties to supervise the implementation of internal control by the Board and its Directors and the senior management and its members. Senior management is accountable for formulating internal control policies, monitoring and assessing the adequacy and effectiveness of the internal control system, implementing the decisions of the Board and establishing and improving the internal organisational structure to ensure the fulfillment of duties relating to internal control.

Upholding the basic principles of comprehensiveness, prudence, effectiveness and independence, the Bank has created an internal control system that covers all aspects of business process and operation procedures and all departments and positions pursuant to the Basic Rules on Enterprise Internal Control promulgated by five ministries and commissions including the Ministry of Finance and the Guidelines on Corporate Governance of Commercial Banks issued by China Banking Regulatory Commission. The Bank adheres to the five key elements including internal control environment, risk identification and assessment, internal control measures, information exchange and feedback, and monitoring feedback and rectification. The Bank is committed to establishing an internal control system based on its well-balanced and well-coordinated corporate governance structure and unique internal control culture which focuses on sound internal control mechanisms and rigorous control measures, incorporates self-examination of business units, examination and guidance of business lines and the audit, supervision and assessment systems as a means, and relies on computer information systems and smooth information exchange channels.

The Board will carry on with the establishment of the internal control system by improving and perfecting the system to sustain a long-term, consistent, stable operation and development.

Pursuant to the Basic Rules on Enterprise Internal Control, the Board has assessed the internal control system, covering all the major controls including financial control, operation control, compliance control and risk management function. The Board is of the opinion that the staff in charge of the Bank's accounting and financial reporting functions are equipped with sufficient resources, qualifications and experience, and their training and budget are also sufficient. After assessment, the Board considers that during the period from January 1, 2013 to December 31, 2013, it was not aware of any material defect in the Bank's design or implementation of its internal control or of any material errors in the disclosure of information in the annual report, indicating an effective internal control of the Bank.

Internal Audit

With the purposes of optimising operation and creating value, the internal audit of the Bank is carried out in a systematic and standardised manner to assess and assist to improve operating activities, internal control, risk management and corporate governance, so as to facilitate the attainment of organisational goals. The internal audit is conducted independently and is accountable to the audit committee of the Board and responsible for reporting to both the audit committee and the president. The Bank has established a vertical and independent internal audit system with an audit department established under the main branch of the Bank and a branch audit department established under each of its three subordinate branches, responsible for the management and implementation of work related to internal audit.

In 2013, by taking measures such as reforms on streamlining allocation of audit resources, establishing and operating the audit management system, establishing and improving the audit rectification system and quality control system, the internal audit department of the Bank enhanced its internal audit quality and performance capability and achieved a comprehensive inspection of three non-local branches and all the outlets in Chongqing. This audit covered key businesses and key aspects including credit, settlement, capital, bills and information technology, effectively facilitating the further improvement of internal control standards and the risk management capability of the Bank.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Bank of Chongqing Co.,Ltd

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

We have audited the financial statements of Bank of Chongqing Co.Ltd ("the Bank") set out on pages 109 to 114, which comprise the and bank statements of financial position as at 31 December 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation of 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 preparation of 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 financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the state of affairs of the Bank as at 31 December 2013, and of the Bank'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.

Other Matters

This report, including the opinion, has been prepared for and only for you, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th March 2014

STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	2013	2012
Interest income		10,467,150	8,308,816
Interest expense		(5,288,532)	(4,159,185)
Net interest income	5	5,178,618	4,149,631
Fee and commission income		694,318	406,006
Fee and commission expense		(49,737)	(37,960)
Net fee and commission income	6	644,581	368,046
Net trading (losses)/income	7	(89,789)	25,789
Net gains/(losses) on investment securities	19	76,162	87,999
Other operating income	8	64,928	25,831
Operating income		5,874,500	4,657,296
Operating expenses	9	(2,282,858)	(1,901,448)
Impairment losses on loans and advances to customers	11	(535,632)	(239,627)
Operating profit		3,056,010	2,516,221
Share of profits of an associate	20	1,435	1,162
Profit before income tax		3,057,445	2,517,383
Income tax expense	13	(728,179)	(592,578)
Net profit		2,329,266	1,924,805
Net profit for the year attributable to shareholders of the Bank		2,329,266	1,924,805
Earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)			
– basic and diluted	14	1.10	0.95

STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

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

	Note	2013	2012
Net profit for the year attributable to shareholders of the Bank		2,329,266	1,924,805
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Available-for-sale ("AFS") securities			
Changes in fair value recorded in equity		(127,416)	(25,848)
Less: Related income tax impact		31,854	6,462
Subtotal		(95,562)	(19,386)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Surplus on remeasurement of retirement benefits		304	1,064
Less: Related income tax impact		(76)	(266)
Subtotal		228	798
Total other comprehensive income, net of tax	37	(95,334)	(18,588)
Total comprehensive income for the year attributable to shareholders of the Bank		2,233,932	1,906,217
Dividends			
Dividends declared during the year	32	141,443	101,031

The accompanying notes form an integral part of these financial statements.

Gan Weimin
Chairman and Executive
Director

Ran Hailing
President and Executive
Director

Ni Yuemin
Vice President and Chief
Financial Officer

Li Yingjun
General Manger of
Financial Department

STATEMENTS OF FINANCIAL POSITION

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

	Note	Year End 31 December	
		2013	2012
ASSETS			
Cash and balances with central banks	15	32,822,748	25,243,334
Due from other banks and financial institutions	16	32,143,462	18,532,058
Financial assets at fair value through profit or loss	17	2,009,537	2,413,849
Loans and advances to customers	18	88,637,824	75,256,873
Investment securities	19		
– Loans and receivables		35,000,560	21,232,136
– Available-for-sale (“AFS”)		4,956,959	3,244,101
– Held-to-maturity (“HTM”)		7,473,242	7,656,075
Investment in an associate	20	24,370	22,935
Property, plant and equipment	21	2,068,972	1,470,527
Deferred income tax assets	26	305,651	176,701
Other assets	22	1,343,690	914,889
Total assets		206,787,015	156,163,478
LIABILITIES			
Due to other banks and financial institutions	23	33,749,572	27,659,141
Customer deposits	24	148,801,045	114,043,185
Other liabilities	25	5,804,219	4,234,301
Current tax liabilities		175,138	172,826
Deferred income tax liabilities	26	–	5,789
Debt issued	28	4,777,770	1,789,886
Total liabilities		193,307,744	147,905,128
EQUITY			
Capital and reserves attributable to the Bank’s shareholders			
Share capital	29	2,705,228	2,020,619
Capital surplus	30	2,444,623	800
Other reserves	31	2,653,606	1,683,263
Retained earnings		5,675,814	4,553,668
Total equity		13,479,271	8,258,350
Total liabilities and equity		206,787,015	156,163,478

The accompanying notes form an integral part of these financial statements.

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General Manager of
Financial Department

STATEMENTS OF CHANGES IN EQUITY

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

	Share capital (Note 29)	Capital surplus (Note 30)	Surplus reserve (Note 31)	Other reserves			Retained earnings	Total
				General reserve (Note 31)	Revaluation reserve for AFS securities (Note 31)	Surplus on remeasurement of retirement benefits (Note 31)		
Balance at								
1 January 2012	2,020,619	800	497,087	810,800	1,405	549	3,121,904	6,453,164
Net profit for the year	-	-	-	-	-	-	1,924,805	1,924,805
Changes taken to other comprehensive income	-	-	-	-	(19,386)	798	-	(18,588)
Total comprehensive income	-	-	-	-	(19,386)	798	1,924,805	1,906,217
Dividends (Note 32)	-	-	-	-	-	-	(101,031)	(101,031)
Transfer to other reserves	-	-	192,480	199,530	-	-	(392,010)	-
Balance at								
31 December 2012	2,020,619	800	689,567	1,010,330	(17,981)	1,347	4,553,668	8,258,350
Balance at								
1 January 2013	2,020,619	800	689,567	1,010,330	(17,981)	1,347	4,553,668	8,258,350
Net profit for the year	-	-	-	-	-	-	2,329,266	2,329,266
Changes taken to other comprehensive income	-	-	-	-	(95,562)	228	-	(95,334)
Total comprehensive income	-	-	-	-	(95,562)	228	2,329,266	2,233,932
Shares issued	684,609	2,443,823	-	-	-	-	-	3,128,432
Dividends (Note 32)	-	-	-	-	-	-	(141,443)	(141,443)
Transfer to other reserves	-	-	232,927	832,750	-	-	(1,065,677)	-
Balance at								
31 December 2013	2,705,228	2,444,623	922,494	1,843,080	(113,543)	1,575	5,675,814	13,479,271

The accompanying notes form an integral part of these financial statements.

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Financial Department

STATEMENTS OF CASH FLOWS

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

	2013	2012
Cash flows from operating activities		
Profit before income tax	3,057,445	2,517,383
Adjustments:		
Depreciation and amortisation	116,371	85,417
Impairment losses on loans	535,632	239,627
Impairment losses on other assets	86	1,427
Net gains on disposal of property, plant and equipment	(9,929)	(4,881)
Net gains on de-recognition of investment securities	(76,162)	(87,999)
Share of results of an associate	(1,435)	(1,162)
Interest income arising from investment securities	(2,668,905)	(1,438,691)
Interest expense arising from bonds issued	208,603	96,481
Net increase in operating assets:		
Net increase in restricted deposit balances with central banks	(5,030,031)	(4,283,892)
Net (increase)/decrease in due from and placements with and loans to banks and other financial institutions	(723,581)	4,564,197
Net increase in financial assets held under resale agreements	(7,541,671)	(1,630,567)
Net increase in loans and advances to customers	(13,911,237)	(12,669,408)
Net increase in other operating assets	(55,624)	(44,976)
Net increase in operating liabilities:		
Net increase in borrowings from central banks	961,361	805,170
Net increase in due to and placements from banks and other financial institutions	9,951,644	791,110
Net decrease in financial assets sold under repurchase agreements	(4,822,574)	(2,382,710)
Net increase in customer deposits	34,757,860	24,736,631
Net increase in other operating liabilities	4,022,685	3,700,299
Income tax paid	(828,752)	(637,352)
Net cash inflows from operating activities	17,941,786	14,356,104
Cash flows from investing activities:		
Dividends received	8,659	5,947
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	12,897	205
Purchase of property and equipment, intangible assets and other long-term assets	(745,527)	(412,490)
Proceeds from sale and redemption of investments	64,199,230	58,311,890
Purchase of investment securities	(79,197,040)	(74,167,865)
Net cash (outflows)/inflows from investing activities	(15,721,781)	(16,262,313)

STATEMENTS OF CASH FLOWS (CONTINUED)

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

	2013	2012
Cash flows from financing activities:		
Proceeds from issuance of shares	3,098,370	–
Proceeds from issuance of bonds	2,985,000	794,400
Interest paid in relation to issued bonds	(110,384)	(54,024)
Dividend paid to shareholders of the Bank	(147,244)	(98,659)
Net cash (outflows)/inflows from financing activities	5,825,742	641,717
Effect of exchange rate changes on cash and cash equivalents	(150,212)	(2,576)
Net (decrease)/increase in cash and cash equivalents	7,895,535	(1,267,068)
Cash and cash equivalents at beginning of the year	6,325,046	7,592,114
Cash and cash equivalents at end of the year (Note 38)	14,220,581	6,325,046

The accompanying notes form an integral part of these financial statements.

Gan Weimin
Chairman and Executive
Director

Ran Hailing
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General Manager of
Financial Department

NOTES TO THE FINANCIAL STATEMENTS

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

1 GENERAL

The Bank was formerly known as Chongqing Urban Cooperative Bank (重慶城市合作銀行), which was established on 27 September 1996 by consolidating 37 urban credit cooperatives and one urban credit union in Chongqing with the approval of Yinfu [1996] No.140 by the People's Bank of China ("PBOC"). On 30 March 1998, the Bank was renamed as "Commercial Bank of Chongqing Co., Ltd" (重慶市商業銀行股份有限公司) with the approval of Yuyinfu [1998] No.48 by the PBOC Chongqing Branch. On 1 August 2007, the Bank was further renamed as "Bank of Chongqing Co., Ltd." (重慶銀行股份有限公司) with the approval of Yinjianfu [2007] No.325 by the China Banking Regulatory Commission ("CBRC"). In 2013, the Bank listed on the Stock Exchange of Hong Kong Limited.

Headquartered in Chongqing, the Bank operates in Chongqing, Sichuan province, Guizhou province and Shaanxi province in the People's Republic of China (the "PRC").

As at 31 December 2013, the Bank operated the business through a business department, a small enterprise loan center and 114 branches and sub-branches covering all 38 districts and counties of Chongqing as well as three in Western China, namely Sichuan Province, Shaanxi Province and Guizhou Province.

The principal activities of the Bank are the provision of corporate and personal banking products and services, and the treasury operations in China.

These financial statements have been approved by the Board of Directors on 20 March 2014.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to relevant periods presented unless otherwise stated.

2.1 Basis of presentation

The Financial Information of the Bank has been prepared in accordance with the International Financial Reporting Standards ("IFRS") and disclosure requirements of the Hong Kong Companies Ordinance and the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

The Bank has adopted the following new or revised IFRSs effective for the current year. There is no early adoption of any new IFRSs not yet effective for the year ended 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

Amendments to IAS 1 “Presentation of Financial Statement: Other Comprehensive Income”

Amendments to IAS 19 “Employee Benefits”

Amendments to IAS 27 “Separate Financial Statements”

IAS 28 (revised) “Investments in Associates and Joint Ventures”

Amendments to IFRS 7 “Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities”

IFRS 10 “Consolidated Financial Statements”

IFRS 11 “Joint Arrangements”

IFRS 12 “Disclosure of Interests in Other Entities”

Amendments to IFRS 10, IFRS 11 and IFRS 12 “Transition Guidance”

IFRS 13 “Fair Value Measurement”

The main change resulting from the Amendments to IAS 1 is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The statement of comprehensive income of the Bank has been presented in accordance with the revised accounting standard.

Amendments to IAS 19 eliminates the option of recognition for “actuarial gains and losses” using the corridor method. Such gains and losses are now included in “remeasurements” and are recognised in other comprehensive income in the period in which they occur. Please refer to disclosures in note 27.

IFRS 12 introduces the disclosure requirements for all forms of interests in other entities, including associates and unconsolidated structured entities. Please refer to disclosures in note 33.

IFRS 13 defines and sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurement. Please refer to disclosures in note 3.4.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Bank as at the relevant periods are as follows:

	Effective for annual periods beginning on or after
IAS 32, Financial instruments: Presentation	January 1, 2014
Amendment to IFRS 10, IFRS 12 and IAS 27, Investment entities	January 1, 2014
IFRS 9, Financial instruments – classification of financial assets and financial liabilities	January 1, 2015

IAS 32 Amendment provides additional application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

The directors of the Bank anticipate that the application of the amendment to IAS 32 is not expected to have a material effect on the disclosures of the Bank's statement of financial position.

IFRS 10, IFRS 12 and IAS 27 Amendments apply to a particular class of business that qualifies as investment entities. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Bank anticipate that the application of the amendments is not expected to have a material effect on the disclosures of the Bank's statement of financial position.

IFRS 9 and IFRS 9 Amendments replaced those parts of IAS 39 relating to the classification, measurement and de-recognition of financial assets and financial liabilities with key changes mainly related to the classification and measurement of financial assets and certain types of financial liabilities. Together with the amendments to IFRS 9, IFRS 7 – Financial Instruments: Disclosures is also amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The Bank is in the process of assessing the impact of IFRS 9 on the financial statements.

The accounting policies set out below have been applied consistently by the Bank to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Associates

Associates are all entities over which the Bank has a significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of the accounting and are initially recognized at cost. The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Unrealized gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealized losses are also eliminated unless the transaction provides the evidence of an impairment of the assets transferred.

The Bank assesses at each financial reporting date whether there is objective evidence that investments in associates are impaired. Impairment losses are recognised for the amounts by which the investments in associates' carrying amounts exceed its recoverable amounts. The recoverable amounts are the higher of investments in associates' fair value less costs to sell and value in use.

2.3 Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (i) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (ii) those that the entity upon initial recognition designates as available-for-sale; or (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

c) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

The Bank shall not classify any financial assets as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than sales or reclassifications due to a significant deterioration in the issuer's credit worthiness.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Financial assets (Continued)

d) Available-for-sale financial assets

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, equity prices or management intention.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in profit or loss. Gains or losses arising from changes in the fair value of available for sale financial assets are recognised in other comprehensive income, until the financial asset is derecognized or impaired. At this time, the cumulative gains or losses previously recognised in equity is recognised in profit or loss. Interest earned whilst holding monetary financial assets, including available for sale financial assets, is reported as interest income using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank determines fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Impairment of financial assets

a) *Assets carried at amortised cost*

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower’s competitive position; and
- Deterioration in the value of collateral.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and receivables category, the amount of a loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Impairment of financial assets (Continued)

a) *Assets carried at amortised cost (Continued)*

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude) to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectible, it is written off against the related provision. Such financial asset is written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss in the impairment charge for credit losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Impairment of financial assets (Continued)

b) Assets classified as available-for-sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When estimating whether or not available-for-sale equity investment is impaired, the Bank considers if the fair value of the investment is seriously and non-temporarily declined. On the balance sheet date, the Bank estimates every available-for-sale investments in equity instruments individually, if the fair value of the equity investment instruments is lower than the initial investment cost over 50% (including 50%) or less than the initial investment cost over one year (including one year), it indicates the impairment of investments; if the fair value of the equity investment instruments is lower than the initial investment cost over 20% (including 20%) but have not yet reached 50%, the Bank will consider other factors such as price volatility determining whether or not the equity instrument investment is impaired. On the balance sheet date, the Bank estimates every available-for-sale investments in equity instruments individually, if the fair value of the equity investment instruments is lower than the initial investment cost over 50% (including 50%) or less than the initial investment cost over one year (including one year), it indicates the impairment of investments; if the fair value of the equity investment instruments is lower than the initial investment cost over 20% (including 20%) but have not yet reached 50%, the Bank will consider other factors such as price volatility determining whether or not the equity instrument investment is impaired. The Bank calculates the initial investment cost of the available-for-sale equity investments using the weighted average method.

When available-for-sale financial assets are impaired, the accumulated losses caused by the decline of the fair value will be recognised and transferred out as impairment losses other than shareholders' rights. For those incurred impairment loss of available-for-sale investment as debt instruments when after the period there is a rise of the fair value which objectively related to the original impairment loss, the impairment losses recognised before shall be reversed and included in the current profits and losses. For those incurred impairment loss of available-for-sale investment as equity instruments, the fair value rise recognised shall be recorded directly in shareholder's equity.

2.5 Financial liabilities

Financial liabilities are classified into two categories: financial liabilities at fair value through profit or loss and other financial liabilities. All financial liabilities are classified at inception and recognised initially at fair value.

All financial liabilities are recognised in the statement of financial position, when and only when, the Bank becomes a party to the contractual provisions of the instrument.

(a) Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains or losses from changes in fair value are recognised in profit or loss.

The Bank did not hold financial liabilities at fair value through profit or loss on book as at 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial liabilities (Continued)

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the other financial liabilities using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is, when the obligation is discharged, cancelled or expired.

2.6 Interest income and expense

Interest income and expense are recognised in profit or loss for interest-bearing instruments on an accruals basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized on the written down value using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7 Fee and commission income

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

2.8 Dividend income

Dividends are recognised when the right to receive payment is established.

2.9 Sale/purchase and repurchase/resale agreements

Securities sold subject to a linked repurchase agreements (“repos”) with banks and other financial institutions are retained in the financial statements as financial assets held for trading or investment securities, as the Bank still retains substantially all risk and rewards of the ownership of the underlying securities. The related liability is recorded as due to other banks and financial institutions.

Securities and bills purchased under agreements to re-sell (“Reverse repos”) are not recognised. The receivables are recorded as “Due from other banks and financial institutions”.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.9 Sale/purchase and repurchase/resale agreements (Continued)

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

2.10 Property, plant and equipment

The Bank’s fixed assets mainly comprise buildings, motor vehicles, electronic equipment, office equipment and construction in progress.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an asset’s carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are reviewed for impairment at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Gains or losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant sales taxes and expenses. These are included in the income statement.

Buildings comprise primarily branch office premises and office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, motor vehicles, electronic equipment, office equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate	Depreciation rate
Buildings	30 years	3.0%	3.2%
Motor vehicles	5 years	3.0%	19.4%
Electronic equipment	5 years	3.0%	19.4%
Office equipment	5 years	3.0%	19.4%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.10 Property, plant and equipment (Continued)

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in operating expenses in the statement of comprehensive income.

2.11 Repossessed assets

When the Bank's obligor use foreclosed asset to compensate the principal and interest of loan, foreclosed asset was initially recognised and measured at fair value and acquisition cost, then it was subsequently measured at lower of carrying amount or recoverable amount. Each balance sheet date, the Bank will assess if a foreclosed asset has been impaired individually. If recoverable amount of foreclosed asset is lower than carrying amount, the difference should be charged into current period income statement.

2.12 Land use rights

Land use rights are recognised initially at "cost", being the consideration paid for the rights to use and occupy the land. Land use rights are amortised using the straight-line method over their authorized useful lives.

Land use rights are not separately presented from building, when they are acquired together with the building at inception and the costs attributable to the land use rights cannot be reasonably measured and separated from that of the building.

2.13 Intangible assets

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each reporting period, and makes adjustments when necessary.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.14 Investment property

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing, and buildings that are being constructed or developed for the purpose of leasing in future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Bank adopts the cost model for subsequent measurement of investment properties. The estimated useful lives, depreciation rate and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives (years)	Estimated residual value rate	Depreciation rate
Buildings leased	30 years	3.0%	3.2%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

Investment properties are reviewed for impairment at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.15 Operating Leases

Leases in which a significant portion of the risk and rewards are retained by the lessor are classified as operating lease.

When the Bank is the lessee under an operating lease, rental expenses are charged to "Operating expenses" in the income statement on a straight-line basis over the period of the lease.

When the Bank is the lessor under operating leases, the assets subject to the operating lease are accounted for as the Bank's assets. Rental income is recognised as "Other operating income" in the income statement on a straight-line basis over the lease term net of any incentives given to lessees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.16 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including: cash, unrestricted balances with central banks, amounts due from banks and other financial institutions.

2.17 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.18 Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from impairment and depreciation of property and equipment, revaluation of certain financial assets and liabilities and provisions for employee benefits.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilized. Deferred income tax liabilities are the amounts of income tax payable in respect of taxable temporary differences, which are measured at the amount expected to be paid to the tax authorities in the future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.19 Share capital

Ordinary shares are classified as equity.

2.20 Employee benefits

Salaries and bonuses, housing benefits and costs for social security benefits are accrued in the financial period in which the services are rendered by employees of the Bank. The Bank also participates in various defined contribution retirement plans principally organized by municipal and provincial governments.

In addition, the Bank pays supplementary retirement benefits to employees, who retired before 30 June 2011. The Bank's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Bank is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Bank's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the other comprehensive income statement as they occur. Current service cost and net interest on the net defined benefit liability (asset) is recognized in profit and loss.

Employees who retire after 1 January 2010 can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan") according to state corporate annuity plan besides the pension plan of the social security. The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries. The Bank's contributions to annuity plans are charged to profit or loss in the financial period to which they relate.

2.21 Foreign currency translation

a) *Functional and presentation currency*

The Bank's presentation currency is Renminbi ("RMB"), the legal currency of the PRC. Items included in the financial information of each of the Bank are measured using the currency that best reflects the economic environment of the underlying events and circumstances relevant to that entity ("the functional currency"). The financial information are presented in RMB which is the functional and presentation currency of the Bank.

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement of comprehensive income. Foreign currency gains or losses in monetary assets classified as available for sale are recognized in profit or loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation can not be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial information. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognised as a provision.

2.23 Financial guarantee contracts

Financial guarantees are contracts that require the Bank as the guarantor (the “issuer”) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The fair value of the guarantee (being the guarantee fees received) is initially recognised as deferred income in “other liabilities”. The deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. Provisions are recognised in the statement of financial position if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Bank is expected to exceed the carrying amount of the deferred income.

2.24 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from the financial information where the Bank acts in a fiduciary capacity such as nominee, trustee, custodian or agent.

The Bank grants entrusted loans on behalf of third-party lenders. The Bank grants loans to borrowers, as agent, at the direction of the third-party lenders, who fund these loans. The Bank has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans including their purposes, amounts, interest rates, and repayment schedule. The Bank charges a commission related to its activities in connection with the entrusted loans which are recognised ratably over the period the service is provided. The risk of loss is born by the third-party lenders, thus the principle amounts of the entrust loans are recorded on the off-balance sheet.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the senior management team represented by the governor as its chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.25 Segment reporting *(Continued)*

An operating segment is a component of the Bank with all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) discrete financial information for the component is available to the Bank. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

Intra-segment revenue and costs are eliminated. Income and expenses directly associated with each segment are included in determining segment performance.

The classification of reporting segments are based on the operating segments, and the assets and expenses shared by all the segments are allocated according to their scales.

The Bank identifies the following four segments: Corporate, Retail, Treasury and Unallocated.

2.26 Offset financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

3 FINANCIAL RISK MANAGEMENT

Overview

The Bank's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing risks are core to the financial business, and operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Overview *(Continued)*

The Board of Directors is the highest authority for the Bank's overall risk management. It provides strategy and risk preference for overall risk management and decides the risk tolerance and monitor risk management and internal control system. It accesses overall risk based on monitoring information and risk management reported to the senior management. Risk Control Committee establishes related risk management policies and procedures under the strategy approved by the Board, including written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk. The senior management of the Bank is responsible for the overall risk management and internal control, as well as formulating and adapting risk management policies and procedures. In addition, internal audit is responsible for the independent review of risk management and the control environment. Senior management is responsible for overseeing the Bank's overall risk management, including the formulation and implementation of risk management policies and procedures, covering credit risk, interest rate risk, Liquidity risk and foreign exchange risk. The risk management committee is in charge of the Bank's overall risk management structure, policies and tools, and monitors the risk management. The assets and liabilities management department is primarily in charge of managing the Bank's liquidity risk and banking book interest rate risk.

The Bank is subject to a number of financial risks, primarily including credit risk, market risk (including currency risk, interest risk and other price risk), and liquidity risk.

3.1 Credit risk

The Bank is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Significant changes in the economy, or those in credit quality of a particular industry segment or concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from loans and advances, debt securities, and due from banks and other financial institutions. There is also credit risk in off-statement financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.1 Credit risk measurement

(a) Credit business

The Bank measures and manages the quality of its credit assets in accordance with the CBRC's Guidelines of Risk Classification of Loans and Guidelines of Risk Classification of Micro Enterprise Loan (Trial Implementation). The classification of loans is based on the borrowers' repayment ability, payment history, willing of repayment, guarantee of loans, legal responsibility and loan administration. The Guidelines of Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. The Bank monitors the overdue status of its loans and advances to retail customers in managing credit risk.

The core definitions of credit asset classifications in "Loan Risk Classifications Guiding Principles" are as follows:

Pass: The borrower can fulfill the contracts, and there is insufficient reason to suspect that the principal and interest of loans can not be repaid in full on time.

Special-mention: The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

Substandard: The borrower's repayment ability has been impaired and their normal income can not repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

Doubtful: The borrower can not repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

Loss: After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or no recovery.

Credit supervision department is responsible for the classification of loans. The classification of loans is performed monthly and adjusted timely. Credit supervision department summarizes the reclassification information monthly and reports to Risk disposal committee for approval. The classification of loans is monitored through credit management system.

(b) Treasury business

The Bank manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of banks and financial institutions. The head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties. For debt securities and other treasury business, the Bank manages the credit risk exposures by setting limits to the external credit ratings of its investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.2 Risk limit control and mitigation policies

(a) Credit business

The Bank takes the same credit risk management control procedure for on and off-balance risk exposures. The risk control procedure of the Bank's credit risk includes the following: credit policy stipulating, pre-credit investigation, credit rating for corporate and retail customers, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

The Bank has established a mechanism of risk warning for credit business, mainly including single customer authorization risk and systematic risk. According to policy of corporate credit management, the exposure to single borrower is determined by the borrower's repayment ability and credit collateral. After the limits being determined, the Bank monitors on a timely basis the actual risk exposures in relation to the corresponding risk limits.

The Bank takes action to strengthen controls over credit risk in relation to group customer and related party customer. The Bank places limits in relation to key group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls on related party transaction.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is common practice.

Except for few customers with excellent quality, the Bank requires the borrowers provide collateral for loans. The type of collateral mainly includes mortgage, pledge and guarantee. The Bank employs property appraisal companies with certificates to evaluate the collateral. The detailed collateral type and amount is determined by credit risk of counterparty or customers. Please refer to note 3.1.3.

(b) Treasury business

Treasury department centralizes control over treasury business with hierarchical authorization from department heads to president for different business types such as sale, distribution, trade and repurchase of debt securities.

The Bank invests debt securities with hierarchical authorization under the guidelines of asset and liability committee. The Bank sets stop-loss point accordingly for different maturity period and evaluates risk and loss of trading debt securities. The Bank places limits for interbank borrowing and lending. The Bank manages the credit risk exposures of interbank borrowing and lending strictly within the limit of regulation and credit authorization.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.2 Risk limit control and mitigation policies (Continued)

(b) Treasury business (Continued)

For debt securities and other bills, the Bank manages the credit risk exposures by setting limits to the external credit ratings of its investments, par value of single debt security purchase, buy and sell price. RMB debt securities investments require a rating of A or above for long-term securities investments for state owned debtor and a rating of A+ or above for long-term securities investments of non-state-owned debtor, and A- or above for short-term securities investment for all debtor.

Among foreign currency debt securities investment, government bonds mainly are sovereign bonds issued by Chinese government, USA government and European government (Germany, Britain, and France). A credit rating of BBB or above (by Standard & Poor's or equivalent agencies) at the time of purchase is required for foreign currency debt securities investments.

The debt traders regularly review and monitor the changes of market interest and report the market value of debt securities to Risk management committee and Assets and liability committee. If there is any violation of interest rate in the market or any significant credit risk encountered to debtors, the business department responsible for security investment will ask for holding extraordinary asset and liability management meeting to conclude an emergency plan. The debt trader will react according to the plan.

3.1.3 Collateral and guarantees

The Bank has a range of policies and practices intended to mitigate credit risk. The most prevalent of these is the taking of security for funds advances (collateral) and guarantees, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral. The amount of acceptable collateral at the time of loan origination is determined by the Department of Risk Management and is subject to loan-to-value ratio limits based on type and is monitored on an ongoing basis by the Department of Risk Management. The principal collateral types for corporate loans and advances are:

Collateral	Maximum loan-to-value ratio
Cash deposits, Bank note and Bank acceptance	90%
Warehouse receipt and Accounts receivable	70%
Construction in progress	50%
Publicly traded stocks	60%
Property	70%
Land use rights	70%
Automobiles	40%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.3 Collateral and guarantees *(Continued)*

Mortgage loans to retail customers are generally collateralised by mortgages over residential properties. Other loans are collateralised dependant on the nature of the loan.

For loans guaranteed by a third party guarantor, the Bank will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Under such agreements, the Bank is permitted to sell or repledge collateral in the absence of default by the owner of the collateral. Details of collateral accepted and which the Bank is obligated to return are disclosed in Note 35.

3.1.4 Impairment and provisioning policies

The internal rating systems described in Note 3.1.1 focus more on credit-quality mapping. In contrast, impairment allowances recognised for financial reporting purposes are the losses that have been incurred at the balance sheet date based on objective evidence of impairment (see Note 2.4). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating system assists management to determine whether objective evidence of impairment exists based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such debt securities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Impairment and provisioning policies (Continued)

The Bank's policy requires the review of individual financial assets that have objective evidence of impairment at least quarterly or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied to all individually impaired financial assets. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipt for that individual account.

Collectively assessed impairment allowances are provided for: losses that have been incurred but have not yet been identified, by using the available historical experience, judgment and statistical techniques.

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements

	Year End 31 December	
	2013	2012
Assets		
Balances with central banks	32,148,172	24,721,552
Due from other banks and financial institutions	32,143,462	18,532,058
Held for trading – debt securities	2,009,537	2,413,849
Loans and advances to customers		
– Loans to corporate entities	64,017,081	55,991,464
– Loans to individuals	24,620,743	19,265,409
Investment securities – loans and receivables	35,000,560	21,232,136
Investment securities – available-for-sales	4,774,095	3,045,035
Investment securities – held-to-maturity	7,473,242	7,656,075
Other financial assets	991,253	567,437
	203,178,145	153,425,015
Off-statement exposures		
Financial guarantees, acceptances and letters of credit	37,197,782	26,683,778
Unused credit card limits	802,728	651,269
	38,000,510	27,335,047

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2013 and 2012, without taking account of any related collateral or other credit enhancements. For on-statement assets, the exposures above are based on net carrying amounts as reported in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

As shown above, as at 31 December 2013, total on-statement exposure derived from loans is 43.63% (31 December 2012:49.05%).

As at 30 December 2013, Management is confident in its ability to continue to control and sustain minimal exposure to credit risk to the Bank from its loan and advances based on the following:

- 98.84% of its loans and advances portfolio were categorized in the top grade of the internal rating system (2012: 97.76%);
- 83.03% of the individual portfolio were backed by collateral (2012: 82.34%);
- 99.45% of the loans and advances portfolio were considered to be neither past due nor impaired (2012: 99.66%);
- 355 million loans and advances assessed on an individual basis (2012: 256 millions), 0.39% were impaired (2012: 0.33%).

3.1.6 Loans and advances

Loans and advances are summarised as follows:

	Year End 31 December			
	2013		2012	
	Loans and advances to customers	Discounted bills and trading bills	Loans and advances to customers	Discounted bills and trading bills
Neither past due nor impaired	84,731,487	5,275,837	69,876,745	6,493,583
Past due but not impaired	142,390	–	7,689	–
Individually impaired	354,602	–	251,944	4,200
Gross	85,228,479	5,275,837	70,136,378	6,497,783
Less: Collective impairment allowances	(1,691,853)	(59,089)	(1,160,900)	(72,728)
Individual impairment allowances	(115,550)	–	(141,560)	(2,100)
Total allowance	(1,807,403)	(59,089)	(1,302,460)	(74,828)
Net	83,421,076	5,216,748	68,833,918	6,422,955

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(a) Gross loans and advances neither past due nor impaired

The Bank monitors the credit risk of corporate loans and advances neither past due nor impaired by applying its grading system to customers.

31 December 2013	Internal rating		
	Pass	Special mention	Total
Corporate entities			
– Commercial loans	59,160,309	518,175	59,678,484
– Discounted bills	5,245,372	–	5,245,372
– Trade finance	30,465	–	30,465
Subtotal	64,436,146	518,175	64,954,321
Individual	24,936,295	116,708	25,053,003
Total	89,372,441	634,883	90,007,324

31 December 2012	Internal rating		
	Pass	Special mention	Total
Corporate entities			
– Commercial loans	49,023,037	1,399,032	50,422,069
– Discounted bills	6,458,419	–	6,458,419
– Trade finance	35,164	–	35,164
Subtotal	55,516,620	1,399,032	56,915,652
Individual	19,398,676	56,000	19,454,676
Total	74,915,296	1,455,032	76,370,328

(b) Loans and advances past due but not impaired

Gross amount of loans and advances by types of customers that were past due but not impaired are as follows:

31 December 2013	Past due up	Past due	Past due	Past due	Total
	to 30 days	30-60 days	60-90 days	over 90 days	
Corporate entities	–	29,996	99,230	–	129,226
Individual	4,369	3,747	5,048	–	13,164
Total	4,369	33,743	104,278	–	142,390

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(b) Loans and advances past due but not impaired (Continued)

31 December 2012

	Past due up to 30 days	Past due 30-60 days	Past due 60-90 days	Past due over 90 days	Total
Corporate entities	–	–	–	–	–
Individual	3,750	2,947	992	–	7,689
Total	3,750	2,947	992	–	7,689

(c) Loans and advances that are individually impaired

As at 30 December 2013, individually impaired loans and advances to customers before taking into consideration the collateral held amounted to RMB355 million (2012: RMB256 million).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	Year End 31 December	
	2013	2012
Corporate entities	245,412	218,615
Individual	109,190	37,529
Individually impaired loans and advance to customers	354,602	256,144
Fair value of collaterals		
Corporate entities	244,692	236,126
Individual	75,123	46,573
Individually impaired loans and advances to customers	319,815	282,699

No individually-impaired amount due from other banks and financial institutions was held by the Bank as at 30 December 2013 and 31 December 2012.

The fair value of collaterals is estimated based on the latest available external valuations, the realization experience of the current collaterals and the market conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(d) Loans and advances renegotiated

Restructuring activities include approval of debtor repayment plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue to be made. These policies are under continuous review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans. There were no renegotiated loans as at 31 December 2013, 2012.

(e) Concentration risk analysis for loans and advances to customers (gross) by geographic sectors

	Year End 31 December 2013			Year End 31 December 2012		
	Gross amount	%	Impaired loan ratio	Gross amount	%	Impaired loan ratio
Chongqing City	66,815,524	73.83%	0.26%	56,590,770	73.85%	0.24%
Sichuan Province	10,107,910	11.17%	1.10%	9,044,110	11.80%	1.12%
Guizhou Province	8,264,874	9.13%	0.80%	6,785,433	8.85%	0.26%
Shaanxi Province	5,316,008	5.87%	0.02%	4,213,848	5.50%	0.00%
Total	90,504,316	100.00%	0.39%	76,634,161	100.00%	0.33%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(f) Industry analysis

Concentration risks analysis for loans and advances to customers (gross) by economic sectors:

	Year End 31 December 2013		Year End 31 December 2012	
	Amount	%	Amount	%
Corporate loans				
Manufacturing	15,550,827	23.80%	13,275,408	23.24%
Wholesale and retail trade	10,597,333	16.22%	7,320,311	12.81%
Construction	6,893,052	10.55%	5,670,282	9.92%
Real estate	6,572,898	10.06%	4,437,890	7.77%
Renting and business activities	4,599,200	7.04%	4,319,477	7.56%
Administration of water conservancy, environment and public facilities	4,155,130	6.36%	4,883,806	8.55%
Transportation, storage and postal service	2,738,775	4.19%	2,238,020	3.92%
Mining	2,630,498	4.03%	2,736,497	4.79%
Electricity, gas and water production and supply	1,412,688	2.16%	1,430,795	2.50%
Agriculture, forestry, animal husbandry and fishery	1,143,960	1.75%	1,379,400	2.41%
Household Services and other Services	853,643	1.31%	653,943	1.14%
Education	826,451	1.26%	893,731	1.56%
Financing	515,993	0.79%	38,200	0.07%
Scientific research, technology services and geological prospecting	477,196	0.73%	62,000	0.11%
IT and telecommunication service	382,263	0.59%	302,907	0.53%
Accommodation and catering	267,039	0.41%	579,500	1.01%
Culture, sports and entertainment	247,700	0.38%	407,000	0.71%
Public administration and social organizations	150,000	0.23%	–	–
Health, social security and social welfare	68,941	0.11%	46,681	0.08%
Discounted bills	5,245,372	8.03%	6,458,419	11.32%
Total corporate loans	65,328,959	100.00%	57,134,267	100.00%
Individual loans				
Mortgage loans	15,790,408	62.72%	12,397,665	63.58%
Individual business loans	6,127,637	24.34%	4,846,272	24.85%
Individual consumption loans	2,233,591	8.87%	1,694,812	8.69%
Credit card advances	1,007,641	4.00%	535,575	2.75%
Others	16,080	0.07%	25,570	0.13%
Total individual loans	25,175,357	100.00%	19,499,894	100.00%
Gross amount of loans and advances before allowance for impairment	90,504,316		76,634,161	

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances (Continued)

(g) Type of collateral analysis

Analysis for loans and advances to customers (gross) by type of collateral:

	Year End 31 December	
	2013	2012
Collateralised loans	41,959,416	33,715,821
Pledged loans	11,263,885	10,485,921
Guaranteed loans	32,529,589	26,985,660
Unsecured loans	4,751,426	5,446,759
Total	90,504,316	76,634,161

3.1.7 Investment securities

The table below presents an analysis of investment securities by independent rating agencies designation including China Chengxin International Credit Rating Co., Ltd, Dagong Global Credit Rating Co., Ltd, China Lianhe Credit Rating Co., Ltd, Shanghai Fareast Credit Rating Co., Ltd, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd and Pengyuan Credit Rating Co., Ltd for RMB securities, Standard & Poor's for Foreign currency securities as at 31 December 2013, and 2012:

31 December 2013	Investment securities-loans and receivables	Investment securities-available-for-sale ("AFS")-debt securities	Investment securities-held-to-maturity ("HTM")	Held for trading-debt securities	Total
RMB securities					
AAA	-	-	236,000	219,043	455,043
AA- to AA+	-	1,640,870	360,000	1,790,494	3,791,364
A- to A+	-	-	-	-	-
Unrated ^(a)	35,000,560	3,133,225	6,877,242	-	45,011,027
Total	35,000,560	4,774,095	7,473,242	2,009,537	49,257,434

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.7 Investment securities (Continued)

30 December 2012	Investment securities-loans and receivables	Investment securities-available-for-sale ("AFS")-debt securities	Investment securities-held-to-maturity ("HTM")	Held for trading-debt securities	Total
RMB securities					
AAA	–	–	236,000	505,616	741,616
AA- to AA+	–	49,417	360,000	1,908,233	2,317,650
Unrated ^(a)	21,232,136	2,995,618	7,060,075	–	31,287,829
Total	21,232,136	3,045,035	7,656,075	2,413,849	34,347,095

(a) These mainly represent investment and trading securities issued by PRC Ministry of Finance, central bank, policy banks and other oversea financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies. Loans and receivables mainly include the profit-guaranteed wealth management products with fixed income, and the beneficiary rights of trust schemes, whose principle and income are guaranteed by financial institutions or guarantee companies. There were no overdue debt securities held, no individually impaired debt securities, no impairment sight on loans and receivables, and no impairment provision as at 31 December 2013 and 2012.

3.1.8 Repossessed assets

	Year End 31 December	
	2013	2012
Business properties	13,818	27,676
Residential properties	3,016	3,088
Others	945	952
Total	17,779	31,716

Reposessed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Bank does not generally occupy reposessed properties for its business use. Reposessed assets are classified in the statement of financial position as other assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.9 Concentration risk analysis for financial assets with credit risk exposure

Geographical sectors

	Year End 31 December 2013			
	Mainland China	Hong Kong	Others	Total
Financial Assets				
Balances with central banks	32,148,172	–	–	32,148,172
Due from other banks and financial institutions	31,746,563	150,346	246,553	32,143,462
Held for trading – debt securities	2,009,537	–	–	2,009,537
Loans and advances to customers	88,637,824	–	–	88,637,824
Investment securities – loans and receivables	35,000,560	–	–	35,000,560
Investment securities – available-for-sale-debt securities	4,774,095	–	–	4,774,095
Investment securities – held-to-maturity	7,473,242	–	–	7,473,242
Other financial assets	991,253	–	–	991,253
	202,781,246	150,346	246,553	203,178,145
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	37,197,782	–	–	37,197,782
Unused credit card limits	802,728	–	–	802,728
	38,000,510	–	–	38,000,510
	Year End 31 December 2012			
	Mainland China	Hong Kong	Others	Total
Financial Assets				
Balances with central banks	24,721,552	–	–	24,721,552
Due from other banks and financial institutions	18,166,458	51,605	313,995	18,532,058
Held for trading – debt securities	2,413,849	–	–	2,413,849
Loans and advances to customers	75,256,873	–	–	75,256,873
Investment securities – loans and receivables	21,232,136	–	–	21,232,136
Investment securities – available-for-sale-debt securities	3,045,035	–	–	3,045,035
Investment securities – held-to-maturity	7,656,075	–	–	7,656,075
Other financial assets	567,437	–	–	567,437
	153,059,415	51,605	313,995	153,425,015
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	26,683,778	–	–	26,683,778
Unused credit card limits	651,269	–	–	651,269
	27,335,047	–	–	27,335,047

The counterparties are mainly located in Mainland China

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk

3.2.1 Overview

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

In accordance with the requirements of the CBRC, the Bank categorizes its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading book or the banking book. The banking book consists of the investment book through which the Bank purchases financial instruments with excess funds and other financial instruments that are not captured in trading book.

The market arising from trading and non-trading activities are concentrated in Bank Treasury business and monitored by two teams separately. Regular reports are submitted to the Board of Directors and head of each business unit.

3.2.2 Sensitivity tests

Interest rate sensitivity test

The result of the interest rate sensitivity tests set out in the table below is based on the following assumptions. The projections assume that yield curves move by the same amount and, therefore, do not reflect the potential impact on net interest income due to changes in certain rates while others remain unchanged. The projections make other assumptions, including that all positions run to maturity. But the Bank has not considered the following: changes after the balance sheet date, the impact of interest rate fluctuations on the customers' behaviors; the complicated relationship between complex structured products and interest rate fluctuations; the impact of interest rate fluctuations on market prices; the impact of interest rate fluctuations on off-balance sheet products; and impact affected by risk management.

Base on the above gap analysis on the interest rate, the Bank implemented sensitivity test to analyze the sensitivity of bank's net interest income against change in interest rate. The table below illustrates the potential impact of a parallel 100 basis point move in interest rates on the financial position of the Bank at 31 December 2013 and 2012 on the net interest income of the coming year:

	Expected changes of net interest income	
	Year End 31 December	
	2013	2012
+ 100 basis point parallel move in all yield curves	150,527	3,789
- 100 basis point parallel move in all yield curves	(150,527)	(3,789)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.2 Sensitivity tests (Continued)

Interest rate sensitivity test (Continued)

The table below illustrates the potential impact of a 100 basis point move on the other comprehensive income of the Bank:

	Change of other comprehensive income	
	Year End 31 December	
	2013	2012
+ 100 basis point parallel move in all yield curves	(54,736)	(81,697)
- 100 basis point parallel move in all yield curves	56,926	85,871

Foreign exchange sensitivity test

The Bank performs exchange rate sensitivity analysis on net profit before tax for the Bank by measuring the impact of a change in exchange rate on financial position, including on balance sheet and off balance sheet. On the assumptions below: the sensitivities of foreign currencies are exchange gains or losses of RMB against foreign currencies fluctuation by 1% absolute value in closing price at balance sheet dates. The foreign currency exchange rates against RMB move by the same amount and same trends. The portfolio of assets and liabilities has a static structure of foreign exchange risk and all positions are held and renewed after maturity. The Bank has not considered the following: business changes after the balance sheet date, the impact of exchange rate fluctuations on the customers' behaviors; the complicated relationship between complex structured products and exchange rate fluctuations; and the impact of exchange rate fluctuations on market prices, the impact of exchange rate fluctuations on off-balance sheet products; and the impacted of risk management.

The table below illustrates the potential impact of an appreciation of RMB against foreign currencies by 1% on the Bank's net profit before tax:

	Net profit/(loss) before tax	
	Year End 31 December	
	2013	2012
+1% upward change of foreign exchange rate	12,334	835
- 1% downward change of foreign exchange rate	(12,334)	(835)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (*Continued*)

3.2 Market risk (*Continued*)

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate risk of the Bank mainly comes from the interest rate change's effect on net interest income, which was caused by the mismatch of the interest rate sensitive assets and liabilities' maturity date or the re-pricing date.

The Bank's Assets and Liabilities Management Committee is responsible for establishing, periodically examining and monitoring the exercising of the policies, procedures and detailed operating rules regarding interest rate risk. The treasury department is responsible for the front office treasury transactions; the accounting department is responsible for the settlement at the back office. The assets and liabilities management department is responsible for the analysis of RMB interest rate risk, submission of interest rate analysis report to the Assets and Liabilities Management Committee, timely reporting and dealing with the extraordinary situation of interest rate risk identified.

The treasury department follows the Bank's interest rate management policies and conducts the front office treasury transactions under the Bank's approved interest rate limit. The Bank records the assets in trading book and non-trading book. The freely tradable financial instruments held for trading purpose or avoiding the risks of other items in trading book were recorded under the trading book; others were recorded under the non-trading book. The treasury department manages and conducts treasury transactions within the interest rate limit approved by the senior management, and monitors the market risk of the trading book and its risk limit compliance.

The Bank uses the RMB interest rate risk management system to monitor and manage the overall interest rate risk of the assets and liabilities under the non-trading book. At the current stage, the Bank manages the interest rate risk mainly through raising suggestion about the re-pricing date of assets and liabilities, setting market risk limit and other methods. The Bank analyses the interest rate gap and assesses the difference between the interest-bearing assets and liabilities which would mature or re-price within certain time period, to provide instruction for the adjustment of interest-bearing assets and liabilities' re-pricing date. Meanwhile, the Bank controls and manages interest risk by establishing investment portfolio's instruction and authorized limit. The Bank's treasury management conducts real-time market value assessment to monitor the investment risk more accurately. In addition, the Bank centralized branches' funds for managing and allocation using the internal funding transfer-pricing system.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

The tables below summarise the Bank's exposures to interest rate risks. The tables show the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2013							
Assets							
Cash and balances with central banks	32,148,172	-	-	-	-	674,576	32,822,748
Due from other banks and financial institutions	19,045,264	7,049,088	4,009,110	2,040,000	-	-	32,143,462
Financial assets at fair value through profit or loss	-	-	63,517	1,049,852	896,168	-	2,009,537
Loans and advances to customers	59,339,944	7,742,789	18,736,977	2,406,330	411,784	-	88,637,824
Investment securities							
- loans and receivables	240,537	4,731,390	9,079,233	20,949,400	-	-	35,000,560
- available-for-sale	-	-	26,976	2,031,390	2,715,743	182,850	4,956,959
- held-to-maturity	30,000	495,995	554,987	2,229,057	4,163,203	-	7,473,242
Investment in an associate	-	-	-	-	-	24,370	24,370
Other financial assets	-	-	-	-	-	991,253	991,253
Total assets	110,803,917	20,019,262	32,470,800	30,706,029	8,186,898	1,873,049	204,059,955
Liabilities							
Due to other banks and financial institutions	28,892,753	4,154,671	552,477	-	149,671	-	33,749,572
Customer deposits	67,497,677	15,143,947	29,204,308	36,949,902	5,211	-	148,801,045
Debts issued	-	-	995,856	3,781,914	-	-	4,777,770
Other financial liabilities	-	-	-	-	-	5,020,147	5,020,147
Total liabilities	96,390,430	19,298,618	30,752,641	40,731,816	154,882	5,020,147	192,348,534
Total interest sensitivity gap	14,413,487	720,644	1,718,159	(10,025,787)	8,032,016	(3,147,098)	11,711,421

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2012							
Assets							
Cash and balances with central banks	24,721,552	-	-	-	-	521,782	25,243,334
Due from other banks and financial institutions	5,238,839	4,909,278	8,383,941	-	-	-	18,532,058
Financial assets at fair value through profit or loss	-	-	469,299	838,501	1,106,049	-	2,413,849
Loans and advances to customers	50,892,511	4,866,208	15,864,685	3,317,748	315,721	-	75,256,873
Investment securities							
- loans and receivables	606,555	600,000	3,467,448	16,558,133	-	-	21,232,136
- available-for-sale	-	28,890	-	1,985,524	1,030,635	199,052	3,244,101
- held-to-maturity	-	229,993	1,493,033	2,602,865	3,330,184	-	7,656,075
Investment in an associate	-	-	-	-	-	22,935	22,935
Other financial assets	-	-	-	-	-	567,437	567,437
Total assets	81,459,457	10,634,369	29,678,406	25,302,771	5,782,589	1,311,206	154,168,798
Liabilities							
Due to other banks and financial institutions	17,101,070	4,609,601	5,948,470	-	-	-	27,659,141
Customer deposits	52,345,358	9,128,688	46,513,997	6,049,883	5,259	-	114,043,185
Debts issued	-	-	-	1,789,886	-	-	1,789,886
Other financial liabilities	-	-	-	-	-	3,793,312	3,793,312
Total liabilities	69,446,428	13,738,289	52,462,467	7,839,769	5,259	3,793,312	147,285,524
Total interest sensitivity gap	12,013,029	(3,103,920)	(22,784,061)	17,463,002	5,777,330	(2,482,106)	6,883,274

3.2.4 Foreign exchange risk

The International business department is responsible for the Bank's daily foreign exchange risk management. Pursuant the related regulation, the Bank at the current stage cannot conduct speculative proprietary foreign exchange trading. Therefore, currently the Bank's foreign exchange risk is mainly the foreign currency exposure risk for foreign currency settlement and trading on behalf of customers. Because the Bank has no derivative operating license, and is lack of effective hedging instruments for the above risk exposure, the Bank decreases and control foreign exchange rate risk by setting foreign currency exposure limits and stop-loss limits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.4 Foreign exchange risk (Continued)

The tables show the Bank's total assets and liabilities at carrying amounts in RMB, categorized by the original currency:

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2013					
Assets					
Cash and balances with central banks	32,814,960	7,451	149	188	32,822,748
Due from other banks and financial institutions	29,937,341	446,847	1,605,210	154,064	32,143,462
Financial assets at fair value through profit or loss	2,009,537	–	–	–	2,009,537
Loans and advances to customers	88,608,369	20,126	–	9,329	88,637,824
Investment securities					
– loans and receivables	35,000,560	–	–	–	35,000,560
– available-for-sale	4,956,959	–	–	–	4,956,959
– held-to-maturity	7,473,242	–	–	–	7,473,242
Investment in an associate	24,370	–	–	–	24,370
Other financial assets	988,830	804	807	812	991,253
Total assets	201,814,168	475,228	1,606,166	164,393	204,059,955
Liabilities					
Due to other banks and financial institutions	33,446,099	153,650	–	149,823	33,749,572
Customer deposits	148,630,679	157,228	39	13,099	148,801,045
Debts issued	4,777,770	–	–	–	4,777,770
Other financial liabilities	4,985,614	30,127	1,657	2,749	5,020,147
Total liabilities	191,840,162	341,005	1,696	165,671	192,348,534
Net position	9,974,006	134,223	1,604,470	(1,278)	11,711,421
Financial guarantees and credit related commitments	37,771,891	222,844	–	5,775	38,000,510

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.4 Foreign exchange risk (Continued)

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2012					
Assets					
Cash and balances with central banks	25,225,374	15,457	2,294	209	25,243,334
Due from other banks and financial institutions	17,764,761	530,545	42,906	193,846	18,532,058
Financial assets at fair value through profit or loss	2,413,849	–	–	–	2,413,849
Loans and advances to customers	75,222,103	34,770	–	–	75,256,873
Investment securities					
– loans and receivables	21,232,136	–	–	–	21,232,136
– available-for-sale	3,244,101	–	–	–	3,244,101
– held-to-maturity	7,656,075	–	–	–	7,656,075
Investment in an associate	22,935	–	–	–	22,935
Other financial assets	558,955	5,871	–	2,611	567,437
Total assets	153,340,289	586,643	45,200	196,666	154,168,798
Liabilities					
Due to other banks and financial institutions	27,370,816	121,823	–	166,502	27,659,141
Customer deposits	113,679,700	298,854	41,620	23,011	114,043,185
Debts issued	1,789,886	–	–	–	1,789,886
Other financial liabilities	3,792,862	404	–	46	3,793,312
Total liabilities	146,633,264	421,081	41,620	189,559	147,285,524
Net position	6,707,025	165,562	3,580	7,107	6,883,274
Financial guarantees and credit related commitments	27,252,772	72,661	–	9,614	27,335,047

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk

3.3.1 Overview

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Bank's objective in liquidity management is to ensure the availability of adequate funding to meet its needs to fund deposits withdrawals and other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw downs, guarantees and cash deposit hold as collateral. The Board of Directors set limits on the minimum proportion of funds to be made available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. In addition, the Bank limits its loan to deposits ratio at below 75% as required by the PBOC. As at 31 December 2013 and December 2012 18% of the Bank's total RMB denominated customer deposits and 5% (5% as at 31 December 2012) of the total foreign currency denominated customer deposits must be deposited with the PBOC.

3.3.2 Liquidity risk management process

Bank's liquidity risk represents the risk in meeting its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn, it includes unable to meet payment obligations, liquidate its assets portfolio promptly and/or at market value.

The board of directors formulates the policy, strategy, procedures, limit and contingency plan relate to the overall management of liquidity risk according to risk preference. Asset and liability management committee is established under the top management, which is responsible for the daily operations in liquidity risk management. Assets and liabilities management department cooperates with Treasury department and others, in order to form a well organized, fully functional liquidity risk management system.

Bank of Chongqing actively applies new technology, in order to enhance the involvement of IT in liquidity risk management. The system monitors the liquidity index and exposure, which form a mechanism in regular, automatic liquidity risk assessment, and arrange the banking processes according to current liquidity exposure. Bank of Chongqing actively modifies the assets and liabilities maturity structure by applying internal fund transfer pricing. Bank of Chongqing pays constant attention to its liquidity risk management process, holds the weekly meeting for assets and liabilities integration, enhances and improves liquidity risk related policy timely, eventually achieve its goal in liquidity risk management.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the undiscounted cash flows of the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2013									
Liabilities									
Due to other banks and financial institution	130,002	7,927,449	10,826,452	9,859,141	5,963,402	203,428	-	-	34,909,874
Customer deposits	57,010,613	10,489,671	15,253,776	29,182,067	41,282,096	10,331	-	-	153,228,554
Debts issued	-	-	54,400	196,500	3,723,642	1,790,928	-	-	5,765,470
Other liabilities	16,359	2,512,342	442,767	1,557,611	1,008,380	22,080	419,818	-	5,979,357
Total liabilities (contractual maturity dates)	57,156,974	20,929,462	26,577,395	40,795,319	51,977,520	2,026,767	419,818	-	199,883,255
Assets									
Cash and balances with central banks	674,576	6,428,134	-	-	-	-	25,720,038	-	32,822,748
Due from other banks and financial institutions	626,713	17,282,461	7,349,271	5,069,224	2,318,960	-	-	-	32,646,629
Non-derivative financial assets at fair value through profit or loss	-	2,009,537	-	-	-	-	-	-	2,009,537
Loans and advances to customers	-	6,677,613	8,811,586	43,709,143	16,537,938	35,195,565	-	300,511	111,232,356
Investment securities									
- loans and receivables	-	240,767	4,785,425	9,406,923	24,503,522	-	-	-	38,936,637
- available-for-sale ("AFS")	-	-	-	-	2,219,313	3,940,834	182,850	-	6,342,997
- held-to-maturity ("HTM")	-	30,057	497,489	442,236	2,617,538	6,066,365	-	-	9,653,685
Investment in an associate	-	-	-	-	-	-	24,370	-	24,370
Other assets	1,640	511,010	21,843	53,259	417,082	79,416	2,634,063	-	3,718,313
Assets held for managing liquidity risk (contractual maturity dates)	1,302,929	33,179,579	21,465,614	58,680,785	48,614,353	45,282,180	28,561,321	300,511	237,387,272

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2012									
Liabilities									
Due to other banks and financial institution	120,432	3,230,266	6,465,613	12,385,880	6,485,045	209,171	-	-	28,896,407
Customer deposits	46,071,805	6,211,155	9,186,007	47,057,486	7,482,848	10,098	-	-	116,019,399
Debts issued	-	-	54,400	53,100	2,060,586	-	-	-	2,168,086
Other liabilities	-	1,856,789	596,570	652,731	1,145,106	22,381	139,339	-	4,412,916
Total liabilities (contractual maturity dates)	46,192,237	11,298,210	16,302,590	60,149,197	17,173,585	241,650	139,339	-	151,496,808
Assets									
Cash and balances with central banks	521,782	4,031,544	-	-	-	-	20,690,008	-	25,243,334
Due from other banks and financial institutions	1,065,133	3,617,796	5,228,393	8,867,735	-	-	-	-	18,779,057
Non-derivative financial assets at fair value through profit or loss	-	2,413,849	-	-	-	-	-	-	2,413,849
Loans and advances to customers	-	4,027,892	7,355,092	36,664,517	17,071,224	28,005,993	-	283,638	93,408,356
Investment securities	-	-	-	-	-	-	-	-	-
- loans and receivables	-	908,261	307,900	3,635,968	18,901,243	-	-	-	23,753,372
- available-for-sale ("AFS")	-	-	-	-	2,208,020	1,355,811	199,052	-	3,762,883
- held-to-maturity ("HTM")	-	-	230,835	1,361,209	3,010,314	4,978,763	-	-	9,581,121
Investment in an associate	-	-	-	-	-	-	22,935	-	22,935
Other assets	-	156,165	174,488	45,820	228,428	50,268	1,906,948	-	2,562,117
Assets held for managing liquidity risk (contractual maturity dates)	1,586,915	15,155,507	13,296,708	50,575,249	41,419,229	34,390,835	22,818,943	283,638	179,527,024

Assets available to meet all of the liabilities include cash, balances with central bank, items in the course of collection and treasury; due from other banks and financial institutions; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities, using credit commitment from other financial institutions, early termination of borrowing from other financial institutions and repurchase agreement and using the mandatory reserve deposits upon the PBOC's approval.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.4 Maturity Analysis

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2013									
Assets									
Cash and balances with central banks	674,576	6,428,134	-	-	-	-	25,720,038	-	32,822,748
Due from other banks and financial institutions	626,713	17,255,387	7,277,961	4,943,401	2,040,000	-	-	-	32,143,462
Financial assets at fair value through profit or loss	-	2,009,537	-	-	-	-	-	-	2,009,537
Loans and advances to customers	-	6,660,585	8,701,698	41,794,795	13,859,206	17,321,029	-	300,511	88,637,824
Investment securities									
– loans and receivables	-	240,537	4,731,390	9,079,233	20,949,400	-	-	-	35,000,560
– available-for-sale	-	-	-	-	2,031,390	2,742,719	182,850	-	4,956,959
– held-to-maturity	-	30,001	495,995	434,987	2,349,057	4,163,202	-	-	7,473,242
Investment in an associate	-	-	-	-	-	-	24,370	-	24,370
Other assets, including deferred income tax assets	1,640	511,010	21,843	53,259	417,082	79,416	2,634,063	-	3,718,313
Total assets	1,302,929	33,135,191	21,228,887	56,305,675	41,646,135	24,306,366	28,561,321	300,511	206,787,015
Liabilities									
Due to other banks and financial institution	130,002	7,909,641	10,736,657	9,513,601	5,310,000	149,671	-	-	33,749,572
Customer deposits	57,010,613	10,482,056	15,160,775	28,642,419	37,497,967	7,215	-	-	148,801,045
Debts issued	-	-	-	-	2,986,842	1,790,928	-	-	4,777,770
Other financial liabilities including deferred income tax liability	16,359	2,512,342	442,767	1,557,611	1,008,380	22,080	419,818	-	5,979,357
Total liabilities (contractual maturity dates)	57,156,974	20,904,039	26,340,199	39,713,631	46,803,189	1,969,894	419,818	-	193,307,744
Net liquidity gap	(55,854,045)	12,231,152	(5,111,312)	16,592,044	(5,157,054)	22,336,472	28,141,503	300,511	13,479,271

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.4 Maturity Analysis (Continued)

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2012									
Assets									
Cash and balances with central banks	521,782	4,031,544	-	-	-	-	20,690,008	-	25,243,334
Due from other banks and financial institutions	1,065,133	3,611,261	5,176,662	8,679,002	-	-	-	-	18,532,058
Financial assets at fair value through profit or loss	-	2,413,849	-	-	-	-	-	-	2,413,849
Loans and advances to customers	-	4,021,604	7,268,335	35,122,947	14,638,199	13,922,150	-	283,638	75,256,873
Investment securities									
– loans and receivables	-	906,555	300,000	3,467,448	16,558,133	-	-	-	21,232,136
– available-for-sale	-	-	-	-	1,985,524	1,059,525	199,052	-	3,244,101
– held-to-maturity	-	-	229,871	1,339,788	2,756,111	3,330,305	-	-	7,656,075
Investment in an associate	-	-	-	-	-	-	22,935	-	22,935
Other assets, including deferred income tax assets	-	156,165	174,488	45,820	228,428	50,268	1,906,948	-	2,562,117
Total assets	1,586,915	15,140,978	13,149,356	48,655,005	36,166,395	18,362,248	22,818,943	283,638	156,163,478
Liabilities									
Due to other banks and financial institution	120,432	3,223,755	6,408,279	12,238,323	5,502,000	166,352	-	-	27,659,141
Customer deposits	46,071,805	6,206,730	9,136,712	46,079,017	6,542,090	6,831	-	-	114,043,185
Debts issued	-	-	-	-	1,789,886	-	-	-	1,789,886
Other financial liabilities including deferred income tax liability	-	1,856,789	596,570	652,731	1,145,106	22,381	139,339	-	4,412,916
Total liabilities (contractual maturity dates)	46,192,237	11,287,274	16,141,561	58,970,071	14,979,082	195,564	139,339	-	147,905,128
Net liquidity gap	(44,605,322)	3,853,704	(2,992,205)	(10,315,066)	21,187,313	18,166,684	22,679,604	283,638	8,258,350

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.5 Off-balance-sheet items

The table below lists the off balance-sheet statement items of the Bank according to their remaining term to maturity, and also includes the future minimum lease payments under non-cancellable operating leases where the Bank are the lessees. The financial commitments are listed by the earliest maturity date in its notional principal.

31 December 2013	No later than 1 year	1-5 years	Over 5 years	Total
Unused credit card limits	802,728	–	–	802,728
Guarantees, acceptances and letters of credit	37,102,049	95,733	–	37,197,782
Operating lease commitments	50,842	97,025	2,164	150,031
Capital commitments	300,318	18,383	–	318,701
Total	38,255,937	211,141	2,164	38,469,242

31 December 2012	No later than 1 year	1-5 years	Over 5 years	Total
Unused credit card limits	651,269	–	–	651,269
Guarantees, acceptances and letters of credit	26,618,163	65,615	–	26,683,778
Operating lease commitments	41,256	83,811	46,842	171,909
Capital commitments	387,421	118,467	10,000	515,888
Total	27,698,109	267,893	56,842	28,022,844

3.4 Fair values of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value on 31 December 2013.

	Year ended 31 December 2013				Total
	Carrying Value	Level I	Fair Value Level II	Level III	
Financial assets					
Investment securities					
– loans and receivables	35,000,560	–	28,719,306	7,197,005	35,916,311
– held to maturity	7,473,242	–	7,090,564	–	7,090,564
Financial liabilities					
Debts issued	4,777,770	–	4,825,443	–	4,825,443

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(a) Financial instruments not measured at fair value (Continued)

Investment securities

The fair value for loans and receivables and held to maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Debts issued

The fair value of fixed interest bearing debts issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

Other than above, the difference between the carrying value and fair value of those financial assets and liabilities not presented at their fair value on the statement of financial position are insignificant. Fair value is measured using a discounted future cash flow model.

(b) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2013:

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,009,537	–	2,009,537
– Equity investment	–	–	–	–
	–	2,009,537	–	2,009,537
Investment securities – available-for-sale				
– Debt securities	–	4,774,109	–	4,774,109
– Equity investment	–	–	182,850	182,850
	–	4,774,109	182,850	4,956,959
Total	–	6,783,646	182,850	6,966,496

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,413,849	–	2,413,849
– Equity investment	–	–	–	–
	–	2,413,849	–	2,413,849
Investment securities – available-for-sale				
– Debt securities	–	3,045,049	–	3,045,049
– Equity investment	–	–	199,052	199,052
	–	3,045,049	199,052	3,244,101
Total	–	5,458,898	199,052	5,657,950

There were no transfers between levels 1 and 2 during the year.

There were no financial instruments in level 1 during the year.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Reconciliation of beginning and ending balances for level 3 financial assets and liabilities

	Investment securities-AFS	Total assets
1 January 2013	199,052	199,052
Total gains or losses		
– Other comprehensive income	(14,982)	(14,982)
– Switch off level 3	(1,220)	(1,220)
31 December 2013	182,850	182,850
Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2013	8,658	8,658

	Investment securities-AFS	Total assets
1 January 2012	187,380	187,380
Total gains or losses		
– Other comprehensive income	11,672	11,672
31 December 2012	199,052	199,052
Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2012	5,947	5,947

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 for the year ended December 31, 2012 and for the year ended 31 December, 2013 presented as follows:

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value at December 31, 2013	Valuation Technique(s)	Unobservable Inputs	Weighted Average
Equity Securities – Banking	160,000	Market comparable companies	PB multiple ^(a) Discount for lack of marketability ^(b)	0.92 16.70%
	Fair Value at December 31, 2012	Valuation Technique(s)	Unobservable Inputs	Weighted Average
Equity Securities – Banking	174,987	Market comparable companies	PB multiple ^(a) Discount for lack of marketability ^(b)	1.15 19.94%

(a) Represents amounts used when the reporting entity has determined that market participants would use such multiples when pricing the investments.

(b) Represents amounts used when the reporting entity has determined that market participants would take into account these premiums and discounts when pricing the investments.

(c) Unobservable inputs that are not developed by the Bank are not included in the disclosure.

(d) Equity securities using recent transaction prices without adjustment amounted to RMB22,850 thousand as at December 31, 2013 and RMB24,065 thousand as at December 31, 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored quarterly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

From this period, the Bank calculated the capital adequacy ratio based on the "Administrative Measures for the Capital of Commercial Banks (Trial Implementation)" issued by China Banking Regulatory Commission("CBRC") in June, 2012. According to the approach, the Bank calculated the Credit risk-weighted assets Measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

In accordance with relevant regulation, the Bank's capital adequacy ratio should be no less than the following criterion:

- Core Tier One Capital adequacy ratio should be no less than 5%.
- Tier One Capital adequacy ratio should be no less than 6%.
- Capital adequacy ratio should be no less than 8%.
- Commercial Banks need to make provision reserve assets on the basis of minimum capital requirement. Reserve assets are required to be 2.5% of the risk-weighted assets, fulfilled by Core Tier One Capital.

In certain circumstances, commercial banks need to make provision of countercyclical capital on the basis of minimum capital requirement and reserve capital requirement. Countercyclical capital is required to be 0 to 2.5% of the risk-weighted assets, fulfilled by Core Tier One Capital.

From this period, the Bank calculated the capital adequacy ratio based on the new regulation which means the operational risk is included in the capital adequacy ratio measurement scope. The Bank's capital definition, risk-weighted assets on-balance-sheet and off-balance-sheet, off-balance-sheet credit risk transfer coefficient, etc. had been adjusted; the regulation change had an impact on the capital adequacy ratio of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.5 Capital management (Continued)

The capital adequacy ratio of 2013 half year under the “Administrative Measures for the Capital of Commercial Banks (Trial Implementation)” is as follows:

	31 December 2013
Core capital:	
Share capital	2,705,228
Counted part of capital surplus	2,316,711
Surplus reserve and general risk reserves	2,526,470
Counted part of retained earnings	5,916,348
Core Tier 1 Capital deductibles items:	
Full deductibles items	(81,476)
Threshold deduction items	–
Total Core Tier 1 Capital, net	13,383,281
Other Tier 1 Capital, net	–
Tier 2 Capital, net	3,011,817
Net capital	16,395,098
On-balance sheet risk-weighted assets	98,875,498
Off-balance sheet risk-weighted assets	13,861,718
Risk-weighted assets for exposure to counterparty credit risk	–
Total credit risk-weighted assets	112,737,216
Total market risk-weighted assets	2,219,454
Total operational risk-weighted assets	8,723,417
Total risk-weighted assets before applying capital base	123,680,087
Total risk-weighted assets after applying capital base	123,680,087
Core Tier 1 Capital adequacy ratio	10.82%
Tier 1 Capital adequacy ratio	10.82%
Capital adequacy ratio	13.26%

3.6 Fiduciary activities

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the financial information. The Bank also grants entrusted loans on behalf of third-party lenders, which are not included in the financial information.

	Year End 31 December	
	2013	2012
Assets held in investment custody accounts	4,711,900	1,396,900
Entrust loans	4,071,283	2,333,220

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.7 Unsecured wealth management products

The Bank issue and manage unsecured wealth management products to institutional and individual investors. The funds raised from the institutional and individual investors are invested in the open market bonds and trust schemes. The maturity of these unsecured wealth management products ranged from three months to one year.

The Bank assesses its control on the unsecured wealth management product. The Bank takes a fiduciary role on these wealth management products and has no contractual obligation to repay the principal or pre-determined interest. The risk exposure of the products is mainly from the fluctuation of the expected return of the bonds market and the performance of trust schemes. The risk of loss is born by the investors. The Bank recognizes the commission income from the products.

As at 31 December 2013, the funds raised from the unsecured wealth management products were RMB13,450 million (2012: RMB9,305 million). The Bank has recognized net commission income from unsecured wealth management products with the amount of RMB160,024 thousand for the year 2013 through provision of asset management service (2012: RMB80,311 thousand).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Impairment allowances on loans and advances

The Bank reviews its loan portfolios to assess impairment on a quarterly basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Bank. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances are collectively assessed for impairment, Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES *(Continued)*

b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models. To the extent practical, only observable data is used in models, however areas such as credit risk (both ours and counterparties'), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

c) Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and past practice. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and business tax in the period during which such a determination is made (*Note 26*).

d) Held-to-maturity

The bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to hold these investments to maturity other than for specific circumstances defined in IAS 39 such as, selling an insignificant amount close to maturity due to a significant, deterioration in the issuer's credit, or regulatory requirement, it will be required to reclassify the entire portfolio of assets as available-for-sale. The investments would therefore be measured at fair value, not at amortised cost.

e) Impairment of available-for-sale financial assets and held-to-maturity securities

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires management judgment. In making this judgment, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

The Bank recognises an impairment loss for an available-for-sale debt instrument and held to maturity debt securities when there is objective evidence that the debt instrument is impaired. Objective evidence of an impairment for a debt instrument exists when one or more events have occurred after the initial recognition of the debt instrument, that reduce the estimated future cash flows to be received on the debt instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES *(Continued)*

f) Definition of Structured Entity Control

When the Bank acts as asset manager in structured entity, the Bank needs to identify its own role as the agent or the trustee. During the evaluation, the Bank considers many factors, such as: the scope of asset manager's decision-making power, rights held by other parties, Commission levels as management service provider, and any other arrangements (such as direct investment) which could affect commission level. Currently, the Bank acts as the agent in the structured entity.

5 NET INTEREST INCOME

	2013	2012
Interest income		
Balances with central banks	430,482	321,953
Due from other banks and financial institutions	1,260,963	1,446,687
Loans and advances to customers	6,106,800	5,101,485
Investment securities	2,466,897	1,253,876
Financial assets at fair value through profit or loss	202,008	184,815
	10,467,150	8,308,816
Interest expense		
Due to other banks and financial institutions	(1,779,260)	(1,760,418)
Customer deposits	(3,300,669)	(2,302,286)
Debts issued	(208,603)	(96,481)
	(5,288,532)	(4,159,185)
Net interest income	5,178,618	4,149,631
	2013	2012
Interest income accrued on loans and advances to customers individually impaired	9,570	4,951
	2013	2012
Interest income on listed investments	234,726	241,013
Interest income on unlisted investments	2,434,179	1,197,678
	2,668,905	1,438,691

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

6 NET FEE AND COMMISSION INCOME

	2013	2012
Fee and commission income		
Commission income from financial advisory and consulting services	237,939	154,128
Commission income from wealth management agency service	180,224	107,406
Commission income from custodian service	128,348	28,834
Commission income from bank card services	72,466	45,750
Commission income from credit commitments	37,991	27,240
Commission income from settlement and agency services	37,350	42,648
	694,318	406,006
Fee and commission expense		
Commission expense from settlement and agency services	(32,658)	(23,797)
Commission expense from bank card services	(14,122)	(11,137)
Other commission expense	(2,957)	(3,026)
	(49,737)	(37,960)
Net fee and commission income	644,581	368,046

7 NET TRADING (LOSSES)/INCOME

	2013	2012
Foreign exchange	(37,375)	3,327
Interest rate instruments	(52,414)	22,462
	(89,789)	25,789

Net gains/(losses) on foreign exchange mainly include gains and losses from the retranslation of foreign currency monetary assets and liabilities into Renminbi and gains and losses from purchase of foreign currency spot.

The retranslation of foreign currency monetary assets and liabilities amounted to losses of RMB15,509,000, losses of RMB629,000 for the years ended 31 December 2013 and 2012.

Net gains/(losses) on interest rate instruments mainly include gains or losses generating from the fair value adjustment of the trading securities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

8 OTHER OPERATING INCOME

	2013	2012
Profit on sale of land use rights and buildings and investment properties	5,897	–
Profit on sale of foreclosed assets and other assets	32,672	5,063
Dividend income from unlisted available-for-sale investments	8,659	5,947
Government grants (i)	2,082	8,101
Rental income from investment property	1,441	1,676
Income from dormant account	3,155	2,402
Other miscellaneous income (ii)	11,022	2,642
	64,928	25,831

(i) Government grants

Government grant in 2012 was financial supporting fund received from Wuhou District Ministry of Finance for Chengdu Branch being in accordance with economic development promotion policy.

Government grant in 2013 was reward for outstanding financial institutions to support local economic development.

(ii) Other miscellaneous income mainly comprises cashier surplus, compensation on breach of contract, incomes from writing off other payables etc.

9 OPERATING EXPENSES

	2013	2012
Staff costs (including directors and supervisors' emoluments) (Note 10)	992,048	865,458
General and administrative expenses	685,074	564,352
Business tax and surcharges	381,018	313,225
Depreciation of property, plant and equipment (Note 21)	79,120	58,293
Amortization of intangible assets (Note 22(c))	12,904	7,221
Amortization of land use rights (Note 22(b))	4,897	4,898
Depreciation of investment properties ((Note 22(d))	429	428
Amortization of long-term prepaid expenses	19,021	14,577
Rental expenses	68,537	51,121
Professional fees	32,174	12,280
Donations	5,968	5,760
Provision on foreclosed assets	4,378	1,338
Impairment loss/(reversal) on other receivables	(4,297)	89
Others	1,587	2,408
	2,282,858	1,901,448

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

10 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	2013	2012
Salaries and bonuses	665,965	592,725
Pension costs (Note 27)	109,667	89,486
Housing benefits and subsidies	54,001	43,539
Labor union and staff education expenses	22,225	23,787
Other social security and benefit costs	140,190	115,921
	992,048	865,458

11 IMPAIRMENT ALLOWANCES ON LOANS AND ADVANCES

	2013	2012
Loans and advances to customers (Note 18 (b))		
– Collectively assessed	517,314	208,123
– Individually assessed	18,318	31,504
	535,632	239,627

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments for the year ended 31 December 2013 are as follows:

Name	2013				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive directors					
Gan Weimin ⁽¹⁾	–	472	549	60	1,081
Ran Hailing (Governor) ⁽²⁾	–	397	552	84	1,033
Koo Tak Wing ⁽³⁾	–	61	47	–	108
Zhan Wanghua ⁽³⁾	–	250	308	–	558
Ni Yuemin ⁽⁴⁾	–	398	355	64	817
Non-executive directors					
Liu Liangcai ⁽⁵⁾	10	–	–	–	10
Deng Yong ⁽⁶⁾	60	–	–	–	60
Qin Wei	70	–	–	–	70
WONG Hon Hing	94	–	–	–	94
Lv Wei	84	–	–	–	84
Xiang Li ⁽⁷⁾	21	–	–	–	21
Wu Jiahong ⁽⁸⁾	27	–	–	–	27
Yin Mingshan	68	–	–	–	68
Zhang Weiguo	115	–	–	–	115
Xiao Changhua ⁽⁹⁾	106	–	–	–	106
Li He ⁽⁹⁾	63	–	–	–	63
Han Deyun	113	–	–	–	113
Sun Fangcheng	176	–	–	–	176
TO Koon Man Henry ⁽⁹⁾	56	–	–	–	56
Horace S.Y. Fan ⁽⁹⁾	96	–	–	–	96
Supervisors					
Ma Qianzhen ⁽¹⁰⁾	–	472	549	111	1,132
Huang Changsheng ⁽¹¹⁾	–	323	277	55	655
Ren Cheng ⁽¹¹⁾	–	152	195	19	366
Wan Jiayu	–	330	1,370	35	1,735
Lin Min ⁽¹¹⁾	–	403	971	27	1,401
Zhou Yongkang	118	–	–	–	118
Chen Zhengsheng ⁽¹²⁾	53	–	–	–	53
Wen Yuping	105	–	–	–	105
Si Houchun	42	–	–	–	42
Liu Xingyu	38	–	–	–	38
Total	1,515	3,258	5,173	455	10,401

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

Details of the directors' and supervisors' emoluments for the year ended 31 December 2012 are as follows: *(Continued)*

Name	2012				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive directors					
Ma Qianzhen ⁽¹⁰⁾	–	434	1,020	92	1,546
Gan Weimin (Governor) ⁽¹⁾	–	434	1,020	50	1,504
Ran Hailing ⁽²⁾	–	359	816	54	1,229
Koo Tak Wing	–	340	816	–	1,156
Non-executive directors					
Derek H.H. Wong	76	–	–	–	76
Yin Mingshan	48	–	–	–	48
Lv Wei	54	–	–	–	54
Liu Liangcai	52	–	–	–	52
Wu Jiahong	52	–	–	–	52
Qin Wei	54	–	–	–	54
Sun Fangcheng	43	–	–	–	43
Xiao Changhua	113	–	–	–	113
Zhang Weiguo	101	–	–	–	101
Horace S.Y. Fan	101	–	–	–	101
Han Deyun	97	–	–	–	97
Supervisors					
Chen Xiao ⁽¹⁰⁾	–	434	1,020	76	1,530
Ren Cheng	–	359	816	57	1,232
Wan Jiayu	–	363	1,276	30	1,669
Chen Jianwei ⁽¹³⁾	13	–	–	–	13
Wen Yuping ⁽¹⁴⁾	52	–	–	–	52
Zhou Yongkang	85	–	–	–	85
Liu Xingyu	43	–	–	–	43
Si Houchun	37	–	–	–	37
Total	1,021	2,723	6,784	359	10,887

(1) Approved as a chairman by the CBRC on 28 December 2012.

(2) Appointed as an agent governor on 28 December 2012, approved as a governor by the CBRC on 9 April 2013.

(3) Zhan Wanghua was approved as a director as well as the Chief Risk Officer by the CBRC on 1 February 2013. Koo Tak Wing resigned on the same date.

(4) Approved as a director by the CBRC on 1 February 2013.

(5) Resigned on 6 February 2013.

(6) Dengyong was approved as a director by the CBRC on 1 February 2013.

(7) Appointed on 6 August 2013.

(8) Wu Jiahong resigned on 24 May 2013.

(9) To Koon Man Henry and Li He were approved as directors by the CBRC on 6 September 2013. Horace S. Y. Fan and Xiao Changhua resigned on the same date.

(10) Ma Qianzhen was appointed as an agent supervisor on 28 December 2012 and approved as the chief supervisor by the CBRC on 10 April 2013. Chen Xiao resigned on the same date.

(11) Huang Changsheng and Lin Min were appointed on 28 April 2013. Ren Cheng resigned on the same date.

(12) Chen Zhengsheng was appointed on 24 May 2013.

(13) Resigned on 30 March 2012.

(14) Appointed on 30 March 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

The total compensation packages for executive directors and supervisors for the year ended 31 December 2013 including discretionary bonus have not yet been finalised in accordance with relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Bank's 2013 financial statements. The final compensation for the year ended 31 December 2013 will be disclosed in a separate announcement when determined. The compensation amounts for these directors and supervisors for the year ended 31 December 2012 were restated based on the finalised amounts determined.

Five highest paid individuals

For the years ended 31 December 2013, the five highest paid individuals in the Bank included zero director and one supervisor (2012: 0 director and 0 supervisor).

The rest of the five highest paid individuals for the Relevant Year are as follows:

	2013	2012
Salaries and housing allowances and benefits	1,835	1,675
Discretionary bonuses	15,330	9,706
Employer's contribution to pension schemes	183	97
	17,348	11,478

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
RMB500,001 – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB2,000,000	4	2
RMB2,000,001 – RMB2,500,000	–	2
RMB2,500,001 – RMB3,000,000	–	–
RMB3,000,001 – RMB3,500,000	–	–
RMB3,500,001 – RMB4,000,000	–	1
RMB4,000,001 – RMB4,500,000	–	–
RMB4,500,001 – RMB5,000,000	–	–
RMB5,000,001 and above	1	–
	5	5

No emoluments had been paid by the Bank to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Bank or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

13 INCOME TAX EXPENSE

	2013	2012
Current income tax	831,064	591,324
Deferred income tax (Note 26)	(102,885)	1,254
	728,179	592,578

Current income tax is calculated at 25% for each of the relevant year on the estimated assessable profit of the Bank for the respective year.

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (2012: 25%), to profit before income tax can be reconciled as follows:

	2013	2012
Profit before income tax	3,057,445	2,517,383
Tax calculated at a tax rate of 25%	764,361	629,346
Tax effect arising from income not subject to tax ^(a)	(44,077)	(50,862)
Tax effect of expenses that are not deductible for tax purposes ^(b)	7,895	4,475
Tax filing differences for previous years	–	9,619
Income tax expense	728,179	592,578

(a) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulation.

(b) The expenses that are not tax deductible for tax purposes mainly represent certain expenditure, such as entertainment expenses, etc., which exceed the tax deduction limits pursuant to PRC Law on corporate income tax.

14 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Net profit attributable to shareholders of the Bank (in RMB thousands)	2,329,266	1,924,805
Weighted average number of ordinary shares in issue (in thousands)	2,124,534	2,020,619
Basic earnings per share (expressed in RMB yuan)	1.10	0.95

(b) Diluted earnings per share

For the years ended 31 December 2013 and 2012, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

15 CASH AND BALANCES WITH CENTRAL BANKS

	Year ended 31 December	
	2013	2012
Cash	674,576	521,782
Mandatory reserve deposits	25,705,124	20,679,390
Surplus reserve deposits with central banks	6,428,134	4,031,544
Fiscal deposits	14,914	10,618
	32,822,748	25,243,334

The Bank is required to place mandatory deposits with central banks. The deposits are calculated based on the amount of deposits placed with the Bank by its customers.

	Year ended 31 December	
	2013	2012
Mandatory reserve rate for deposits denominated in RMB	18%	18%
Mandatory reserve rate for deposits denominated in foreign currencies	5%	5%

Mandatory reserve deposits with central banks are not available for use by the Bank in its day to day operations.

Surplus reserve deposits are maintained with the PBOC mainly for liquidity purpose.

16 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

(a) Due from other banks and financial institutions

	Year ended 31 December	
	2013	2012
Deposits with other banks and financial institutions	6,390,676	2,065,030
Notes purchased under resale agreements	18,396,401	16,149,730
Securities purchased under resale agreements	3,000,000	150,000
Loans purchased under resale agreements	–	–
Other financial assets purchased under resale agreements	2,445,000	–
Placements with other banks	1,911,385	167,298
	32,143,462	18,532,058
Less: impairment allowance on amounts due from other banks and financial institutions		
– Individual assessed provision	–	–
	32,143,462	18,532,058

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

16 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

(Continued)

(b) Movements in allowance for impairment losses on amounts due from other banks and financial institutions

	Year ended 31 December	
	2013	2012
Balance at beginning of the year	–	(11,000)
Amount written off during the year as uncollectible	–	11,000
Balance at end of the year	–	–

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2013	2012
Government bonds		
– Listed outside Hong Kong	–	–
Other debt securities		
– Listed outside Hong Kong	815,733	738,795
– Unlisted – corporate bonds	1,193,804	1,675,054
	2,009,537	2,413,849

All the Bank's unlisted debt securities are traded in the Inter-bank Bond Market in Mainland China.

As at 31 December 2013 and 2012, no trading securities of the Bank were pledged to third parties under any repurchase agreements.

Financial assets at fair value through profit or loss are analyzed by issuer as follows:

	Year ended 31 December	
	2013	2012
Designated debt securities issued by:		
– Corporation	2,009,537	2,413,849

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	Year ended 31 December	
	2013	2012
Loans and advances to corporate entities		
– Corporate loans	60,083,587	50,675,848
– Discounted bills	5,245,372	6,458,419
Subtotal	65,328,959	57,134,267
Loans and advances to individuals		
– Mortgages loans	15,790,408	12,397,665
– Individual consumption loans	2,233,591	1,694,812
– Credit card advances	1,007,641	535,575
– Individual business loans	6,127,637	4,846,272
– Others	16,080	25,570
Subtotal	25,175,357	19,499,894
Total	90,504,316	76,634,161
Less: allowance for impairment losses		
– Collectively assessed	(1,750,942)	(1,233,628)
– Individual assessed	(115,550)	(143,660)
Total	(1,866,492)	(1,377,288)
Loans and advances to customers	88,637,824	75,256,873

(b) Movements on allowance for losses on loans and advances to customers

	Year ended 31 December			
	2013		2012	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
Balance at beginning of the year	1,233,628	143,660	1,025,505	171,385
Impairment allowances for loans and advances charged to profit or loss	609,529	95,156	273,370	52,397
Reversal of impairment allowances for loans and advances	(92,215)	(76,838)	(65,247)	(20,893)
Net impairment allowances for loans and advances charged to profit or loss (Note 11)	517,314	18,318	208,123	31,504
Unwinding discount on allowances	–	(9,570)	–	(4,951)
Loans and advances written off during the year as uncollectible	–	(41,082)	–	(57,064)
Recoveries of loans and advances written off in prior years	–	4,224	–	2,786
Balance at end of the year	1,750,942	115,550	1,233,628	143,660

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements on allowance for losses on loans and advances to customers: (Continued)

	Year ended 31 December			
	2013		2012	
	Corporate	Individual	Corporate	Individual
Balance at beginning of the year	1,142,803	234,485	1,023,967	172,923
Impairment allowances for loans and advances charged to profit or loss	347,851	356,834	221,018	104,749
Reversal of impairment allowances for loans and advances	(143,913)	(25,140)	(64,371)	(21,769)
Net impairment allowances for loans and advances charged to profit or loss	203,938	331,694	156,647	82,980
Unwinding of discount on allowances	(7,856)	(1,714)	(4,502)	(449)
Loans and advances written off during the year as uncollectible	(31,020)	(10,062)	(36,042)	(21,022)
Recoveries of loans and advances written off in prior years	4,012	212	2,733	53
Balance at end of the year	1,311,877	554,615	1,142,803	234,485

(c) Individually identified loans with impairment allowance

	Year ended 31 December			
	2013		2012	
	Impaired loan	Specific Provision	Impaired loan	Specific Provision
Corporate	245,412	67,048	218,615	125,258
Individual	109,190	48,502	37,529	18,402
	354,602	115,550	256,144	143,660

	Year ended 31 December	
	2013	2012
Individually impaired loans to gross loans and advances to customers (percentage)	0.39%	0.33%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

19 INVESTMENT SECURITIES

	Year ended 31 December	
	2013	2012
Investment securities – loans and receivables		
Debt securities – at amortised cost		
– Unlisted		
– Trust scheme ⁽¹⁾	27,909,790	18,075,348
– Wealth management product purchased from financial institutions	1,683,233	2,046,788
– Directional asset management plan	5,407,537	1,110,000
Loans and receivables – Total	35,000,560	21,232,136
Investment securities – available-for-sale		
Debt securities – at fair value		
– Listed outside Hong Kong	1,143,432	–
– Unlisted	3,630,663	3,045,035
Debt securities	4,774,095	3,045,035
Equity securities – at fair value		
– Listed outside Hong Kong	–	–
– Unlisted	182,850	199,052
Equity securities	182,850	199,052
Others	14	14
Available-for-sale – Total	4,956,959	3,244,101
Investment securities – held-to-maturity		
Debt securities – at amortized cost		
– Listed outside Hong Kong	4,584,645	4,647,621
– Unlisted	2,888,597	3,008,454
Held-to-maturity – Total	7,473,242	7,656,075

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

19 INVESTMENT SECURITIES (Continued)

Investment securities are analysed by issuer as follows:

	Year ended 31 December	
	2013	2012
Investment Securities – loans and receivables		
– Trust scheme ⁽¹⁾	27,909,790	18,075,348
– Wealth management products purchased from financial institutions	1,683,233	2,046,788
– Directional asset management plan ⁽²⁾	5,407,537	1,110,000
	35,000,560	21,232,136
Investment Securities – available-for-sale		
– Government bonds	–	–
– Non-commercial bank bonds	2,901,170	2,995,618
– Corporate bonds	1,872,925	49,417
– Equity Investment at fair value	182,850	199,052
– Others	14	14
	4,956,959	3,244,101
Investment Securities – held-to-maturity		
– Government bonds	4,930,028	5,235,549
– Non-commercial bank bonds	1,947,214	1,824,526
– Commercial bank bonds	550,000	550,000
– Corporate bonds	46,000	46,000
	7,473,242	7,656,075

(1) The trust schemes include the trust schemes purchased from trust companies and other banks and the wealth management products invested in trust schemes. The trust schemes purchased from trust companies were RMB18.4 Billion as at 31 December 2013 (2012: RMB14.57 Billion), the trust schemes purchased from other banks were RMB8.59 Billion as at 31 December 2013 (2012:RMB2.3 Billion) and the wealth management products invested in trust scheme were RMB0.9 Billion as at 31 December 2013 (2012: RMB1.2 Billion); the underlying assets of the trust schemes are trust loans for the corporate borrowers; all trust schemes are guaranteed by third-party banks or guarantee companies and the guarantee contracts cover the principal and interest related to the trust scheme.

(2) The directional asset management plans include the asset management plan purchased from securities companies and asset management companies. The directional asset management plan purchased from securities companies were RMB5.287 Billion as at 31 December 2013 (2012: RMB1.11 Billion), the directional asset management plan purchased from asset management company were RMB0.12 Billion as at 31 December 2013 (2012:RMB0). The underlying assets of the directional asset management are bonds, due from other banks, bond repurchase agreements, trust schemes, etc; all directional asset management plans are guaranteed by third-party banks or guarantee companies and the guarantee contracts cover the principal and interest related to the directional asset management plans.

Net gains on investment securities include:

	Year ended 31 December	
	2013	2012
Net gains arising from de-recognition of held-for-trading financial assets	71,852	95,565
Net gains arising from de-recognition of available-for-sale financial assets	4,310	(7,566)
	76,162	87,999

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

20 INVESTMENT IN AN ASSOCIATE

	Year ended 31 December	
	2013	2012
Beginning of the year	22,935	21,773
Contribution to an associate	1,435	1,162
End of the year	24,370	22,935

In 5 May 2011, the Bank invested RMB22 million in establishment of Xingyi Wanfeng Village Bank Co., Ltd., accounting for 20% of the registered capital of RMB110 million.

Investment in an associate of the Bank are unlisted corporation's ordinary shares. Assets, liabilities, revenue and profit/(loss) of an associate are as follows:

	Place of Incorporation	Assets	Liabilities	Revenue	Profit	Interest held
As of/for the year ended 31 December 2013						
Xingyi Wanfeng Village Bank Co., Ltd.* (興義萬豐村鎮銀行有限責任公司)	The PRC	540,028	419,354	24,564	7,178	20%
As of/for the year ended 31 December 2012						
Xingyi Wanfeng Village Bank Co., Ltd.* (興義萬豐村鎮銀行有限責任公司)	The PRC	332,278	217,604	19,794	5,810	20%

* The English names of the associate represented the best efforts by management of the Bank in translating the Chinese name as the associate does not have an official English name.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

21 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
At 1 January 2013	1,091,980	18,501	232,892	79,903	454,839	1,878,115
Additions	12,157	326	39,559	10,126	617,943	680,111
Construction in progress transfer in/(out)	233,386	552	3,330	746	(238,014)	-
Investment properties transfer in	2,175	-	-	-	-	2,175
Disposals	(6,653)	(659)	(5,344)	(593)	-	(13,249)
At 31 December 2013	1,333,045	18,720	270,437	90,182	834,768	2,547,152
Accumulated depreciation						
At 1 January 2013	(198,165)	(12,185)	(154,405)	(42,833)	-	(407,588)
Charge for the year	(39,194)	(2,133)	(27,205)	(10,588)	-	(79,120)
Transfer in	(949)	-	-	-	-	(949)
Disposals	3,089	639	5,174	575	-	9,477
At 31 December 2013	(235,219)	(13,679)	(176,436)	(52,846)	-	(478,180)
Net book value						
At 31 December 2013	1,097,826	5,041	94,001	37,336	834,768	2,068,972
Cost						
At 1 January 2012	875,172	17,220	189,092	57,896	368,599	1,507,979
Additions	2,615	2,869	37,618	15,313	316,680	375,095
Transfer in/(out)	214,193	-	8,621	7,626	(230,440)	-
Disposals	-	(1,588)	(2,439)	(932)	-	(4,959)
At 31 December 2012	1,091,980	18,501	232,892	79,903	454,839	1,878,115
Accumulated depreciation						
At 1 January 2012	(169,503)	(11,842)	(136,780)	(35,831)	-	(353,956)
Charge for the year	(28,662)	(1,883)	(19,992)	(7,756)	-	(58,293)
Disposals	-	1,540	2,367	754	-	4,661
At 31 December 2012	(198,165)	(12,185)	(154,405)	(42,833)	-	(407,588)
Net book value						
At 31 December 2012	893,815	6,316	78,487	37,070	454,839	1,470,527

As at 31 December 2013, certain buildings with carrying value of RMB84.60 million (2012: RMB71.67 million) for which registration for the property ownership certificates had not been completed. However, such registration process has a little effect on the rights of the Bank to these assets.

All buildings of the Bank are located outside Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

21 PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying values of the buildings are analysed based on the remaining lease terms as follows:

	Year ended 31 December	
	2013	2012
Held outside Hong Kong		
on long-term lease (over 50 years)	178	187
on medium-term lease (10-50 years)	1,097,648	893,628
	1,097,826	893,815

22 OTHER ASSETS

	Year ended 31 December	
	2013	2012
Interest receivable (Note(a))	867,239	520,131
Fee and commission receivable	124,014	47,306
Other receivables	15,931	29,308
Less: impairment allowance	(1,216)	(7,290)
Land use rights (Note(b))	172,909	178,905
Leasehold improvement	51,775	34,456
Intangible assets (Note(c))	59,476	39,811
Repossessed assets	17,779	31,716
Prepaid rental expenses	28,150	31,183
Investment properties (Note(d))	7,633	9,288
Others	–	75
	1,343,690	914,889

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

22 OTHER ASSETS (Continued)

Notes:

(a) Interest receivable:

	Year ended 31 December	
	2013	2012
Due from and placements with banks, other financial institutions, and central banks	41,449	9,857
Debt securities	599,105	342,075
Loans and advances to customers	226,685	168,199
	867,239	520,131

(b) Land use rights

	Year ended 31 December	
	2013	2012
Cost		
Beginning of the year	195,571	195,375
Additions	–	196
Disposals	(1,406)	–
End of the year	194,165	195,571
Accumulated amortization		
Beginning of the year	(16,666)	(11,768)
Additions	(4,897)	(4,898)
Transfer out	307	–
End of the year	(21,256)	(16,666)
Net book value		
End of the year	172,909	178,905

The net book values of land use rights are analyzed based on the remaining terms of the leases as follows:

	Year ended 31 December	
	2013	2012
Held outside Hong Kong on medium-term lease (10-50 years)	172,909	178,905

(c) Intangible assets

	Year ended 31 December	
	2013	2012
Cost		
Beginning of the year	73,588	53,470
Additions	32,569	20,118
End of the year	106,157	73,588
Accumulated amortization		
Beginning of the year	(33,777)	(26,556)
Additions	(12,904)	(7,221)
End of the year	(46,681)	(33,777)
Net book value		
End of the year	59,476	39,811

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

22 OTHER ASSETS (Continued)

Notes: (Continued)

(d) Investment properties

	Year ended 31 December	
	2013	2012
Cost		
Beginning of the year	13,599	13,581
Additions	–	18
Transfer in from property, plant and equity	(2,175)	–
Disposals	–	–
End of the year	11,424	13,599
Accumulated depreciation		
Beginning of the year	(4,311)	(3,883)
Additions	(429)	(428)
Disposals	949	–
End of the year	(3,791)	(4,311)
Net book value		
End of the year	7,633	9,288

The carrying amount of the investment properties is analysed based on the remaining terms of the leases as follows:

	Year ended 31 December	
	2013	2012
Held outside Hong Kong on medium-term lease (10-50 years)	7,633	9,288

23 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	Year ended 31 December	
	2013	2012
Loans from the PBOC	2,458,216	1,496,855
Deposits from other banks	16,843,826	9,362,139
Deposits from other financial institutions	5,924,440	4,484,016
Loans from other banks	1,054,675	25,142
Notes sold under repurchase agreements	7,468,415	12,290,989
	33,749,572	27,659,141

24 CUSTOMER DEPOSITS

	Year ended 31 December	
	2013	2012
Corporate demand deposits	46,694,854	37,560,210
Corporate time deposits	56,788,904	44,568,723
Individual demand deposits	10,202,369	8,488,325
Individual time deposits	14,714,891	10,133,600
Other deposits	20,400,027	13,292,327
	148,801,045	114,043,185
Including:		
Pledged deposits held as collateral	20,286,637	13,146,873

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

25 OTHER LIABILITIES

	Year ended 31 December	
	2013	2012
Interest payable ^(a)	1,741,429	1,068,072
Wealth management product	2,938,325	2,271,710
Staff salary payable	175,959	142,024
Business and other tax payable	111,468	109,388
Dividends payable	13,058	18,859
Deferred income	60,000	106,253
Other payable	496,646	189,577
Settlement fund	84,525	9,646
Promissory notes	81,070	273,121
Others	101,739	45,651
	5,804,219	4,234,301

(a) Interest payable:

	Year ended 31 December	
	2013	2012
Deposits from banks and other financial institutions	214,500	144,556
Customer Deposits	1,346,683	841,489
Debts issued	180,246	82,027
Total	1,741,429	1,068,072

26 DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% for the year ended 31 December 2013 (2012: 25%) for transactions in the PRC.

The movement in the deferred income tax account is as follows:

	Year ended 31 December	
	2013	2012
Balance at beginning of the year	170,912	165,704
Charge to profit or loss (Note(13))	102,885	(1,254)
Available-for-sale securities – fair value adjustment	31,854	6,462
At end of the year	305,651	170,912

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

26 DEFERRED INCOME TAXES (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

	Year ended 31 December	
	2013	2012
Deferred income tax assets		
Assets impairment allowances	218,507	138,616
Losses of fair value change	48,968	9,800
Others	38,176	28,285
	305,651	176,701
Deferred income tax liabilities		
Fair value gains	–	(5,789)
Net deferred income tax assets	305,651	170,912

Deferred income tax in the statement of comprehensive income comprises the following temporary differences:

	2013	2012
Assets impairment allowances	79,891	4,695
Fair value losses/(gains)	13,103	(5,615)
Others	9,891	(334)
	102,885	(1,254)

27 RETIREMENT BENEFIT OBLIGATIONS

The Bank pays supplementary retirement benefits to employees in Mainland China, who retired before 30 June 2011. The Bank's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Bank is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Bank's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the statement of comprehensive income as they occur. The amounts recognised in the statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses minus any unrecognised past service cost.

Employees who retire after 1 January 2010 can voluntarily participate in an annuity plan. The Bank contributes to the annuity plan based on certain percentage of the employees' gross salary and recognised in other comprehensive income as incurred.

	2013	2012
Expenses incurred for retirement benefit plans	79,201	65,100
Expenses incurred for supplementary retirement benefits	823	854
Expenses incurred for corporate annuity plan	29,643	23,532
	109,667	89,486

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

27 RETIREMENT BENEFIT OBLIGATIONS (Continued)

	Year ended 31 December	
	2013	2012
Statement of financial position obligations for:		
– Pension benefits	19,691	20,533
Statement of comprehensive income charge for:		
– Pension benefits	823	854

The amounts recognized in the statements of financial position are determined as follows:

	Year ended 31 December	
	2013	2012
Present value of unfunded obligations	19,691	20,533
Unrecognized past service cost	–	–
Net liability in the statement of financial position	19,691	20,533

Movements of the carrying value of unfunded obligations are as follows:

	Year ended 31 December	
	2013	2012
Beginning of the year	20,533	21,818
Retirement benefits paid	(1,361)	(1,075)
Current service cost	–	–
Interest cost	823	854
Net actuarial gains	(304)	(1,064)
Past service cost	–	–
End of the year	19,691	20,533

Retirement benefit expenses recognized in the statements of comprehensive income are as follows:

	Year ended 31 December	
	2013	2012
Current service cost	–	–
Interest cost	823	854
Past service cost	–	–
Retirement benefit expense-total	823	854

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

27 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Revaluation of pension scheme recognized in the statements of other comprehensive income are as follows:

	2013	2012
Revaluation of pension scheme	(228)	(798)

The principal actuarial assumptions for calculating retirement benefits obligations are as follows:

	Year ended 31 December	
	2013	2012
Discount rate	5.09%	4.15%
Inflation rate for pension benefits	4.00%	4.00%

The mortality assumptions are determined based on the statistics published by China Insurance Regulatory Commission.

The following table lists an average life expectancy in years of a pensioner retiring at age 60 for male and 55 for female:

	Year ended 31 December	
	2013	2012
Male	22.08	22.08
Female	29.58	29.58

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

28 DEBTS ISSUED

	Year ended 31 December	
	2013	2012
Subordinated debts		
Fixed rate subordinated debt – 2019 ^(a)	995,856	995,192
Fixed rate subordinated debt – 2022 ^(b)	795,071	794,694
Financial debt		
Fixed rate financial debt – 2018 ^(c)	2,986,843	–
	4,777,770	1,789,886

(a) Pursuant to a resolution of the Extraordinary General Meeting approved on 11 November 2008 and the approval of Yinjianfu [2009] No. 42 by the CBRC (the “Approval to Bank of Chongqing for issuing subordinated debts”) on 9 February 2009, the Bank issued a RMB1 billion subordinated debt within China domestic Interbank Bond Market in April 2009. The fixed-rate subordinated debts issued on 3 April 2009 have a maturity of 10 years, with a fixed coupon rate of 5.31% per annum for the first five years, payable annually. The Bank has the option to redeem all of the bonds at the face value on 3 April 2014. If the Bank does not exercise this option, the annual coupon rate for the second 5-year period shall be the original coupon rate plus 3% per annum, and shall remain fixed through to the maturity date.

(b) Pursuant to a resolution of the Extraordinary General Meeting approved on 12 August 2011 and the approval of Yinjianfu [2011] No. 511 by the CBRC (the “Approval to Bank of Chongqing for issuing subordinated debts”) on 18 November 2011, the Bank issued a RMB800 million subordinated debt within China domestic Interbank Bond Market in March 2012. The fixed-rate subordinated debt issued on 21 March 2012 has a maturity of 10 years, with a fixed coupon rate of 6.8% per annum for ten years, payable annually. The Bank has the option to redeem all of the bonds at the face value on 21 March 2017.

The subordinated debts are subordinated to all other claims on the assets of the Bank except for the Bank’s share capital. In the calculation of the Bank’s capital adequacy ratio, those debts qualify for inclusion as supplementary capital.

(c) Pursuant to a resolution of the Extraordinary General Meeting approved on 25 November 2011 and the approval of Yinjianfu [2012] No. 526 by the CBRC (the “Approval to Bank of Chongqing for issuing small and micro enterprises financial bond”) on 21 September 2012, the Bank issued a RMB3 billion financial bond within China domestic Interbank Bond Market on April 2013. The fixed rate financial debt has a maturity of five years, with a fixed coupon rate of 4.78% per annum for five years, payable annually. The fund is raised all for small and micro enterprise loans.

As at 31 December 2013, there were no defaults of principal and interest or other breaches with respect to these debts from the issuance of these debt securities (2012: None).

29 SHARE CAPITAL

All shares of the Bank issued are fully paid common shares. The par value per share is RMB1 Yuan. The Bank’s number of shares is as follows:

	Number of shares (in thousands)	Amount
As at 1 January 2013	2,020,619	2,020,619
Shares issued		
– H shares offering (Note 1)	684,609	684,609
As at 31 December 2013	2,705,228	2,705,228

Note 1: In accordance with the CSRC’s Approval of Overseas Public Offering for Chongqing Bank Co., Ltd on 29th September 2013, the Bank issued 670,000,000 H shares with par value of RMB1 per share at offer price of HKD6 per share on 6th November 2013. On 4th December 2013, the Bank issued additional 14,608,901 H shares with par value of RMB1 per share at offer price of HKD6 per share under the over-allotment options granted during the initial public offering were partially exercised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

30 CAPITAL SURPLUS

Generally, transactions of the following nature are recorded in the capital reserve:

- (a) share premium arising from the issue of shares at prices in excess of their par value;
- (b) donations received from shareholders; and
- (c) any other items required by the PRC regulations to be so treated.

Capital reserve can be utilized for the issue of bonus shares or for increasing paid-in capital as approved by the shareholders.

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.

As at 31 December 2013 and 2012, the Bank's capital surplus is shown as follow:

	Year ended 31 December	
	2013	2012
Stock premium	2,443,823	–
Donations received from shareholders	800	800
	2,444,623	800

31 OTHER RESERVES

	Surplus reserve (a)	General reserve (b)	Revaluation reserve for AFS securities	Surplus on remeasurement of retirement benefits	Total
Balance at 1 January 2013	689,567	1,010,330	(17,981)	1,347	1,683,263
Other comprehensive income	–	–	(95,562)	228	(95,334)
Addition	232,927	832,750	–	–	1,065,677
Balance at 31 December 2013	922,494	1,843,080	(113,543)	1,575	2,653,606
Balance at 31 January 2012	497,087	810,800	1,405	549	1,309,841
Other comprehensive income	–	–	(19,386)	798	(18,588)
Addition	192,480	199,530	–	–	392,010
Balance at 31 December 2012	689,567	1,010,330	(17,981)	1,347	1,683,263

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

31 OTHER RESERVES (Continued)

(a) Surplus reserve

In accordance with the "Company Law of the People's Republic of China" and the Bank's Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory reserve can be used for making up losses, or increasing the share capital.

In accordance with a resolution of the Board of Directors dated 20 March 2014, the Bank appropriated 10% of the net profit for the year ended 31 December 2013 to the statutory surplus reserves, amounting to RMB232.97 million (2012: RMB192.48 million).

(b) General reserve

Pursuant to Circulars No.49 "Notice on issuing administrative measures for provision of bad debt allowance for financial enterprise" and No.90 issued "Notice on provision of bad debt allowance" by MOF in 2005 (the "MOF Circulars"), effective from 17 May, 2005 and 5 September 2005 respectively, banks and certain other financial institutions in the PRC, are required to maintain adequate allowances for impairment losses against their risk assets. In addition, a general risk reserve should be established through the appropriation of retained earnings. As a guiding principle, the balance of general risk reserve should not be less than 1% of the aggregate amount of all risk assets.

Since 1 July 2012, the Bank appropriates general reserves according to the regulation of Circulars "Appropriation Management Measures of Reserve Funds for Financial Enterprises" Caijin [2012] No. 20 issued by MOF. In principal the general reserve balance should not be below 1.5% of the ending balance of risk assets. This Circulars also stipulates that if the balance of general risk reserve can hardly reach 1.5% of the aggregate amount of all risk assets, the reserve may be appropriated to 1.5% during a period of several years, however, the appropriation cannot exceed five years in principle.

A General reserve of RMB659.35 million based on 1.5% of the ending balance of risk assets for the year ended 31 December 2013 will be proposed for approval at the Annual General Meeting. These financial statements do not reflect this General reserve.

32 DIVIDENDS

	2013	2012
Dividend declared during the year	141,443	101,031
Dividend per share (in Rmb yuan)(Based on prior year shares)	0.07	0.05

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up prior year's cumulative losses, if any;
- (ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the China Accounting Standards and (ii) the retained profit determined in accordance with IFRS.

A dividend of RMB0.224 per share in respect of profit for the year ended 31 December 2013 (2012: RMB0.07 per share), amounting to a total dividend of RMB605.97 million based on the number of shares issued as at 31 December 2013, will be proposed for approval at the Annual General Meeting. These financial statements do not reflect this dividend payable in liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

33 STRUCTURED ENTITY

Unconsolidated Structured Entity

(i) Unconsolidated Structured Entities Managed by the Bank

The unconsolidated structure entities managed by the Bank were mainly wealth management products issued and managed by the Bank acting as an agent. Based on the analysis and research on the potential targeted clients, the Bank designed and sold capital investment and management plan to specific targeted clients, and the raised funds were then put into related financial market or invested in related financial products according to the product contracts. Gains would be allocated to investors after the Bank gained from investment. The Bank received corresponding wealth management commission fee income as the asset manager. The Bank regarded that the variable return was insignificant as to the structured entities. By the end of Dec 31, 2013, the maximum risk exposure of the unconsolidated structured entities was the commission fees of the wealth management product whose amount was insignificant.

By the end of Dec 31, 2013, the balance of the unconsolidated wealth management product issued and managed by the Bank was 13,500 million in RMB.

(ii) Unconsolidated Structured Entities Invested by the Bank

In order to get gains by using capital, the unconsolidated structured entities invested by the Bank mainly included the wealth management products issued and managed by the third party, capital trust scheme and directional asset management plan. The Bank classified the unconsolidated structured entities as loans and receivables.

The table below lists the book value and maximum loss risk exposure of the asset due to the holdings of gains from unconsolidated structured entities (including interest receivable).

Year ended 31 December, 2013	Book Value	Maximum Risk Exposure
Loans and receivables	35,353,189	35,353,189

In 2013, the interest income and fee and commission income from the above unconsolidated structured entities were:

	Year ended 31 December 2013
Interest Income	2,096,205
Fee and Commission Income	304,791
	2,400,996

In 2013, there happened no loss related to the above unconsolidated structured entities.

By the end of Dec 31, 2013, the Bank had not provided any financial or other support plan to unconsolidated structured entities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank commits to extend to customers:

	Year ended 31 December	
	2013	2012
Guarantees	182,396	150,983
Letters of credit	686,209	71,503
Acceptances	36,329,177	26,461,292
Other commitments with an original maturity of – Under 1 year	802,728	651,269
	38,000,510	27,335,047

Capital expenditure commitments

	Year ended 31 December	
	2013	2012
Contracted but not provided for		
– Capital expenditure commitments for buildings	245,192	265,676
– Acquisition of IT system	62,748	48,667
	307,940	314,343
Authorized but not contracted for		
– Capital expenditure commitments for buildings	10,761	201,545
	10,761	201,545

Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	Year ended 31 December	
	2013	2012
Not later than 1 year	50,842	41,256
Later than 1 year and not later than 5 years	97,025	83,811
Later than 5 years	2,164	46,842
	150,031	171,909

Legal proceedings

Legal proceedings are initiated by third parties against the Bank as defendant. The Bank had two outstanding claims of RMB5,300 thousand and 920 thousand as at 31 December 2013 (2012: one claim of RMB920 thousand). After consulting legal professionals, management of the Bank believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

35 ASSETS PLEDGED

Assets are pledged as collateral under repurchase agreements with other banks and financial institutions and for security deposits relating to local futures, options and stock exchange memberships. The fair value of them is as follows:

	Year ended 31 December	
	2013	2012
Bills	1,887,394	2,265,518

The Bank accepts collateral for the securities purchased under resale agreement. As at 31 December 2013, the Bank did not accept collateral that it is permitted to sell or repledge in the absence of default in connection with its reverse repurchase agreements (2012: None). These transactions are conducted during ordinary course of business. The Bank is obliged to return the collateral on the agreed resale day. As at 31 December 2013 and 2012, the Bank did not sell or re-pledge such collateral received. The fair value of them is as follows:

	Year ended 31 December	
	2013	2012
Bills	7,697,368	11,186,691

36 CREDIT RISK-WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

	Year ended 31 December	
	2013	2012
Financial guarantees and credit related commitments	5,977,738	9,517,848

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

37 OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR

	Before tax amount	Tax expense (benefit)	Net of tax amount
As at 31 December 2013			
<i>Items that may be reclassified to profit or loss</i>			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(127,416)	31,854	(95,562)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Revaluation of pension scheme	304	(76)	228
Other comprehensive (loss)/income for the year	(127,112)	31,778	(95,334)
As at 31 December 2012			
<i>Items that may be reclassified to profit or loss</i>			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(25,848)	6,462	(19,386)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Revaluation of pension scheme	1,064	(266)	798
Other comprehensive (loss)/income for the year	(24,784)	6,196	(18,588)

38 NOTES TO STATEMENTS OF CASH FLOW

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	Year ended 31 December	
	2013	2012
Cash and balances with central banks	7,102,709	4,553,326
Due from other banks and financial institutions	5,290,676	1,646,010
Placements with banks	1,827,196	125,710
	14,220,581	6,325,046

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Bank has control, joint control or significant influence over a party; or a party has control, joint control or significant influence over the Bank; or a party and the Bank are under the same control, joint control or significant influence of another party. Related parties can be individuals or enterprises. The major related parties of the Bank include: the Bank's associates, the major shareholders who have significant influence over the Bank's operating strategies and financial policies as well as the entities controlled by them, and the Bank's directors, supervisors, senior management and their family members.

The main transactions between the Bank and the related parties were loans and deposits, which were engaged under ordinary business terms.

All transaction balances and ranges of the interest rate with the related parties at the end of reporting period are as follows:

	Year ended 31 December	
	2013	2012
Loans and advances to customers	368,438	452,335
Customer deposits	1,275,605	762,224
Due to other banks and financial institutions	107,000	–
Investment securities-receivables	900,000	900,000
Fee and commission receivable	400	800

	Year ended 31 December	
	2013	2012
Loans and advances to customers	5.76%-7.80%	5.76%-6.77%
Customer deposits	0.39%-5.85%	0.39%-5.85%
Due to other banks and financial institutions	0.05%-0.07%	–
Investment securities-receivables	9.70%-9.90%	9.70%-9.90%

	Year ended 31 December	
	2013	2012
Interest revenue	28,925	31,984
Interest expense	12,221	9,067
Fee and commission income	19,600	13,310

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

39 RELATED PARTY TRANSACTIONS (Continued)

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Executive officers.

The Bank enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2013 and 2012, there were no material transactions and balances with key management personnel on an individual basis.

The key management compensation for the years ended 31 December 2013 and 2012 comprises:

	Year ended 31 December	
	2013	2012
Salaries and allowances and benefits	5,334	5,286
Discretionary bonuses	5,329	11,127
Contribution to pension schemes	660	601
	11,323	17,014

The total compensation package for these key management personnel for the year ended 31 December 2013 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Bank's 2013 financial statements. The final compensation will be disclosed in a separate announcement when determined.

40 SEGMENT ANALYSIS

The Bank's operating segments are business units provide different financial products and service and are engaged in different types of financial transactions. As different operating segments face different clients and counter parties supported by specific techniques and market strategies, they operate independently.

The Bank has four operating segments. They are corporate banking, retail banking, treasury and other classes of business.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retailing banking mainly provides individual customers with financial products and services including deposits and loans.

Treasury mainly performs inter-bank lending and borrowing, bonds investment, re-purchasing and foreign currency transactions.

Unallocated classes of business perform the businesses not included in the above three segments or cannot be allocated with appropriate basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

40 SEGMENT ANALYSIS (Continued)

	For the year ended 31 December 2013				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,193,720	612,410	2,372,488	–	5,178,618
Inter-segment net interest income/(expense)	1,670,275	384,039	(2,054,314)	–	–
Net interest income	3,863,995	996,449	318,174	–	5,178,618
Net fee and commission income	466,427	178,154	–	–	644,581
Net trading income	–	–	(89,789)	–	(89,789)
Net gains on investment securities	–	–	76,162	–	76,162
Share of profits of an associate	–	–	1,435	–	1,435
Other operating income	35,762	4,288	8,659	16,219	64,928
Impairment losses on loans and advances to customers	(203,938)	(331,694)	–	–	(535,632)
Operating expense	(1,649,309)	(433,281)	(189,492)	(10,776)	(2,282,858)
– Depreciation and amortization	(91,095)	(23,762)	(1,339)	(175)	(116,371)
– Others	(1,558,214)	(409,519)	(188,153)	(10,601)	(2,166,487)
Profit before income tax	2,512,937	413,916	125,149	5,443	3,057,445
	31 December 2013				
Capital expenditure	357,027	91,587	295,783	1,130	745,527
Segment assets	99,028,672	25,403,594	82,041,463	313,286	206,787,015
Segment liabilities	(129,009,036)	(25,352,437)	(38,942,492)	(3,779)	(193,307,744)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

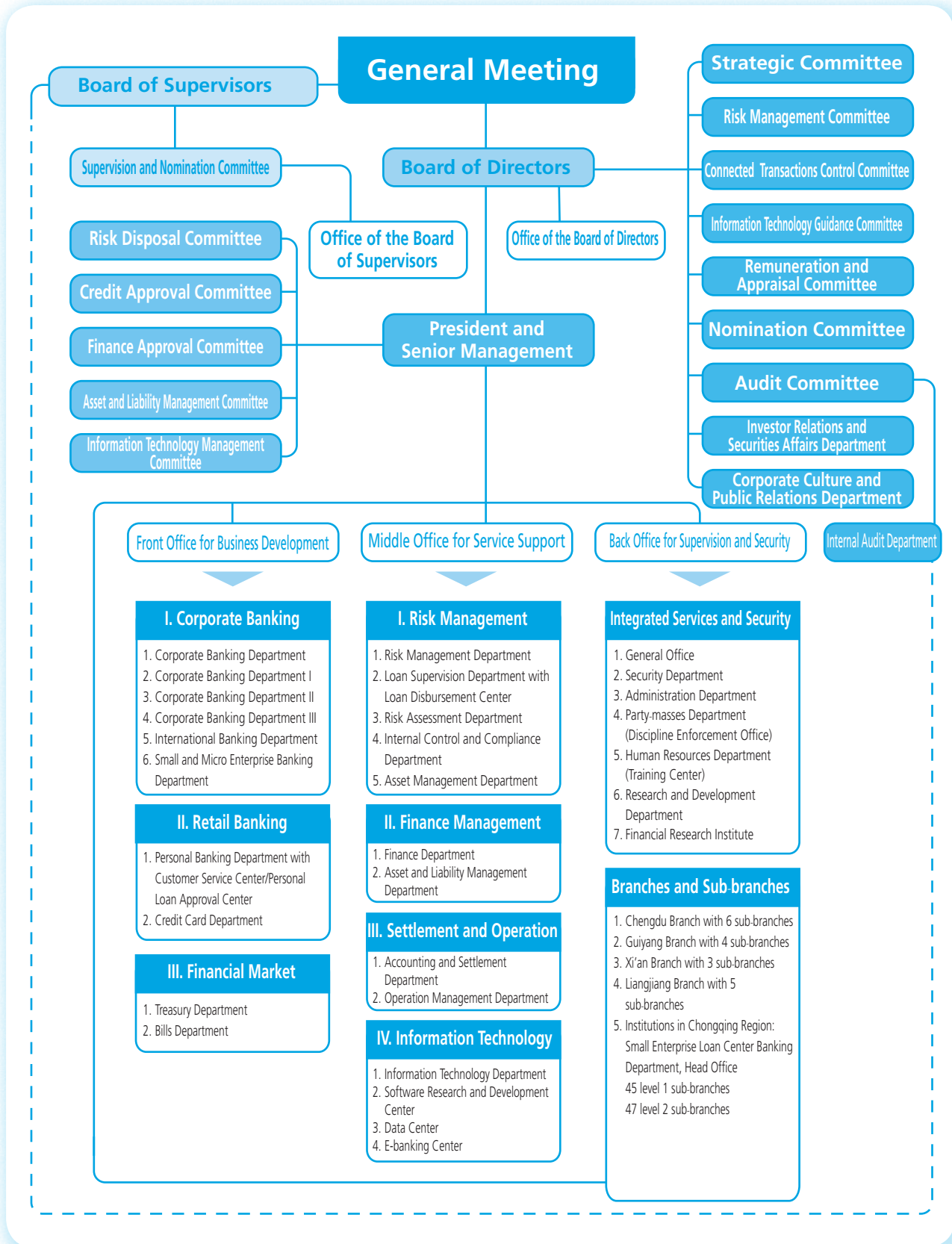
40 SEGMENT ANALYSIS (Continued)

	For the year ended 31 December 2012				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,123,922	444,289	1,581,420	–	4,149,631
Intersegment net interest income/(expense)	659,943	266,199	(926,142)	–	–
Net interest income	2,783,865	710,488	655,278	–	4,149,631
Net fee and commission income	212,857	155,189	–	–	368,046
Net trading income	–	–	25,789	–	25,789
Net gains on investment securities	–	–	87,999	–	87,999
Share of profits of an associate	–	–	1,162	–	1,162
Other operating income	–	–	5,947	19,884	25,831
Impairment losses on loans and advances to customers	(156,647)	(82,980)	–	–	(239,627)
Operating expense	(1,428,528)	(339,657)	(123,118)	(10,145)	(1,901,448)
– Depreciation and amortization	(64,172)	(15,258)	(5,531)	(456)	(85,417)
– Others	(1,364,356)	(324,399)	(117,587)	(9,689)	(1,816,031)
Profit before income tax	1,411,547	443,040	653,057	9,739	2,517,383
	31 December 2012				
Capital expenditure	219,680	52,273	140,046	491	412,490
Segment assets	83,168,190	19,789,768	53,019,531	185,989	156,163,478
Segment liabilities	(99,538,045)	(18,861,273)	(29,503,770)	(2,040)	(147,905,128)

41 SUBSEQUENT EVENTS

Up to the date of this report, the Bank had no material events for disclosure after the balance sheet date.

ORGANIZATIONAL CHART



LIST OF BRANCH OUTLETS

No.	Name	Address	Postcode
1	Liangjiang Branch of Bank of Chongqing Co., Ltd.	No. 52 Middle Section of Huangshan Avenue, Yubei District, Chongqing	401121
2	Chengdu Branch of Bank of Chongqing Co., Ltd.	North Building, New Tianfu International Centre, No. 99 Tianfu Second Street, High-Tech Industrial Development Zone, Chengdu, Sichuan	610059
3	Guiyang Branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Building 2, Shengshi Huating, No. 51 Jiefang Road, Nanming District, Guiyang, Guizhou	550002
4	Xi'an Branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Building 2, Yinhe Xinzhuobiao Building, No. 25 Tangyan Road, Xi'an, Shaanxi	710075
5	Business Department of Bank of Chongqing Co., Ltd.	No. 153 Zourong Road, Yuzhong District, Chongqing	400010
6	Small Enterprise Loan Centre of Bank of Chongqing Co., Ltd.	No. 52, 54, 56 and 58 Xihu Road, Yubei District, Chongqing	401147
7	Lijiatuo Sub-branch of Bank of Chongqing Co., Ltd.	Shop 5 No. 5 Mawangping Zheng Road, Lijiatuo, Banan District, Chongqing	400054
8	Shazheng Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-6 Shazheng Road, Shapingba District, Chongqing	400030
9	Longtousi Sub-branch of Bank of Chongqing Co., Ltd.	No. 383 Honghuang Road, Longxi Avenue, Yubei District, Chongqing	401147
10	Fenglinxiushui Sub-branch of Bank of Chongqing Co., Ltd.	No. 52, 54, 56 and 58 Xihu Road, Yubei District, Chongqing	401120
11	Jianxin East Road Sub-branch of Bank of Chongqing Co., Ltd.	Baiyexing Building, No. 3-1 Jianxin East Road, Jiangbei District, Chongqing	400020
12	Qixinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 148 Zhongshan Yi Road, Yuzhong District, Chongqing	400013
13	Dadukou Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-18 Cuibai Road, Chunhui Avenue, Dadukou District, Chongqing	400084
14	Renmin Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 129 Renmin Road, Yuzhong District, Chongqing	400015
15	Jinkai Sub-branch of Bank of Chongqing Co., Ltd.	No. 11-1 Jintong Road, Beibu New District, Chongqing	401122
16	Xiyong Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Building, Xiyong Tian Street, Life Service Zone, Xiyong Electronics Park, Chongqing	401333
17	Renhe Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 89 Renhe Street, Yuzhong District, Chongqing	400015
18	Jianxin North Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 23-4 Jianxin North Road, Jiangbei District, Chongqing	400020
19	High-Tech Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Yuzhou Road, Jiulongpo District, Chongqing	400039
20	Bayi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 258 Baiyi Road, Yuzhong District, Chongqing	400010

List of Branch Outlets

No.	Name	Address	Postcode
21	Caiyuanba Sub-branch of Bank of Chongqing Co., Ltd.	Building 3 Community 1, Waitan Shopping Mall, No. 175 Nanqu Road, Yuzhong District, Chongqing	400014
22	Dayanggou Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage), Oupeng Building, No. 216 Xinhua Road, Yuzhong District, Chongqing	400010
23	Jianxin West Road Sub-branch of Bank of Chongqing Co., Ltd.	No 2-1 Jianxin South Road, Jiangbei District, Chongqing	400020
24	Wusi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 30 Wusi Road, Yuzhong District, Chongqing	400010
25	Nanping Sub-branch of Bank of Chongqing Co., Ltd.	2-2, 1/F, No. 199 Nancheng Avenue, Nanping Boulevard, Nan'an District, Chongqing	400060
26	Yangjiaping Sub-branch of Bank of Chongqing Co., Ltd.	(Jianye Building) Yangjiaping Labour Village 3, Jiulongpo District, Chongqing	400050
27	Xiaolongkan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Xiaolongkan New Street, Shapingba District, Chongqing	400030
28	Minsheng Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 181 Minsheng Road, Yuzhong District, Chongqing	400010
29	Shangqingsi Sub-branch of Bank of Chongqing Co., Ltd.	No. 38-4, 5, 6, and 7 Zhongshan Si Road, Yuzhong District, Chongqing	400015
30	Chayuan New District Sub-branch of Bank of Chongqing Co., Ltd.	Shop 13, Site 2, Hua Street, Chayuan New District, Nan'an District, Chongqing	401336
31	Bishan Sub-branch of Bank of Chongqing Co., Ltd.	No. 205 (3 to 5) Jinjian Road, Bishan County, Chongqing	402760
32	Wenhuaogong Sub-branch of Bank of Chongqing Co., Ltd.	No. 131 Zhongshan Er Road, Yuzhong District, Chongqing	400014
33	Lianglukou Sub-branch of Bank of Chongqing Co., Ltd.	No. 139 Zhongshan San Road, Yuzhong District, Chongqing	400015
34	Chongda Sub-branch of Bank of Chongqing Co., Ltd.	No. 83 Shabei Street, Shapingba District, Chongqing	400044
35	Tianxingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 40-28 Tianxingqiao Zheng Street, Shapingba District, Chongqing	400030
36	Renhe Sub-branch of Bank of Chongqing Co., Ltd.	No. 50 Renhe Jile Avenue, Yubei District, Chongqing	401121
37	Chqotianmen Sub-branch of Bank of Chongqing Co., Ltd.	No. 7 Datong Street, Yuzhong District, Chongqing	400011
38	Daping Sub-branch of Bank of Chongqing Co., Ltd.	No. 121 Daping Changjiang Er Road, Yuzhong District, Chongqing	400042
39	Danzishi Sub-branch of Bank of Chongqing Co., Ltd.	No. 52 Danzishi New Street, Nan'an District, Chongqing	400061
40	Jiazhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 115 Jiazhou Road, Yubei District, Chongqing	401147
41	Songshuqiao Sub-branch of Bank of Chongqing Co., Ltd.	District A, Shanghai Building, No. 71 Wuling Road, Longxi Avenue, Yubei District, Chongqing	401147

List of Branch Outlets

No.	Name	Address	Postcode
42	Baxian Avenue Sub-branch of Bank of Chongqing Co., Ltd.	No. 80 Yudong Baxian Avenue, Banan District, Chongqing	401320
43	The Great Hall Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Xuetianwan Zheng Street, Yuzhong District, Chongqing	400015
44	Sanxia Plaza Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage) Podium Building, Lihai Building, No. 99 Xiaoxin Street, Shangpingba District, Chongqing	400030
45	Banan Sub-branch of Bank of Chongqing Co., Ltd.	No. 60-1 Xinshi Street, Banan District, Chongqing	401320
46	Xinhua Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 381-1 Xinhua Road, Yuzhong District, Chongqing	400010
47	Mingzu Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 20 Minzu Road, Yuzhong District, Chongqing	400011
48	Shaanxi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 33 Shaanxi Road, Yuzhong District, Chongqing	400011
49	Changshou Sub-branch of Bank of Chongqing Co., Ltd.	No. 10 Taoyuan West Road, Changshou District, Chongqing	401220
50	Shuangqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 10-39 Xihu Avenue, Shuangqiao District, Chongqing	400900
51	Jiulong Plaza Sub-branch of Bank of Chongqing Co., Ltd.	No. 36 Yangjiaping Xijiao Road, Jiulongpo District, Chongqing	400050
52	Fengcheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Xiangyang Road, Changshou District, Chongqing	401220
53	Dajian Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 9 Jiulongyuan Huoju Avenue, Jiulongpo District, Chongqing	400051
54	Ganghua Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Shuangshan Road, Dadukou District, Chongqing	400084
55	Yanjia Sub-branch of Bank of Chongqing Co., Ltd.	No. 41 Yanwei Road, Yanjia Town, Changshou District, Chongqing	401221
56	Daomenkou Sub-branch of Bank of Chongqing Co., Ltd.	No. 67 Shaanxi Road, Yuzhong District, Chongqing	400011
57	Beibeichaoyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 83 Zhongshan Road, Beibei District, Chongqing	400700
58	Gangliang Sub-branch of Bank of Chongqing Co., Ltd.	No. 10 Jiefang East Road, Bachuan Town, Tongliang County, Chongqing	402560
59	Hechuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 12 and 14 Hechuan Jiaotong Street, Chongqing	401520
60	Liangjiang New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Xingguang Avenue, Gaoxin Park, Beibu New District, Chongqing	401121
61	Jiangjin Sub-branch of Bank of Chongqing Co., Ltd.	No. 39 Bushi Street, Jiangjin Jijiang Town, Chongqing	402260
62	Southwest University Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Shigang Village, Beibei District, Chongqing	400715
63	Tianshengqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 85-3 Huangshu Village, Beibei District, Chongqing	400716

List of Branch Outlets

No.	Name	Address	Postcode
64	Dazu Sub-branch of Bank of Chongqing Co., Ltd.	No. 257 Wuxing Avenue, Tangxiang Boulevard, Dazu County, Chongqing	402360
65	Tongnan Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 1/F, No. 86-92 Xingtong Avenue, Guilin Community Service Office, Tongnan County, Chongqing	402660
66	Wansheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 11 Wansheng Avenue, Wansheng District, Chongqing	400800
67	Qinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 190, 192 and 194 Zhong Street, Qinggang Road, Bishan County, Chongqing	402760
68	Jiefangbei Sub-branch of Bank of Chongqing Co., Ltd.	No. 101 Minzu Road, Yuzhong District, Chongqing	400010
69	University City Sub-branch of Bank of Chongqing Co., Ltd.	Sub No. 125-127 and 149-152, No. 17 University City West Road, Huxi Town, Shapingba District, Chongqing	401331
70	Chengdu Chongzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 79 South Section 1, Binhe Road, and No. 353-367 Yangsi Street, Chongyang Town, Chongzhou, Sichuan	611230
71	Chengdu Binjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 65 Shangchi Zheng Street, Qingyang District, Chengdu, Sichuan	610015
72	Chengdu Wuhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 South Section 4, Yihuan Road Gaosheng Bridge, Wuhou District, Chengdu, Sichuan	610041
73	Chengdu Economic Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	(Odd No.) 1-19 Yiju Road, and (Even No.) 620-626 Beiquan Road, Longquanyi District, Chengdu, Sichuan	610100
74	Chengdu Jinsha Sub-branch of Bank of Chongqing Co., Ltd.	No. 171 Jinze Road, and No. 246 Shuhui Road, Qingyang District, Chengdu, Sichuan	610074
75	Chengdu Kehua Sub-branch of Bank of Chongqing Co., Ltd.	Libao Building, No. 62 Kehua North Road, Wuhou District, Chengdu, Sichuan	610040
76	Guiyangcheng East Sub-branch of Bank of Chongqing Co., Ltd.	No. 116 Baoshan Bei Road, Yunyan District, Guiyang, Guizhou	550001
77	Guiyang Mountain View Lake Branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Commercial Building One, Circle Y1 and Y2, Shijicheng, Guanshanhu District, Guiyang, Guizhou	550081
78	Xi'an Economic & Technological Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Fenglu No.1, No. 19 Wenjing Road, Xi'an Economic and Technological Development Zone	710016
79	Xi'an Qujiang New District Sub-branch of Bank of Chongqing Co., Ltd.	1/F and 2/F, No. 6, Building No.1, Longmai South Zone Tianlunyu Cheng, Second South Ring Road (East Section), Xi'an	710065
80	Xi'an International Trade & Logistics Park Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Qihang Garden Commercial Street, No. 6 Port Avenue, Xi'an International Trade & Logistics Park	710026

List of Branch Outlets

No.	Name	Address	Postcode
81	Qianjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1555 Xinhua Avenue (West Section), Qianjiang District, Chongqing	409000
82	Liangping Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 4, 6 and 8 Shuncheng Street, Liangshan Town, Liangping County, Chongqing	405200
83	Wanzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 28 Xincheng Road, Wanzhou District, Chongqing	404000
84	Fuling Sub-branch of Bank of Chongqing Co., Ltd.	G/F(street frontage), Stadium, Fuling District, Chongqing	408000
85	Nanmenshan Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Renmin East Road, Fuling District, Chongqing	408000
86	Nanchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Heping Road, Nanchuan Nan Cheng Community Service Office, Chongqing	408400
87	Zhong County Sub-branch of Bank of Chongqing Co., Ltd.	No. 3-1 Zhongbo Avenue, Zhongzhou Town, Zhong County, Chongqing	404300
88	Xiushan Sub-branch of Bank of Chongqing Co., Ltd.	No. 46 Fengxiang Road, Zhonghe Town, Xiushan Tujia and Miao Autonomous County, Chongqing	409900
89	Kai County Sub-branch of Bank of Chongqing Co., Ltd.	Shimin Plaza, Kaizhou Avenue (Middle Section), Kai County, Chongqing	405400
90	Fengdu Sub-branch of Bank of Chongqing Co., Ltd.	No. 184 and 186 Pingdu Avenue, Sanhe Town, Fengdu County, Chongqing	408200
91	Shizhu Sub-branch of Bank of Chongqing Co., Ltd.	No. 100-6 Wanshou Avenue, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing	409100
92	Lidu Sub-branch of Bank of Chongqing Co., Ltd.	No. 88 Julong Avenue, Lidu, Fuling District, Chongqing	408100
93	Dianjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 3, 4, and 5, 1/F, Building D, Center Plaza, South Inner Street, Guixi Town, Dianjiang County, Chongqing	408300
94	Yunyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1299 Yunjiang Avenue, Shuangjiang Town, Yunyang County, Chongqing	404500
95	Wuxi Sub-branch of Bank of Chongqing Co., Ltd.	Entertainment and Sports Building, Chunshen Avenue, Chengxiang Town, Wuxi County, Chongqing	405800
96	Wulong Sub-branch of Bank of Chongqing Co., Ltd.	No. 117 Furong West Road, Xiangkou Town, Wulong County, Chongqing	408500
97	Youyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 Chengbei New District, Zhongduo Town, Youyang County, Chongqing	409800
98	Pengshui Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage), Binjiang Community, Hanjia Town, Pengshui County, Chongqing	409699
99	Wushan Sub-branch of Bank of Chongqing Co., Ltd.	No. 46 Guangdong Middle Road, Wushan County, Chongqing	404700
100	Chengkou Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 East Stree, Gecheng Community Service Office, Chengkou County, Chongqing	405900

List of Branch Outlets

No.	Name	Address	Postcode
101	Fengjie Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Qiaomu Street, Yong'an Town, Fengjie County, Chongqing	404600
102	Dashizi Sub-branch of Bank of Chongqing Co., Ltd.	No. 296 Jiefang Road, Chengdong Avenue, Qianjiang District, Chongqing	409099
103	Xiushanwuyue Plaza Sub-branch of Bank of Chongqing Co., Ltd.	Shops No. 15, 16, and 17, 1/F, Building 1, Wuyue Plaza (South Zone), Xiushan County, Chongqing	409900
104	Wulidian Sub-branch of Bank of Chongqing Co., Ltd.	No. 292 Jianxin East Road, Jiangbei District, Chongqing	400020
105	Beibei Sub-branch of Bank of Chongqing Co., Ltd.	No. 453, 455 and 457, Yunqing Road, Beibei District, Chongqing	400700
106	Yubei Sub-branch of Bank of Chongqing Co., Ltd.	Shops 1-1 and 2-1 of Integrated Commercial Complex of Shengjing Tianxia, No. 9 Baiguo Road, Shuanglonghu Avenue, Yubei District, Chongqing	401120
107	Lianglu Sub-branch of Bank of Chongqing Co., Ltd.	No. 86 Shuanglong Boulevard, Shuanglonghu Avenue, Yubei District, Chongqing	401120
108	Qijiang Sub-branch of Bank of Chongqing Co., Ltd.	Sub 1-40 and Sub No. 2-225 to 229, Podium Building, Rongrun Kaixuan Mingcheng, No. 47 Jiulong Street, Wenlong Road, Qijiang District, Chongqing	401420
109	Yongchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 78 Renmin South Road, Yongchuan District, Chongqing	402160
110	Yongchuan Yuxi Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Sub Road, Yuxi Avenue, Yongchuan District, Chongqing	402160
111	Rongchang Changyuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 199-205 Binhe Middle Road, Changyuan Street, Rongchang County, Chongqing	402460
112	Rongchang Sub-branch of Bank of Chongqing Co., Ltd.	1-3, 2-3 No. 43-2 Changlong Street, Changzhou Avenue, Rongchang County, Chongqing	402460
113	Dazu Longshui Sub-branch of Bank of Chongqing Co., Ltd.	1-8, 1-7-1, 1-7-2, 1-6-2, Block G, Wujin Lvyou Cheng, Longshui Town, Dazu District, Chongqing	402368
114	Jiangjin Shuangfu Sub-branch of Bank of Chongqing Co., Ltd.	Sub No. 1-1, 1-2, and 1-3 Block 1, Meifang Mansion, Shui'an Huadu, No. 95, 93 and 91 Shuangfu Avenue, Shuangfu Street, Jiangjin District, Chongqing	402620
115	Liupanshui Zhongshan Middle Road Sub-branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Longcheng Plaza, No. 81 Zhongshan Middle Road, Zhongshan District, Liupanshui, Guizhou	553000
116	Zunyi Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1 Building 1, Jinxucheng Shangcheng Community, Nanjing Road, Huichuan District, Zunyi, Guizhou	563000

DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”	Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
“Board” or “Board of Directors”	the board of Directors of the Bank
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC Chongqing Bureau”	China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局)
“Chongqing Road & Bridge”	Chongqing Road & Bridge Co., Ltd. (重慶路橋股份有限公司), a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600106), and holding approximately 6.37% of the entire issued share capital in the Bank as at the Latest Practicable Date
“Dah Sing Bank”	Dah Sing Bank, Limited, a licensed bank incorporated in Hong Kong and holding approximately 16.95% of the entire issued share capital in the Bank as at the Latest Practicable Date
“Director(s)”	director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“H Shares”	overseas-listed foreign shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“HKD” or “HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	April 11, 2014, being the latest practicable date prior to the printing of this annual report

Definitions

“Lifan”	Lifan Industry (Group) Co., Ltd. (力帆實業(集團)股份有限公司), a joint stock limited liability company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601777), and holding approximately 9.93% of the entire issued share capital in the Bank as at the Latest Practicable Date
“Listing”	the listing of H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	November 6, 2013, being the date of Listing of the Bank
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC” or “Central Bank”	People’s Bank of China (中國人民銀行)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this annual report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	the shareholders of the Bank
“Shares”	the Domestic Shares and the H Shares
“Supervisor(s)”	the supervisor(s) of the Bank
“Yufu”	Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司), a limited liability company incorporated in the PRC, and holding approximately 17.08% of the entire issued share capital in the Bank as at the Latest Practicable Date