

2011

2011 ANNUAL REPORT



重庆农村商业银行
CHONGQING RURAL COMMERCIAL BANK

Annual Report

CHONGQING RURAL COMMERCIAL BANK

Stock Code: 3618

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

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Financial Summary

The financial information of the Group set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS, and expressed in RMB unless especially stated.

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | | | | |
|--|---------------------------------|-----------|---|-----------|---------------------|---------------------|
| | 2011 | 2010 | Comparison between 2011 and 2010 | 2009 | 2008 ⁽¹⁾ | 2007 |
| Operating results | | | Change (%) | | | |
| Net interest income | 10,505.0 | 7,501.8 | 40.03 | 5,474.5 | 5,183.3 | 4,314.2 |
| Net fee and commission income | 635.4 | 285.8 | 122.32 | 136.7 | 74.3 | 53.4 |
| Operating income | 11,118.3 | 7,744.6 | 43.56 | 5,676.8 | 5,294.3 | 5,712.5 |
| Operating expenses | (4,774.4) | (3,910.1) | 22.10 | (3,190.7) | (2,472.6) | (1,845.8) |
| (Impairment) reversals of impairment on assets | (848.0) | 45.2 | (1,976.11) | (123.0) | (292.0) | (883.4) |
| Profit before tax | 5,496.9 | 3,986.1 | 37.90 | 2,484.5 | 2,529.3 | 3,002.2 |
| Net profit | 4,248.0 | 3,061.2 | 38.77 | 1,888.3 | 1,995.2 | 3,002.2 |
| Net profit attributable to shareholders of the Bank | 4,246.5 | 3,064.2 | 38.58 | 1,888.3 | 1,995.2 | 3,002.2 |
| Based on per share (RMB) | | | Change | | | |
| Net assets per share attributable to shareholders of the Bank | 3.00 | 3.26 | (0.26) | 1.58 | N/A ⁽²⁾ | N/A ⁽²⁾ |
| Basic earnings per share | 0.46 | 0.45 | 0.01 | 0.31 | N/A ⁽²⁾ | N/A ⁽²⁾ |
| Profitability indicators (%) | | | Change | | | |
| Return on total assets ⁽³⁾ | 1.23 | 1.07 | 0.16 | 0.94 | 1.19 | 2.49 |
| Average return on assets ⁽⁴⁾ | 1.35 | 1.26 | 0.09 | 1.02 | 1.39 | 3.02 |
| Return on shareholders' equity ⁽⁵⁾ | 15.17 | 13.65 | 1.52 | 19.92 | 25.28 | N/A ⁽¹²⁾ |
| Net interest spread ⁽⁶⁾ | 3.13 | 2.97 | 0.16 | 2.94 | 3.51 | 4.08 |
| Net interest margin ⁽⁷⁾ | 3.36 | 3.07 | 0.29 | 3.06 | 3.68 | 4.16 |
| Net fee and commission income to operating income | 5.71 | 3.69 | 2.02 | 2.41 | 1.40 | 0.93 |
| Cost-to-income ratio ⁽⁸⁾ | 36.64 | 44.40 | (7.76) | 49.23 | 40.84 | 29.12 |

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | | | |
|--|--------------------|-----------|---|-----------|-----------|---------------------|
| | 2011 | 2010 | Comparison between 2011 and 2010 | 2009 | 2008 | 2007 |
| Scale indicators | | | Change (%) | | | |
| Total assets | 344,820.0 | 285,545.7 | 20.76 | 201,360.7 | 167,268.1 | 120,487.0 |
| Loans and advances to customers, gross | 144,097.2 | 121,024.5 | 19.06 | 99,331.7 | 73,091.4 | 75,398.6 |
| Total liabilities | 316,809.1 | 263,115.3 | 20.41 | 191,883.4 | 159,376.3 | 120,679.3 |
| Due to customers | 246,141.4 | 205,563.0 | 19.74 | 153,776.4 | 117,282.5 | 96,350.8 |
| Share capital | 9,300.0 | 9,000.0 | 3.33 | 6,000.0 | 6,000.0 | 1,639.9 |
| Equity attributable to shareholders of the Bank | 27,855.5 | 22,345.2 | 24.66 | 9,477.3 | 7,891.8 | (192.3) |
| Non-controlling interests | 155.4 | 85.2 | 82.39 | — | — | — |
| Total equity | 28,010.9 | 22,430.4 | 24.88 | 9,477.3 | 7,891.8 | (192.3) |
| Assets quality indicators⁽⁹⁾ (%) | | | Change | | | |
| Non-performing loan ratio | 1.44 | 2.38 | (0.94) | 3.88 | 8.68 | 13.22 |
| Allowances to non-performing loans | 265.24 | 172.81 | 92.43 | 126.85 | 83.43 | 63.33 |
| Allowances to total loans | 3.83 | 4.12 | (0.29) | 4.92 | 7.25 | 8.37 |
| Capital adequacy indicators (%) | | | | | | |
| Core capital adequacy ratio ⁽¹⁰⁾ | 13.71 | 14.78 | (1.07) | 8.14 | 9.31 | N/A ⁽¹¹⁾ |
| Capital adequacy ratio ⁽¹⁰⁾ | 14.90 | 16.31 | (1.41) | 10.23 | 9.32 | N/A ⁽¹¹⁾ |
| Total equity to total assets | 8.12 | 7.86 | 0.26 | 4.71 | 4.72 | N/A ⁽¹²⁾ |
| Other indicators (%) | | | Change | | | |
| Loan-to-deposit ratio ⁽⁹⁾ | 58.64 | 59.42 | (0.78) | 66.21 | 66.38 | 78.25 |

⁽¹⁾ The income for the year 2008 represents the sum of the financial results of the Chongqing Rural Credit Cooperative Union (the "CRCU") and 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank collectively, the ("39 Rural Credit Unions") for the period from January 1, 2008 to June 26, 2008 and that of the Bank from June 27, 2008 to December 31, 2008.

- ⁽²⁾ In June 2008, before the Bank was incorporated as a joint stock limited company, its business was carried out by the CRCU and 39 Rural Credit Unions at that time. As the corporate entity, each of the rural credit unions owns their share capital and has dividend distribution. Therefore, the Bank believes that it is not meaningful to disclose previous net assets per share and basic earnings per share on a consolidated basis.
- ⁽³⁾ Represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the year-end balance of total assets.
- ⁽⁴⁾ Represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets at the beginning and the end of the year.
- ⁽⁵⁾ Represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the year-end balance of total equity including non-controlling interests.
- ⁽⁶⁾ Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- ⁽⁷⁾ Calculated by dividing net interest income by average interest-earning assets.
- ⁽⁸⁾ Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
- ⁽⁹⁾ Non-performing loan ratio, allowances to non-performing loans, allowances to total loans and loan-to-deposit ratio were calculated on basis of the contractual amount of loans.
- ⁽¹⁰⁾ Calculated in accordance with the guidelines issued by CBRC and under the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP"). The calculation of capital adequacy ratio has considered the impact of proposed dividend for 2011.
- ⁽¹¹⁾ In 2007, the Bank's business was carried out by CRCU and the 39 Rural Credit Unions, who separately complies with relevant core indicator ratio requirements. On such premise, our directors are of the view that it is unnecessary or even misleading to present those core indicators on consolidated basis.
- ⁽¹²⁾ Not meaningful given that the Bank had a deficit total equity at December 31, 2007.

Basis of preparation of certain financial indicators

Under the IFRS, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and CRCU by our Bank on June 27, 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and our Bank before and after the restructuring. For trend analysis straddling before and after the restructuring, certain disclosures in relation to loans and advances to customers and relevant assets quality indicators after the restructuring have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the audited financial statements of the Group.



Company Information

Basic information

| | |
|---|--|
| Legal name and abbreviation in Chinese | 重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”) |
| Legal name and abbreviation in English | Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as Chongqing Rural Commercial Bank) |
| Legal Representative | LIU Jianzhong |
| Authorised Representatives | TAN Yuansheng SUI Jun |
| Secretary to the Board | SUI Jun |
| Joint Company Secretary | SUI Jun CHENG Pik Yuk |
| Registered address and postcode | No. 10 East Yanghe Road, Jiangbei District, Chongqing City, the PRC 400020 |
| Principal place of business in Hong Kong | Level 28, Three Pacific Place 1 Queen’s Road East, Hong Kong |
| Company’s website | www.cqrcb.com |
| Email address | cqrcb@cqrcb.com |
| Newspapers for information disclosure (Domestic Shares) | China Securities Journal |
| Listing stock exchange, stock name and stock code | The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618 |
| Date and authority of first incorporation | June 27, 2008 Administration for Industry and Commerce of Chongqing, the PRC |
| Registration number of corporate legal person business license | 500000000001239 |

| | |
|--------------------------------------|--|
| Code of organisational structure | 67612972-8 |
| Financial license institution number | The Bank holds a financial license number [B0335H250000001] approved by China Banking Regulatory Commission |
| Taxation registration number | Yu Guo Shui Zi (渝國稅字) No. 500105676129728 Yu Di Shui Zi (渝地稅字) No. 500105676129728 |
| Auditors | Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong Deloitte Touche Tohmatsu CPA Ltd. 30th Floor, No. 22, Yan'an East Road, Shanghai, PRC |
| Legal advisor as to PRC laws | Chongqing Jingsheng Law Firm 16th Floor, ABC, Peninsula International Business Tower (半島國際商務大廈), 50 Zou Rong Road, Yuzhong District, Chongqing City, PRC |
| Legal advisor as to Hong Kong laws | Jun He Law Offices Suite 2008, 20/F, Jardine House, 1 Connaught Place, Central, Hong Kong |
| Compliance Advisor | CMB International Capital Limited Units 1803-04, 18/F, Bank of America Tower, 12 Harcourt Road Central, Hong Kong |
| H Share Registrar | Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong |

Ranking and Awards



No. 385 World Bank by Asset Scale (資產規模世界銀行排名385位)

No. 21 among the Domestic Banks in China



No. 344 among the Top 500 Enterprises of China in 2011



No. 121 among the Top 200 Efficient Enterprises of China in 2011 (中國企業效益200佳)



No. 1 Financial Contribution Awards (金融貢獻獎一等獎)



The 2011 State-owned Enterprise Contribution Award - Advanced Entity (2011年度國企貢獻獎—先進集體)



No. 5 among the Chongqing Top 100 Service Enterprises in 2011 (2011重慶服務業企業100強第5位)

No. 13 among Chongqing Top 100 Enterprises In 2011 (2011重慶企業100強第13位)



Innovation Award of the Best Consumer Credit Product (最佳消費信貸產創新獎)



“1 Alliance” Preferential Merchant Scheme (「1聯盟」特惠商戶計劃) of Chongqing Rural Commercial Bank

Innovation Award of the Best Financial IT Product (最佳金融IT產品創新獎) - “e-Access” Corporate Internet Banking (「融e通」企業網上銀行) of Chongqing Rural Commercial Bank



Business Start-up Loans for Returned Migrant Workers (農民工返鄉創業貸款) was honored as “2011 Top Ten Featured Financial Products Serving for Small-sized Enterprises and ‘Sannong’ (2011年服務小企業及三農十佳特色金融產品)”

2011 Advanced Enterprise in Maintenance and Management of the National Rural Credit Banks Funds Payment and Clearing System (2011年度全國農信銀支付清算系統運維管理先進單位)

2011 Regional Commercial Bank with Best Internet Banking (2011年區域性商業銀行「最佳網上銀行獎」)

Award of Contribution to Cross-bank ATM Transactions for 2011 (2011年度ATM跨行交易貢獻獎一等獎)

Award of the Full Coverage of Bank Card Inter-link Services for Privileged Retailers in Chongqing for 2011 (2011年度重慶市銀行卡特約商戶全直聯獎)

First Prize of Contribution to Trading and Proportion of UnionPay Credit Cards for 2011 (2011年度銀聯信用卡交易及佔比貢獻獎一等獎)

2011 Inter-industry Cooperation and Innovation Award - First Prize of NFC Mobile Phone Payment (2011年度行業合作創新獎-NFC手機支付項目一等獎)

2011 Charity Donation Contribution Award (2011年度慈善捐贈貢獻獎)



香港公益金
THE COMMUNITY CHEST

President Awards at the Chest Annual Presentation of Awards (公益榮譽獎)



ChinaHR.com monster 全球招聘网络联盟

The Best Employers for College Graduates in China (中國大學生最佳僱主榜)



Chongqing Spirit Finance Model - the Third Golden Key Award - The Best Rural Financial Services Bank (榜樣重慶·金融典範 第三屆金鑰匙獎—最佳農村金融服務銀行)

Chongqing Spirit Finance Model - the Third Golden Key Award - The Best SME Bank (榜樣重慶·金融典範 第三屆金鑰匙獎--最佳中小企業銀行)



The Bank with Outstanding “Three Rights” Mortgage Financing Results In 2011 (2011年度開展「三權」抵押融資成績卓越銀行)

The Bank with Outstanding Contribution to Promoting Job Employment and Development of Micro-sized Enterprises in 2011 (2011年度促就業、扶持微型企業貢獻突出銀行)

The Bank Card Consumer Financial Services Innovation Award for 2011 (2011年度銀行卡消費金融服務創新獎)



The Bank Providing the Best “Sannong” Services (最佳服務三農銀行) in 2011

the Bank with the Best Financial Services for Middle-, Small- and Micro-sized Enterprises in 2011 (2011最佳中小微企業金融服務銀行)

The Best Independently-developed Innovative Financial Product in 2011 - Jiangyu Mobile Phone Financial Product (最佳自主創新金融產品—江渝手機金融產品)



The Best Bank Providing Rural Financial Services in 2011 (2011年度最佳農村金融服務銀行)

The Best Financial Institution Promoting the Development of Micro-sized Enterprises in 2011 (2011年度扶持微企成長最佳金融機構)

The Financial Institution with Outstanding Contribution to Promoting Common Wealth in Chongqing in 2011 (2011年度助推重慶共富突出貢獻金融機構)

The Financial Institution with Outstanding “Three Rights” Mortgage Financing Results in 2011 (2011年度開展「三權」抵押貸款成績突出金融機構)

The Best Independently-developed Innovative Financial Product for 2011 - Jiangyu Mobile Phone Financial Product (2011年度自主創新大獎產品—江渝手機金融產品)



The Best Credit Card Services Bank for the Year 2011 (2011年度最佳信用卡服務銀行)

The Best Financial Institution for Small-sized Enterprises in 2011 (2011年度最佳小企業金融服務機構).

The Best Independently-developed Innovative Financial Product - Jiangyu Mobile Phone Financial Product in 2011 (2011年度最佳自主創新金融產品—江渝手機金融產品)



Chairman's Statement

Dear Shareholders,

Year 2011 was an extraordinary year which witnessed the stable development for Chongqing Rural Commercial Bank. Facing the complicated international and domestic economic and financial conditions, the Bank, under the strong leadership of the Chongqing Municipal Committee and Chongqing Municipal Government as well as the guidance and support of regulatory authorities, leveraged on its listing and reform with remarkable results, which marked a promising commencement of the “Twelfth Five-year Plan” in its first year of listing.

The Bank obtained new opportunities in its development. Notwithstanding the impact of the European debt crisis as well as the significant slowdown in the world's economy, China's economy saw a robust growth, a stable commodity price, remarkable economic results and improved people's well-being, which were in line with the macro-control expectations. Being the only municipality directly supervised by the PRC central government in western China, Chongqing always expedited or pioneered in social and economic development with the fastest GDP growth nationwide and several economic indicators taking the lead in the state, and basically completed the construction as an inland open-up centre. As implementation of policies such as the Third Document of National Development, the Go West Policy and construction subsequent to the Three Gorges Project gathered pace, with the construction of “Five Chongqings”, “Ten Principles of People's Well-being” and “Twelve Principles for Common Wealth” advanced in full scale, the Bank gained new momentum for its sustainable development.

The Bank achieved extraordinary results. Since its establishment in 2008 and its listing in Hong Kong in 2010, the Bank stayed committed to “developing itself into the most competitive regional commercial bank in China”, and saw significant improvement in its business development on all fronts. As at the end of 2011, the Bank's total assets amounted to RMB344,820 million. Its due to customers and gross loans and advances to customers amounted to RMB246,141 million and RMB144,344 million, respectively. Its net profit amounted to RMB4,248 million while its average return on assets and return on shareholders' equity was 1.35% and 15.17%, respectively. With major operating indicators which ranked top among its financial peers, it was among the “Top 500 Enterprises of China”, Top 200 Efficient Enterprises of China (中國企業效益200佳) and ranked No.385 among World Banks by Asset Scale (資產規模世界銀行) and No. 21 among the Domestic Banks in China.

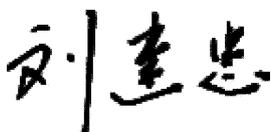
The Bank achieved breakthroughs in reforms. The Bank improved its corporate governance upon completion of the re-election of the first session of the board of directors and the supervisory committee as well as restructuring, and further strengthened its investor relations management by imposing regulations over information disclosure. It also reinforced its internal control management by promoting the “Year of Internal Control Improvement” and the “Year of Image Promotion”, setting up a pilot program under the Basel III Capital Accord and optimizing the FTP assessment system, the remote and centralised online authorisation system and the credit management system. The Bank accelerated construction of its branches. As the branch of Liangjiang New Zone was duly established, numerous premium branch outlets were opened to commence provision of quality

services, resulting in continuous improvement in corporate image and market competitiveness. Enhancement of product innovation. Following the launch of “Mobile Banking” in western China and the first launch of NFC SD UnionPay standard mobile financial product in the world, the Bank boasted itself as a benchmark in the industry. The intermediary business “Jiangyu Wealth (江渝财富)” and other characteristic brands have gradually established their market presence.

The Bank has made sure-footed progress in service quality. By adhering to the macro-economy policies, the Bank dedicated itself to the betterment of people's livelihood and supporting the real economy. It has fulfilled its responsibility as the major service provider of “Sannong” by increasing loan support. Outstanding agriculture-related loans of the Bank ranked top in the city with an amount as high as RMB60,323 million, accounting for 41.79% of the total amount of loans and an increase of RMB10,234 million as compared with the end of the previous year, which outpaced the average growth of all loans of the Bank. Financial businesses for small enterprises were strengthened as well, with outstanding loan amounting to RMB26,079 million, representing an increase of RMB6,123 million as compared with the end of the previous year and an increase of 30.68%, which ranked top in the city. Among which, over 80% of micro and small enterprises were attracted to open their accounts and the amount of loans exceeded most of its peers in the city. In addition, the amount of its loans for small and micro enterprises to customers exceeded all peers in the city. Meanwhile, the Bank unremittingly facilitated the development and opening of the city by providing more upfront support to pillar industries, industries with advantages and key projects and participating in the establishment of automotive finance companies, which contributed to the economic and social development of the city and the city's development into a financial hub.

We credit such achievements to the trust of all shareholders, the strong support of all sectors of society and our enterprising and diligent staff, to whom I express my gratitude on behalf of the Board.

We are charged with an important mission of our times and we work to the utmost to achieve success. With good grasp of the transformation and upgrade, the Bank will spare no efforts in advancing the characteristic operation, streamlining the management, development of a healthy corporate culture and the strategy of prudent and sustainable development in the new year, with a view to providing quality services to customers, maximising returns for shareholders and the society and dedicated itself to the coordination of urban-rural business and the development of a harmonious society.



LIU Jianzhong
Chairman

19 March 2012

Dear Shareholders,

In 2011, the Bank actively coped with the changing economic and financial conditions and the increasingly fierce market competition, whilst maintaining its sound and stable operation by readjusting the development mode and optimizing the revenue structure with effective prevention and control of various risks, thereby enabling it to maintain a robust growth.

Year in Review 2011

Operation scale reaching a new height with increasing profitability

The Bank (corporate information, defined as the same hereinafter), with its total size assets of firstly exceeded RMB300,000 million to RMB344,820 million, an increase of 20.76%, continues to take the lead in the banking sector in Chongqing. Gross loans the deposits balance increased by RMB22,199 million or 18.17% over the end of last year to RMB144,344 million. Total liabilities increased by 20.41% to RMB316,809 million, while the deposits balance soared by RMB40,578 million or 19.74% over the end of last year to RMB246,141 million, boasting the largest amount and growth among banks in Chongqing.

The Bank achieved a net profit of RMB4,248 million, up RMB1,187 million or 38.77% over the previous year. During the year, the Bank had operating income of RMB11,118 million, representing an increase of 43.56%, among which, net interest income increased by 40.03% to RMB10,505 million, whereas the operating expenses rose by 22.10% only to RMB4,774 million. Cost-to-income ratio dropped 7.76 percentage points over last year to 36.64%.

Co-development of cities and counties and further enhancement in its core strengths

The Bank adhered to the market positioning of serving “Sannong”, county economies and SMEs through aligning business development in cities and counties whilst consolidating and strengthening the core competitive strengths incessantly. Deposit balance and loan balance attributable to county area branches increased by RMB27,380 million or 19.98% and RMB9,223 million or 15.81% to RMB164,400 million and RMB67,559 million, respectively. The outstanding agriculture-related loans of the Bank mounted by RMB10,234 million or 20.43% as compared with the end of the previous year to RMB60,323 million, accounting for 41.79% of the total loans. The Bank propped up industrialization development, promoted RMB10,000 increment for farmers, set up user-friendly service terminals, innovated loans pledged by Three Rights and loans for land reclamation, and provided social old-age insurance agency service for residents living in urban and town areas so as to unceasingly enhance its ability in providing financial services in county areas.

Full Ramp-up of Businesses with Significant Improvement in Market Competitiveness

Strove for real economic development. The Bank further refined its banking business with strengthened effort in premium customers marketing of the local pillar industries. The loan balance (including discounted bills) amounted to RMB92,806 million, representing an increase of RMB13,261 million as compared to the end of the previous year. In addition, the Bank pressed ahead with the development of the personal banking segment with a view to satisfying consumption requirement of residents. The loan balance amounted to RMB51,539 million, representing an increase of RMB8,938 million as compared to the end of the previous year. In addition, the Bank also stepped up its effort in introducing new small and micro enterprise financial services via the launch of "Easy Commercial Loans" product series, our loan balance registered RMB 26,079 million, representing an increase of RMB6,123 million as compared to the end of previous year, making both the number of new accounts and loans for microenterprises among the top in the city.

Great efforts in boosting the profitability of our operations. With emphasis on the effective resource allocation and flexible operation, the Bank recorded an operating revenue of RMB3,138 million, representing an increase of RMB1,425 million or 83.20% as compared to the end of the previous year.

Solid progress in expansion of e-banking business. By proactively promoting product innovation, the Bank launched the first financial product boasting several technologies of NFC payment application in the world - Jiangu Mobile Phone Financial Product. Furthermore, the transaction volume through e-banking for the year increased by 597.54% over the end of the previous year to RMB111,564 million, with the proportion of transactions conducted through e-banking gradually increasing. As a result of its efforts in expediting the development of card businesses, the Bank issued 8,965,500 debit cards with a transaction volume of RMB23,012 million, representing a year-on-year increase of 43.87%, and issued 42,900 credit cards with a transaction volume of RMB1,189 million, representing a year-on-year increase of 292.35%.

Emphasis on the development of new value-added services. The Bank spared no efforts in diversifying the income portfolio. During the year, net income derived from intermediary business increased by 122.32% to RMB635 million. It also vigorously increased the number of its correspondent banks to 285 for international business and took a leading position among the banks in Chongqing in terms of settlement and sale of foreign exchange and international settlement. Riding on the diversified profit model that has been in shape, the Bank has been engrossed in the application of new business licenses and tapped into different sectors including distribution of rare metals, investment banking, private equity custodian and auto finance.

Strengthening internal management while maintaining quality assets

Upholding the concept of “risk-based approach and capital control”, the Bank enhanced its internal control with a firm grip on compliance with relevant laws and regulations. Strictly following the national credit policy, it effectively controlled the credit risks in key sectors by strengthening the government financing platform and control of property loans. It also reinforced preventive measures against operational risk by setting up centralised authorisation centres dedicated to accounting treatment, a pilot move among its national peers. Meanwhile, the Bank started to engage in the pilot project of the new Basel Capital Accord III progressively. The Bank, leveraging on a comprehensive evaluation on internal control, corroborated routine examination with special inspections as well as a series of rectification measures, increased the effectiveness of internal audit substantially.

With enhanced efforts in disposal of non-performing assets, the Bank's assets quality continued to improve, as evidenced by the non-performing loan ratio and the balance of nonperforming loans on the ebb. The balance of non-performing loans decreased by RMB829 million over the end of the previous year to RMB2,082 million, and non-performing loan ratio decreased by 0.94 percentage point over the end of the previous year to 1.44%. The coverage ratio for provisions surged significantly by 92.43 percentage points to 265.24% as compared to the end of the previous year. The Group's 14.90% capital adequacy ratio was largely higher than the regulatory requirement stipulated by the PRC banking industry.

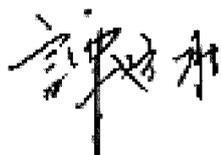
Improving corporate image with greater social presence

The Bank enhanced its social profile through various approaches. It focused on improving service quality to promote the transformation and upgrade and to bolster customer satisfaction based on the establishment of premium branch outlets. Meanwhile, the Bank increased its efforts in publication, made information disclosure duly and strengthened the Bank's presence and reputation in the market through investor relations management. By actively fulfilling its social responsibilities, it established a positive social and public image. The Bank ranked No. 385 among World Banks by Asset Scale (資產規模世界銀行排名385位) and No. 21 among the Domestic Banks in China according to “The Banker” and ranked No. 344 among the Top 500 Enterprises of China in 2011 according to the Fortune Magazine.

The above achievements are inseparable from the unwavering efforts of our staff as well as the unfaltering support of our customers, investors and the community. As such, I, on behalf of the management, would like to express my sincere gratitude to them.

Outlook for 2012

In 2012, guided by the scientific outlook on development and based on transformation and upgrade, the Bank will endeavor to support the real economies and fuel the development of small and micro enterprises with differentiated operation, a different development mode and optimised income portfolio. The Bank will continue to reinforce the “Sannong” sector by improving the services that favor the people’s interests. At the same time, it will quicken the pace of “going out” and increase regional presence. Besides, based on streamlined management, full-fledged organisation, as well as strengthened credit, financial and accounting management, the Bank aims to improve the comprehensive risk management and security monitoring, enhance the foundation of development such as the IT system and talent pool and restructure itself into a bank with a scientific structure and efficient management. Based on an enterprising corporate culture, the Bank is dedicated to cultivating itself as a learning organization with a core value system, which calls for the Bank to double efforts in dissemination, walk the talk and provide a sound material guarantee. Through these efforts, it aspires to grow and share the harmony and the well-being with all its staff, provide high-quality financial services to the society and create greater value to its shareholders.



TAN Yuansheng

Executive Director and President

March 19, 2012



Management Discussion and Analysis

Financial Review

In 2011, affected by the ongoing spread of the euro debt crisis, the geopolitical turmoil in the Middle East, the runaway international oil price and deteriorating inflation dynamics, the world economy saw a slowdown. Looking into 2012, the world economy will face more instabilities and uncertainties and the world is very likely to see continuous slow growth.

Beset by the world economy, China's economy is still in good shape in general but its growth slowed down. In 2011, China achieved gross domestic product (GDP) of RMB47,156.4 billion, representing an increase of 9.2% based on comparable prices compared to the previous year. Overall speaking, as inflation caps and subsidies and property prices in its downward trajectory, there is hope for objectives of the macro control to be met.

During the year, the financial system of China was stable and sound, with sufficient liquidity maintained at a reasonable level in the banking system and moderate growth in monetary credit. The People's Bank of China had raised the deposit reserve ratio and the benchmark lending and deposit rates for six times and three times, respectively, followed by a timely downward adjustment of the deposit reserve ratio at the end of the year. Attributable to the adoption of flexible and prudent monetary policies by all financial institutions in the banking industry, credit had been granted in reasonable amount and pace and credit investment had continued to improve, which laid foundation for steady and rapid economic growth. As at the end of 2011, outstanding broad money (M2) reached RMB85.16 trillion, up 13.6% year on year, whereas outstanding narrow money (M1) reached RMB28.98 trillion, up 7.9% year on year, including an increase of RMB7.47 trillion in RMB-denominated loans and US\$88.2 billion in foreign-currency denominated loans, respectively. RMB-denominated deposits increased by RMB9.63 trillion whereas foreign-currency denominated deposits increased by US\$49.4 billion.

Recently, the State Council approved the Twelfth Five-Year Plan under the "Go West" strategy which specified that the "Go West" strategy should be further implemented during the Twelfth Five-year plan. With GRP and income levels of urban and rural households above national average, the economy in Chongqing is set to thrive. Thanks to conscientious implementation of the macro control policies of the State, full implementation of industrial upgrades and further efforts in reforms and innovation to improve people's well being, Chongqing saw a leap forward in its economy in 2011, with some of the most highly ranked and top-ranked economic indicators across the nation.

I. Income Statement Analysis

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | Change in amount | Change (%) |
|---|------------------------------------|----------------|---------------------|---------------|
| | 2011 | 2010 | | |
| Net interest income | 10,505.0 | 7,501.8 | 3,003.2 | 40.03 |
| Net fee and commission income | 635.4 | 285.8 | 349.6 | 122.32 |
| Net trading gain (losses) | 23.4 | (46.2) | 69.6 | (150.65) |
| Other operating (losses) income, net | (45.5) | 3.2 | (48.7) | (1,521.88) |
| Operating income | 11,118.3 | 7,744.6 | 3,373.7 | 43.56 |
| Operating expenses | (4,774.4) | (3,910.1) | (864.3) | 22.10 |
| (Impairment) reversals of impairment on assets | (848.0) | 45.2 | (893.2) | (1,976.11) |
| Net gain from disposal of available-for-sale financial assets | — | 106.4 | (106.4) | (100.00) |
| Net gain from disposal of debt securities classified as receivables | 1.0 | — | 1.0 | 100.00 |
| Profit before tax | 5,496.9 | 3,986.1 | 1,510.8 | 37.90 |
| Income tax expense | (1,248.9) | (924.9) | (324.0) | 35.03 |
| Net Profit | 4,248.0 | 3,061.2 | 1,186.8 | 38.77 |

In 2011, the profit before tax of the Group amounted to RMB5,497 million, representing an increase of 37.90% as compared to the previous year; net profit amounted to RMB4,248 million, representing an increase of 38.77% as compared to the previous year. The increase in profit before tax and net profit exceeded 37% as compared to the previous year, primarily attributable to: first, our substantial restructuring on deposit portfolio and loan structure, which had driven the net interest income to increase by RMB3,003 million or 40.03% as compared to the previous year; second, a rapid year-on-year growth of RMB350 million or 122.32% in net fee and commission income constantly driven by proactive development of new services and product innovation and third, the year-on-year increase of RMB68,464 million or 28.05% in average balance of interest-earning assets, as a result of the surge in interest-earning assets.

(I) Net Interest Income

In 2011, the net interest income of the Group amounted to RMB10,505 million, representing an increase of RMB3,003 million or 40.03% as compared to the previous year and accounting for 94.48% of the Bank's total operating income.

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

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | Change in amount | Change (%) |
|--|------------------------------------|----------------|---------------------|---------------|
| | 2011 | 2010 | | |
| Interest income | 17,539.2 | 11,473.4 | 6,065.8 | 52.87 |
| Interest expense | (7,034.2) | (3,971.6) | (3,062.6) | 77.11 |
| Net interest income | 10,505.0 | 7,501.8 | 3,003.2 | 40.03 |

The table below sets forth, for the years indicated, the average balances of our interest-earning assets and interest-bearing liabilities, related interest income or interest expense and average yields (for assets) or average costs (for liabilities).

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | | | | |
|--|---------------------------------|--------------------------------|------------------------------|--------------------|--------------------------------|------------------------------|
| | 2011 | | | 2010 | | |
| | Average balance | Interest income/ expense | Average yield/cost (%) | Average balance | Interest income/ expense | Average yield/cost (%) |
| Assets | | | | | | |
| Loans and advances to customers | 136,635.1 | 9,460.5 | 6.92 | 113,577.1 | 7,110.1 | 6.26 |
| Debt securities investments | 73,754.3 | 3,754.7 | 5.09 | 68,423.8 | 2,869.0 | 4.19 |
| Deposits with the central bank | 43,858.6 | 696.6 | 1.59 | 29,610.3 | 447.4 | 1.51 |
| Due from banks and other financial institutions | 58,314.7 | 3,627.4 | 6.22 | 32,487.5 | 1,046.9 | 3.22 |
| Total interest-earning assets | 312,562.7 | 17,539.2 | 5.61 | 244,098.7 | 11,473.4 | 4.70 |
| Liabilities | | | | | | |
| Due to customers | 225,806.8 | 3,944.1 | 1.75 | 181,920.4 | 2,607.7 | 1.43 |
| Due to banks and other financial institutions | 58,340.2 | 3,090.1 | 5.30 | 47,245.1 | 1,363.9 | 2.89 |
| Total interest-bearing liabilities | 284,147.0 | 7,034.2 | 2.48 | 229,165.5 | 3,971.6 | 1.73 |
| Net interest income | | 10,505.0 | | | 7,501.8 | |
| Net interest spread | | | 3.13 | | | 2.97 |
| Net interest margin | | | 3.36 | | | 3.07 |

Under the influence of interest rate hike and macro control, the average yield on overall interest-earning assets increased by 91 basis points to 5.61% as compared to the previous year.

Affected by interest rate hike and the high cost of market fund, the average cost for due to customers and due to banks and other financial institutions saw an increase over the previous year, resulting in an increase of 75 basis points in average cost of overall interest-bearing liabilities to 2.48% as compared to the previous year.

Due to adjustments in interest rate and mismatched re-pricing of loans and deposits, the growth in the average yield of interest-earning assets was more than that of the average cost for interest-bearing liabilities, resulting in a rise of 16 basis points in net interest spread to 3.13% as compared to the previous year, whereas the net interest margin was driven up by 29 basis points to 3.36%.

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

| (Expressed in RMB million) | Volume factor | Rate factor | Changes in interest income/ expense |
|---|----------------|----------------|--|
| Assets | | | |
| Loans and advances to customers | 1,595.6 | 754.8 | 2,350.4 |
| Debt securities investments | 271.3 | 614.4 | 885.7 |
| Deposits with central bank | 226.5 | 22.7 | 249.2 |
| Due from banks and other financial institutions | 1,606.5 | 974.0 | 2,580.5 |
| Changes in interest income | <u>3,699.9</u> | <u>2,365.9</u> | <u>6,065.8</u> |
| Liabilities | | | |
| Due to customers | 768.0 | 568.4 | 1,336.4 |
| Due to banks and other financial institutions | 588.0 | 1,138.2 | 1,726.2 |
| Changes in interest expense | <u>1,356.0</u> | <u>1,706.6</u> | <u>3,062.6</u> |

1. Interest Income

In 2011, the interest income of the Group amounted to RMB17,539 million, representing an increase of RMB6,066 million or 52.87% as compared to the previous year.

(1) Interest Income from Loans and Advances to Customers

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

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | | | | |
|---|---------------------------------|-----------------|-------------------|------------------|-----------------|-------------------|
| | 2011 | | | 2010 | | |
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Corporate loans | 88,757.3 | 5,564.5 | 6.27 | 71,016.0 | 4,027.7 | 5.67 |
| Retail loans | 44,283.4 | 3,533.8 | 7.98 | 34,178.5 | 2,742.4 | 8.02 |
| Discounted bills | 3,594.4 | 362.2 | 10.08 | 8,382.6 | 340.0 | 4.06 |
| Total loans and advances to customers | 136,635.1 | 9,460.5 | 6.92 | 113,577.1 | 7,110.1 | 6.26 |

Interest income from loans and advances to customers increased by RMB2,350 million or 33.05% to RMB9,461 million as compared to the previous year, primarily attributable to the increase in both average balance and average yield of loans and advances to customers as compared to the previous year, as a result of the improvement in loan structure and capability of price negotiation.

(2) Interest Income from Debt Securities Investments

In 2011, the Group's interest income from debt securities investments increased by RMB886 million or 30.87% to RMB3,755 million as compared to the previous year, primarily attributable to the increase in average balance and average yield of debt securities investment over the previous year, as a result of the unremitting efforts in optimizing investment structure.

(3) Interest Income from Deposits with Central Bank

In 2011, the Group's interest income from deposits with the central bank increased by RMB249 million or 55.70% to RMB697 million as compared to the previous year, primarily attributable to a 48.12% increase in average balance of deposits with the central bank as compared to the previous year following a substantial increase in deposits from customers and the upward adjustment of the general reserve ratio.

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

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

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | | | | |
|---|---------------------------------|-----------------|-------------------|-----------------|-----------------|-------------------|
| | 2011 | | | 2010 | | |
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Deposits and placements with banks and other financial institutions | 16,348.0 | 714.4 | 4.37 | 6,554.6 | 176.4 | 2.69 |
| Financial assets held under resale agreements | 41,966.7 | 2,913.0 | 6.94 | 25,932.9 | 870.5 | 3.36 |
| Total due from banks and other financial institutions | 58,314.7 | 3,627.4 | 6.22 | 32,487.5 | 1,046.9 | 3.22 |

In 2011, the interest income from deposits and placements with banks and other financial institutions of the Group increased by RMB538 million or 304.99% to RMB714 million as compared to the previous year, primarily attributable to sustained hike of interest rates in the money market, which drove the average yield of deposits and placements with banks and other financial institutions up by 168 basis points to 4.37% as compared to the previous year.

In 2011, the interest income from financial assets held under resale agreements increased by RMB2,043 million or 234.64% year on year to RMB2,913 million, primarily attributable to a year-on-year increase of 61.83% in average balance as the Group increased bonds and bills held under resale agreements to raise short-term fund utilisation efficiency.

2. Interest Expense

In 2011, the Group's interest expense increased by RMB3,063 million or 77.11% to RMB7,034 million as compared to the previous year.

(1) Interest Expense on Due to Customers

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

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | | | | |
|---|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| | 2011 | | | 2010 | | |
| | Average balance | Interest expense | Average cost (%) | Average balance | Interest expense | Average cost (%) |
| Corporate deposits | | | | | | |
| Demand | 46,676.3 | 252.8 | 0.54 | 36,207.0 | 216.3 | 0.60 |
| Time | 14,956.3 | 309.5 | 2.07 | 12,061.8 | 125.4 | 1.04 |
| Subtotal | <u>61,632.6</u> | <u>562.3</u> | <u>0.91</u> | <u>48,268.8</u> | <u>341.7</u> | <u>0.71</u> |
| Retail deposits | | | | | | |
| Demand | 46,759.9 | 224.1 | 0.48 | 37,949.1 | 136.3 | 0.36 |
| Time | 117,353.2 | 3,157.7 | 2.69 | 95,702.5 | 2,129.7 | 2.23 |
| Subtotal | <u>164,113.1</u> | <u>3,381.8</u> | <u>2.06</u> | <u>133,651.6</u> | <u>2,266.0</u> | <u>1.70</u> |
| Total due to customers | <u>225,806.8</u> | <u>3,944.1</u> | <u>1.75</u> | <u>181,920.4</u> | <u>2,607.7</u> | <u>1.43</u> |

In 2011, the interest expense on due to customers of the Group increased by RMB1,336 million or 51.25% to RMB3,944 million as compared to the previous year, primarily due to an increase of 32 basis points in the average cost of due to customers to 1.75% as a result of the adjustments to interest rates.

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

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

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | | | | |
|--|---------------------------------|------------------|------------------|-----------------|------------------|------------------|
| | 2011 | | | 2010 | | |
| | Average balance | Interest expense | Average cost (%) | Average balance | Interest expense | Average cost (%) |
| Deposits and placements from banks and other financial institutions and borrowings from central bank | 18,134.9 | 1,007.9 | 5.56 | 8,167.3 | 221.3 | 2.71 |
| Financial assets sold under repurchase agreements | 37,905.3 | 1,955.7 | 5.16 | 36,777.8 | 1,016.1 | 2.76 |
| Debt securities issued | 2,300.0 | 126.5 | 5.50 | 2,300.0 | 126.5 | 5.50 |
| Total due to banks and other financial institutions | 58,340.2 | 3,090.1 | 5.30 | 47,245.1 | 1,363.9 | 2.89 |

In 2011, the interest expense on deposits and placements from banks and other financial institutions and borrowings from central bank of the Group increased by RMB787 million or 355.45% year on year to RMB1,008 million, primarily due to the change in the capital market and the increase in average balance and average cost of deposits and placements from banks and other financial institutions and borrowings from the central bank as compared to the previous year.

In 2011, the interest expense on financial assets sold under repurchase agreements of the Group increased by RMB940 million or 92.47% to RMB1,956 million as compared to the previous year, primarily due to increases in the average balance and average cost of financial assets sold under repurchase agreements.

(3) Debt Securities Issued

As the Bank issued subordinated bonds in December 2009, both of the interest costs on subordinated bonds of the Group as of December 31, 2011 and 2010 were RMB127 million. The average balances were RMB2,300 million for both 2011 and 2010.

3. *Net Interest Spread and Net Interest Margin*

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

In 2011, the net interest spread of the Group increased by 16 basis points to 3.13% as compared to the previous year, the increase of which reflected a higher growth rate in the average yield of interest-earning assets from the previous year than that in the average cost of interest-bearing liabilities over the previous year.

In 2011, the net interest income of the Group increased by RMB3,003 million or 40.03% to RMB10,505 million as compared to the previous year. In 2011, the average balance of interest-earning assets of the Group increased by 28.05%. As the growth in net interest income outstripped that of the average balance of interest-earning assets, the net interest margin of the Group increased by 29 basis points from the previous year to 3.36% in 2011.

(II) Non-interest Income1. *Net Fee and Commission Income*

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | Change in amount | Change (%) |
|--|------------------------------------|---------------|---------------------|---------------|
| | 2011 | 2010 | | |
| Fee and commission income | 671.1 | 308.9 | 362.2 | 117.25 |
| Settlement and clearing fees | 35.3 | 34.2 | 1.1 | 3.22 |
| Agency commissions | 106.4 | 103.3 | 3.1 | 3.00 |
| Bank card fees | 73.6 | 54.3 | 19.3 | 35.54 |
| Custodian and other fiduciary service fees | 9.3 | 16.8 | (7.5) | (44.64) |
| Consultancy and advisory fees | 437.0 | 90.9 | 346.1 | 380.75 |
| Others | 9.5 | 9.4 | 0.1 | 1.06 |
| Fee and commission expense | (35.7) | (23.1) | (12.6) | 54.55 |
| Net fee and commission income | 635.4 | 285.8 | 349.6 | 122.32 |

In 2011, the net fee and commission income of the Group increased by RMB350 million or 122.32% to RMB635 million as compared to the previous year, and its proportion to operating income increased by 2.02 percentage points to 5.71%, primarily attributable to an increase in consultancy and financial advisory fees, agency service fees, bank card fees and settlement and clearing fees.

Settlement and clearing fees increased by RMB1 million or 3.22% to RMB35 million as compared to the previous year, primarily attributable to an increase in the number of our clients and our business growth, as a result of active marketing efforts and improvement in services.

Agency commissions increased by RMB3 million or 3.00% to RMB106 million as compared to the previous year, primarily attributable to aggressive market expansion and continuous growth in insurance agency business.

Bank card fees increased by RMB19 million or 35.54% to RMB74 million as compared to the previous year, primarily attributable to sustained growth in consumer spending (消費交易額) and transactions through self-service facilities (自助設備交易額) following the continuous increase in resources invested, optimised customer structure and improvement in card quality.

Custodian and other fiduciary fees decreased by RMB8 million or 44.64% to RMB9 million as compared to the previous year.

Consultancy and advisory fees increased by RMB346 million or 380.75% to RMB437 million as compared to the previous year, primarily credited to the robust growth in diversified financial advisory services provided by the Bank, in accordance with the individual needs and requirements in investment and finance from customers.

Other fee and commission income recorded RMB10 million, basically remaining at the same level as that for the previous year.

2. *Net Trading Gain (Losses)*

Net trading gain (losses) primarily comprises changes in the fair value of held-for-trading debt securities and gain (losses) arising from trading. In 2011, our net trading gain was RMB23 million, primarily due to restructuring of debt securities investment portfolio.

3. *Other Operating (Losses) Income, Net*

In 2011, other operating loss, net increased by a loss of RMB49 million to RMB46 million as compared to the previous year, primarily because the gain from assets disposal and leasing was offset by the net loss in foreign exchange.

4. *Net Gain on Disposal of Available-for-sale Financial Assets*

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | Change in amount | Change (%) |
|---|------------------------------------|-------|---------------------|---------------|
| | 2011 | 2010 | | |
| Net gain on disposal of available-for-sale financial assets | — | 106.4 | (106.4) | (100.00) |

(III) **Operating expenses**

In 2011, the operating expenses of the Group increased by RMB864 million, or 22.10% to RMB4,774 million as compared to the previous year.

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | Change in amount | Change (%) |
|--|------------------------------------|----------------|---------------------|---------------|
| | 2011 | 2010 | | |
| Staff costs | 2,861.9 | 2,341.1 | 520.8 | 22.25 |
| Business tax and surcharges | 701.0 | 471.5 | 229.5 | 48.67 |
| Depreciation and amortisation | 347.4 | 331.1 | 16.3 | 4.92 |
| Others | 864.1 | 766.4 | 97.7 | 12.75 |
| Total operating expenses | 4,774.4 | 3,910.1 | 864.3 | 22.10 |

1. *Staff Costs*

Staff costs are the largest component of operating expenses of the Group, accounting for 59.94% and 59.87% of its total operating expenses for the years ended December 31, 2011 and 2010 respectively.

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | Change in amount | Change (%) |
|---|------------------------------------|----------------|---------------------|---------------|
| | 2011 | 2010 | | |
| Salaries, bonuses and allowances | 1,891.1 | 1,574.0 | 317.1 | 20.15 |
| Staff welfare, social insurance and housing funds | 554.6 | 405.9 | 148.7 | 36.63 |
| Others | 416.2 | 361.2 | 55.0 | 15.23 |
| Total staff costs | 2,861.9 | 2,341.1 | 520.8 | 22.25 |

In 2011, staff costs of the Group increased by RMB521 million or 22.25% to RMB2,862 million as compared to the previous year, primarily due to an increase of RMB317 million in salaries, bonuses and allowances as compared to the previous year following the provision of higher and better compensation schemes to its staff that aim to continually improve staff quality by offering market competitive compensation which attract and retain talented personnel. The increase of staff costs was also attributable to an increase of RMB48 million in retirement and internal retirement benefits over the previous year as a result of the increase in retirement and internal retirement benefits in a bid to alleviate the impact of inflation on the lives of our staff, as well as the increased number of retired and internally retired employees.

2. *Business Tax and Surcharges*

Business tax and surcharges mainly relate to revenue generated from our provision of financial products and services with respect to lending (interest income), transfer of securities, financial advisory services, and other financial services. Business tax and surcharges increased by RMB230 million or 48.67% to RMB701 million in 2011 as compared to the previous year.

3. Depreciation and Amortisation

Depreciation and amortisation expenses for the year ended December 31, 2011 increased by RMB16 million or 4.92% over the previous year as changes in our property and equipment remained stable during the year.

4. Others

For the year ended December 31, 2011, other general and administrative expenses increased by 12.75% to RMB864 million as compared to RMB766 million in 2010, primarily due to greater business expansion and additional cost in security measures.

(IV) Impairment (Reversal of Impairment) on Assets

Impairment (reversals of impairment) on assets consist primarily of provisions charged on loans and other assets. Provisions charged for impairment losses recorded RMB848 million for the year ended December 31, 2011 as compared to a reversal of RMB45 million for 2010. The change in impairment losses was primarily due to increased collective provisions for impairment on loans based on discrete assessment on operation risks and in full consideration of the uncertainties in the macro environment, as well as the provision of allowances for the impairment on wealth management products.

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

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | Change in amount | Change (%) |
|---|------------------------------------|---------------|---------------------|-------------------|
| | 2011 | 2010 | | |
| Loans and advances to customers | 554.8 | 4.8 | 550.0 | 11,458.33 |
| Other assets | 293.2 | (50.0) | 343.2 | (686.40) |
| Total impairment (reversals of impairment) on assets | 848.0 | (45.2) | 893.2 | (1,976.11) |

In 2011, provision for impairment on loans and advances to customers recorded RMB555 million as compared to RMB5 million for the year 2010, primarily due to increased collective provisions for impairment on loans based on discrete assessment on operation risks and in full consideration of the uncertainties in the macro environment.

In 2011, provision for impairment on other assets recorded a net loss of RMB293 million as compared to a reversal of RMB50 million for the year 2010. This was mainly attributable to the provision of allowances for impairment on wealth management products invested or purchased by the Bank, which was made based on the principle of prudent operation and in compliance with the regulatory requirements.

(V) Income Tax Expense

The applicable income tax rate of the Group was 25%. The effective tax rates of the Group in 2011 and 2010 were 22.72% and 23.20% respectively.

The following table sets forth the profit before tax and income tax expense for the years ended December 31, 2011 and 2010.

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | Change in amount | Change (%) |
|--|------------------------------------|--------------|---------------------|---------------|
| | 2011 | 2010 | | |
| Profit before tax | 5,496.9 | 3,986.1 | 1,510.8 | 37.90 |
| Tax calculated at applicable statutory tax rate of 25% | 1,374.2 | 996.5 | 377.7 | 37.90 |
| Add/(less) the tax effect of the following items: | | | | |
| Non-deductible expenses | 34.7 | 47.9 | (13.2) | (27.56) |
| Non-taxable income | (160.0) | (119.5) | (40.5) | 33.89 |
| Income tax expense | 1,248.9 | 924.9 | 324.0 | 35.03 |

II. Analysis on Statement of Financial Position

(I) Assets

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2011 | | As at December 31, 2010 | |
|--|-------------------------|-------------------|-------------------------|-------------------|
| | Amount | % of Total (%) | Amount | % of Total (%) |
| Loans and advances to customers, gross ⁽¹⁾ | 144,344.4 | 41.86 | 122,145.1 | 42.78 |
| Allowances for impairment losses on loans and advances to customers ⁽¹⁾ | (5,522.6) | (1.60) | (5,031.1) | (1.76) |
| Loans and advances to customers, net | 138,821.8 | 40.26 | 117,114.0 | 41.02 |
| Investment securities ⁽²⁾ | 68,907.5 | 19.98 | 59,373.2 | 20.79 |
| Cash and balances with the central bank | 50,662.8 | 14.69 | 37,321.6 | 13.07 |
| Deposits with banks and other financial institutions | 11,445.0 | 3.32 | 17,220.2 | 6.03 |
| Placements with banks and other financial institutions | 11,460.7 | 3.32 | 2,000.0 | 0.70 |
| Financial assets held under resale agreements | 42,296.8 | 12.27 | 37,158.0 | 13.01 |
| Financial assets held for trading | 400.9 | 0.12 | 482.2 | 0.17 |
| Financial assets designated as at fair value through profit or loss | 13,033.6 | 3.78 | 8,046.0 | 2.82 |
| Goodwill | 440.1 | 0.13 | 440.1 | 0.15 |
| Other assets ⁽³⁾ | 7,350.8 | 2.13 | 6,390.4 | 2.24 |
| Total assets | 344,820.0 | 100.00 | 285,545.7 | 100.00 |

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

As at December 31, 2011, the Group's total assets amounted to RMB344,820 million, representing an increase of RMB59,274 million, or 20.76% as compared to the end of the previous year. Among which:

The amount of gross loans and advances to customers increased by RMB22,199 million, or 18.17%, as compared to the end of the previous year. This was primarily due to the fact that the Group increased loans to prime projects and key customers under effective risk control, whilst extending its loan support to areas with great market potentials and robust customer demand in line with the features in the economic development of Chongqing;

Investment securities increased by RMB9,534 million or 16.06% as compared to the end of the previous year, primarily due to increased holdings of government bonds, bonds issued by policy banks and unsecured bonds with high ratings;

Cash and deposits with the central bank increased by RMB13,341 million, or 35.75% as compared to the end of the previous year, primarily due to the rise of statutory deposit reserve, following the increase in deposit reserve ratio and a substantial increase in deposits from customers;

The total amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB3,686 million as compared to the end of the previous year, primarily due to considerable increase in placements with banks and other financial institutions;

Financial assets held under resale agreements increased by RMB5,139 million and their proportion to total assets decreased by 0.74 percentage point as compared to the end of the previous year. This was mainly because the Group endeavored to optimise the asset structure to enhance capital utilisation efficiency.

1. *Loans and advances to customers (Contractual amount)*

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | |
|---|--------------------|-------------------|------------------|-------------------|
| | 2011 | | 2010 | |
| | Amount | % of Total (%) | Amount | % of Total (%) |
| Corporate loans | 92,553.4 | 64.12 | 76,615.3 | 62.72 |
| Short-term loans ⁽¹⁾ | 11,310.3 | 7.84 | 9,575.8 | 7.84 |
| Medium- and long-term loans ⁽²⁾ | 81,243.1 | 56.28 | 67,039.5 | 54.88 |
| Retail loans | 51,538.8 | 35.71 | 42,600.4 | 34.88 |
| Residential mortgage and personal commercial property loans ⁽³⁾ | 30,835.4 | 21.36 | 24,003.0 | 19.66 |
| Personal business and re-employment loans ⁽⁴⁾ | 14,403.3 | 9.98 | 11,289.5 | 9.24 |
| Loans to farmers ⁽⁵⁾ | 2,101.5 | 1.46 | 3,163.3 | 2.59 |
| Others ⁽⁶⁾ | 4,198.6 | 2.91 | 4,144.6 | 3.39 |
| Discounted bills | 252.2 | 0.17 | 2,929.4 | 2.40 |
| Loans and advances to customers, gross | 144,344.4 | 100.00 | 122,145.1 | 100.00 |

Notes:

- (1) Short-term loans primarily consist of loans with contractual maturities of one year or less.
- (2) Medium- and long-term loans primarily consist of loans with contractual maturities over one year.
- (3) Residential mortgage and personal commercial property loans primarily consist of personal mortgage loan and second mortgage loans and loans to retail customers to acquire property for small business purposes, such as store premises.
- (4) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and employment and re-employment related small amount loans.

- (5) Loans to farmers primarily consists of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.
- (6) Others primarily consist of personal car loans, loans for personal durable goods and personal education loans.

As at December 31, 2011, the amount of gross loans and advances to customers of the Group increased by RMB22,199 million, or 18.17% to RMB144,344 million as compared to the end of the previous year.

Corporate loans (excluding discounted bills) increased by RMB15,938 million, or 20.80% to RMB92,553 million as compared to the end of the previous year, and accounted for 64.12% of loans and advances to customers, gross, 1.40 percentage points higher than that of the beginning of the year. During the year, the Group actively adjusted the credit structure in support of the state's industrial policy, stepped up efforts in infrastructure construction and focused on real economies. During the year, additional loans to the manufacturing industry, the leasing and commercial services industry, as well as the water resources, environment and public utility management industry amounted to RMB3,150 million, RMB3,027 million and RMB3,011 million, respectively, and aggregated to 57.65% of corporate loans.

The Group also reinforced credit structural adjustment and risk control by looking closely into the general direction and development trend of the industry whilst diligently adopting a differentiated approach to loan extension plans based on different regions, customers and industries under the strategy of "promoting some loans while curtailing others, advancing the superior while exiting the inferior" (有保有壓、有進有退). Strict control was imposed on industries with high pollution, high energy consumption and excess capacity (兩高一剩), as well as the real estate industry. In particular, the balance of corporate loans to the real estate industry decreased by 0.58 percentage point as compared to the end of the previous year.

Our retail loans increased by RMB8,938 million or 20.98% to RMB51,539 million as compared to the end of the previous year, which accounted for 35.71% of total loans and advances to customers with a rise of 0.83 percentage point as compared to the beginning of the year. Among which, the residential and commercial property mortgage loans, mainly to finance self-occupied home purchases, rose by RMB6,832 million, or 28.46% as compared to the end of the previous year; personal loans for business purposes grew by RMB3,114 million, or 27.58% as compared to the end of the previous year; and other loans increased by RMB54 million, or 1.30% as compared to the end of the previous year. In face of complicated market changes, the Group took active measures to avoid systemic risk in markets, and primarily met credit needs of premium personal customers.

Discounted bills decreased by RMB2,677 million, or 91.39% to RMB252 million as compared to the end of the previous year, largely due to proactive adjustments to the credit structure and enhanced support for real economies.

Distribution of loans by type of collateral (Contractual amount)

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2011 | | As at December 31, 2010 | |
|--|-------------------------|---------------|-------------------------|---------------|
| | Amount | % of Total | Amount | % of Total |
| Unsecured loans | 14,721.9 | 10.20 | 14,423.7 | 11.81 |
| Guaranteed loans | 28,671.4 | 19.86 | 24,171.2 | 19.79 |
| Collateralised loans | 93,051.2 | 64.47 | 73,132.5 | 59.87 |
| Pledged loans | 7,899.9 | 5.47 | 10,417.7 | 8.53 |
| Loans to customers, gross | 144,344.4 | 100.00 | 122,145.1 | 100.00 |

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

| (Expressed in RMB million, unless otherwise stated) The Group | Allowance for impairment losses on loans and advances which is collectively assessed ⁽¹⁾ | Allowance for impairment losses on identified impaired loans and advances ⁽²⁾ | | Total |
|--|---|--|--|----------------|
| | | For which allowance is collectively assessed | For which allowance is individually assessed | |
| As at January 1 | 3,262.3 | 1,144.5 | 624.3 | 5,031.1 |
| Charge for the year | 884.7 | 376.0 | 110.0 | 1,370.7 |
| Reverse for the year | — | (496.2) | (319.7) | (815.9) |
| Written off | — | (368.1) | (83.8) | (451.9) |
| Recovery of loans and advances previously written off | — | 280.1 | 211.4 | 491.5 |
| Unwinding of discount on allowance | — | (35.9) | (67.0) | (102.9) |
| The balance as at December 31, 2011 | <u>4,147.0</u> | <u>900.4</u> | <u>475.2</u> | <u>5,522.6</u> |

⁽¹⁾ Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.

⁽²⁾ Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

In 2011, the Group adhered to its prudent principle and was in strict compliance with the relevant requirements of accounting standards, so as to provide sufficient allowances for impaired loans and advances whilst fully considering external economic dynamics and macro monitoring policies. As at December 31, 2011, balance of allowances for impairment losses on loans and advances to customers increased by RMB492 million to RMB5,523 million over the end of the previous year, and the provision for to non-performing loans increased by 92.43 percentage points to 265.24% as compared to the beginning of the year.

2. Investments

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | |
|---|--------------------|---------------|-----------------|---------------|
| | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total |
| Financial assets held for trading | 400.9 | 0.49 | 482.2 | 0.71 |
| Financial assets designated as at fair value through profit or loss | 13,033.6 | 15.83 | 8,046.0 | 11.85 |
| Available-for-sale financial assets | 1,617.8 | 1.96 | 1,444.4 | 2.13 |
| Held-to-maturity investments | 40,236.4 | 48.87 | 36,708.9 | 54.06 |
| Debt securities classified as receivables | 27,053.3 | 32.85 | 21,219.9 | 31.25 |
| Total investments | 82,342.0 | 100.00 | 67,901.4 | 100.00 |

As at December 31, 2011, total investments increased by RMB14,441 million to RMB82,342 million as compared to the end of the previous year. Financial assets designated as at fair value through profit or loss increased by RMB4,988 million or 61.99% as compared to the end of the previous year, primarily due to increased holdings of short-term wealth management products. Available-for-sale financial assets and held-to-maturity investments increased by RMB173 million and RMB3,528 million respectively as compared to the end of previous year, primarily due to increased holdings of bonds issued by well-performed enterprises. Debt securities classified as receivables increased by RMB5,833 million as compared to the end of the previous year, primarily due to increased holding of with low-risk and high-yielding wealth management products.

Debt Securities Investments

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | |
|--|--------------------|---------------|-----------------|---------------|
| | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total |
| Government bonds | 9,263.2 | 11.26 | 12,938.5 | 19.07 |
| Public sector, quasi-government bonds | 15,692.4 | 19.07 | 14,484.4 | 21.35 |
| Financial institution bonds | 2,443.3 | 2.97 | 3,269.7 | 4.82 |
| Corporate bonds | 16,645.5 | 20.23 | 9,854.8 | 14.53 |
| Debt instruments issued by financial institutions | 38,243.9 | 46.47 | 27,291.0 | 40.23 |
| Total | 82,288.3 | 100.00 | 67,838.4 | 100.00 |

(II) Liabilities

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | |
|--|-------------------------|----------------------|-------------------------|----------------------|
| | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total |
| Due to customers | 246,141.4 | 77.69 | 205,563.0 | 78.13 |
| Deposits and placements from banks and other financial institutions and borrowings from the central bank | 27,286.9 | 8.61 | 11,711.8 | 4.45 |
| Financial assets sold under repurchase agreements | 32,759.7 | 10.34 | 35,762.7 | 13.59 |
| Debt securities issued | 2,300.0 | 0.73 | 2,300.0 | 0.87 |
| Other liabilities ⁽¹⁾ | 8,321.1 | 2.63 | 7,777.8 | 2.96 |
| Total liabilities | <u>316,809.1</u> | <u>100.00</u> | <u>263,115.3</u> | <u>100.00</u> |

⁽¹⁾ Other liabilities consist of accrued staff costs, taxes payable, interest payable and other payables.

As at December 31, 2011, total liabilities increased by RMB53,694 million or 20.41% to RMB316,809 million as compared to the end of the previous year. Due to customers are our largest source of capital, which grew by RMB40,578 million or 19.74% and its proportion in total liabilities decreased by 0.44 percentage point to 77.69% as compared to the end of the previous year. Deposits and placements from banks and other financial institutions and borrowings from the central bank increased by RMB15,575 million or 132.99% as compared to the end of the previous year.

Due to Customers

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | |
|--|--------------------|---------------|------------------|---------------|
| | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total |
| Corporate deposits | 63,751.8 | 25.90 | 55,519.6 | 27.01 |
| Demand deposits | 49,798.6 | 20.23 | 45,290.7 | 22.03 |
| Time deposits | 13,953.2 | 5.67 | 10,228.9 | 4.98 |
| Retail deposits | 179,213.2 | 72.81 | 145,146.5 | 70.61 |
| Demand deposits | 49,949.5 | 20.29 | 43,946.0 | 21.38 |
| Time deposits | 129,263.7 | 52.52 | 101,200.5 | 49.23 |
| Pledged deposits | 3,132.8 | 1.27 | 4,846.7 | 2.36 |
| Other deposits | 43.6 | 0.02 | 50.2 | 0.02 |
| Total due to customers | 246,141.4 | 100.00 | 205,563.0 | 100.00 |

As at December 31, 2011, due to customers increased by RMB40,578 million or 19.74% to RMB246,141 million as compared to the end of the previous year. Corporate deposits increased by RMB8,232 million or 14.83% as compared to the end of the previous year, the percentage of which in due to customers dropped by 1.11 percentage points to 25.90% as compared to the end of the previous year, primarily due to the impact of macro control. Demand deposits recorded at RMB99,748 million, representing an increase of RMB10,511 million or 11.78% as compared to the end of the previous year, 16.75 percentage points down from the growth rate in time deposits. Its proportion in total due to customers decreased by 2.89 percentage points to 40.52% as compared to the end of the previous year, primarily due to the fact that, under the impact of interest rate hike, the pursuit of high profitability of customers triggered a rapid growth in time deposits.

(III) Shareholders' Equity

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | |
|--|------------------------|----------------------|------------------------|----------------------|
| | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total |
| Share capital | 9,300.0 | 33.20 | 9,000.0 | 40.12 |
| Capital reserve | 9,201.9 | 32.85 | 8,202.7 | 36.57 |
| Investment revaluation reserve | (18.9) | (0.07) | 16.5 | 0.07 |
| Surplus reserve | 3,650.9 | 13.03 | 575.5 | 2.57 |
| General reserve | 1,919.8 | 6.85 | 1,904.2 | 8.49 |
| Retained earnings | 3,801.8 | 13.59 | 2,646.3 | 11.80 |
| Equity attributable to shareholders of the Bank | 27,855.5 | 99.45 | 22,345.2 | 99.62 |
| Non-controlling shareholders | 155.4 | 0.55 | 85.2 | 0.38 |
| Total equity | <u>28,010.9</u> | <u>100.00</u> | <u>22,430.4</u> | <u>100.00</u> |

As at December 31, 2011, paid-in capital increased by RMB300 million to RMB9,300 million as compared to the end of the previous year, primarily due to the issue of additional 300 million shares (equivalent to RMB300 million) upon the listing of the Bank's H shares on the Hong Kong Stock Exchange. Capital reserve increased by RMB999 million as compared to the end of the previous year, primarily due to share premiums. General reserve increased by RMB16 million as compared to the end of the previous year, as the general reserve was required to be not less than 1% of year-end balance of risk assets.

III. Loan Quality Analysis (the Group)

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

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | |
|--|--------------------|---------------|------------------|---------------|
| | 2011 | | 2010 | |
| | Amount | % of Total | Amount | % of Total |
| Normal | 135,502.4 | 93.88 | 105,981.2 | 86.77 |
| Special mention | 6,759.9 | 4.68 | 13,252.6 | 10.85 |
| Substandard | 632.1 | 0.44 | 869.2 | 0.71 |
| Doubtful | 1,450.0 | 1.00 | 2,029.7 | 1.66 |
| Loss | — | — | 12.4 | 0.01 |
| Total loans and advances to customers | <u>144,344.4</u> | <u>100.00</u> | <u>122,145.1</u> | <u>100.00</u> |
| Amount of non-performing loans | 2,082.1 | | 2,911.3 | |
| Non-performing loan ratio (%) | <u>1.44</u> | <u>1.44</u> | <u>2.38</u> | <u>2.38</u> |

In 2011, facing the complex macro-economic dynamics, the Group strengthened its efforts in restructuring its credit structure, conducted a roll-over risk surveillance of credit assets, actively prevented and mitigated risks, strengthened early risk warning and tracking as well as post loan management. It also took advantage of favourable market timing to expedite the disposal of non-performing loans, resulting in continuous improvement in credit asset quality. As at December 31, 2011, the balance of non-performing loans dropped by RMB829 million from the end of the previous year to RMB2,082 million; while the non-performing loan ratio was 1.44%, 0.94 percentage point down from the end of the previous year. Besides, the proportions of substandard and doubtful loans were on a decline. The amount of special mention loans accounted for 4.68%, 6.17 percentage points down from the previous year.

(II) Concentration of Loans

1. Concentration by industry and non-performing loans

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | | | | | |
|---|--------------------|-------------------------------|--------------------------------------|--|----------------|-------------------------------|--------------------------------------|--|
| | 2011 | | | | 2010 | | | |
| | Loan amount | Percentage of total (%) | Non- performing loan amount | Non- performing loan ratio (%) | Loan amount | Percentage of total (%) | Non- performing loan amount | Non- performing loan ratio (%) |
| Corporate loans | 92,553.4 | 64.12 | 1,040.8 | 1.12 | 76,615.3 | 62.72 | 1,486.2 | 1.94 |
| Manufacturing | 25,429.8 | 17.62 | 210.7 | 0.83 | 22,279.7 | 18.24 | 312.0 | 1.40 |
| Production and supply of electricity, gas and water | 5,915.4 | 4.10 | 11.2 | 0.19 | 4,751.8 | 3.89 | 20.6 | 0.43 |
| Real estate | 13,574.8 | 9.40 | 452.5 | 3.33 | 12,188.5 | 9.98 | 616.1 | 5.05 |
| Leasing and commercial services | 4,332.7 | 3.00 | 31.7 | 0.73 | 1,306.1 | 1.07 | 142.4 | 10.90 |
| Water, environment and public utilities management | 15,936.7 | 11.04 | 0.4 | — | 12,925.7 | 10.58 | 2.4 | 0.02 |
| Construction | 6,582.7 | 4.56 | 24.0 | 0.36 | 6,019.9 | 4.93 | 24.8 | 0.41 |
| Wholesale and retail | 4,222.3 | 2.93 | 49.7 | 1.18 | 4,414.7 | 3.61 | 80.0 | 1.81 |
| Others | 16,559.0 | 11.47 | 260.6 | 1.57 | 12,728.9 | 10.42 | 287.9 | 2.26 |
| Retail loans | 51,538.8 | 35.71 | 1,041.3 | 2.02 | 42,600.4 | 34.88 | 1,425.1 | 3.35 |
| Discounted bills | 252.2 | 0.17 | — | — | 2,929.4 | 2.40 | — | — |
| Total | 144,344.4 | 100.00 | 2,082.1 | 1.44 | 122,145.1 | 100.00 | 2,911.3 | 2.38 |

In 2011, to cope with the tumultuous and ever-changing external economic conditions, the Group continued to optimise its industry-specific lending and exit criteria for customers and further refined the management of industry quotas. The amount of non-performing loans and non-performing loan ratios of the real estate industry and the manufacturing industry continued to trend downwards, evidenced by the decrease of RMB164 million and RMB101 million in non-performing loans and the decrease of 1.72 percentage points and 0.57 percentage point in non-performing loan ratios as compared to the end of the previous year, respectively.

2. Concentration of borrowers

In 2011, the Group's total loans to its largest single borrower accounted for 6.95% of its net capital while total loans to its top ten clients accounted for 50.26% of its net capital. As at December 31, 2011, the Group's loans to top ten largest single borrowers were not non-performing loans.

(1) Indicator of concentration

| Major Regulatory Indicators | Regulatory standard | As at December 31, | | |
|--|---------------------|--------------------|------|------|
| | | 2011 | 2010 | 2009 |
| Loan concentration ratio for the largest single borrower (%) | ≤10% | 6.95 | 4.94 | 8.10 |
| Loan concentration ratio for a single group borrower (%) | ≤15% | 8.41 | 5.05 | 8.19 |

(2) Loans to top ten single borrowers

| (Expressed in RMB million, unless otherwise stated) | Industry | As at December 31, 2011 | |
|---|---|-------------------------|---|
| | | Amount | Percentage of the total amount of loans (%) |
| Borrower A | Real estate | 2,400.0 | 1.66 |
| Borrower B | Water, environmental and public utility management | 1,982.0 | 1.37 |
| Borrower C | Water, environmental and public utility management | 1,750.0 | 1.21 |
| Borrower D | Water, environmental and public utility management | 1,505.0 | 1.04 |
| Borrower E | Real estate | 1,246.9 | 0.86 |
| Borrower F | Construction | 1,167.7 | 0.81 |
| Borrower G | Water, environmental and public utility management | 1,123.0 | 0.78 |
| Borrower H | Manufacturing | 1,085.0 | 0.75 |
| Borrower I | Agriculture, forestry, animal husbandry and fishery | 1,076.0 | 0.75 |
| Borrower J | Water, environmental and public utility management | 1,000.0 | 0.69 |

(III) Distribution of loans and non-performing loans by product type

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | | | | | |
|--|--------------------|-------------------|--------------------------------------|--|----------------|-------------------|--------------------------------------|--|
| | 2011 | | | | 2010 | | | |
| | Loan amount | % of the total | Non- performing loan amount | Non- performing loan ratio (%) | Loan amount | % of the total | Non- performing loan amount | Non- performing loan ratio (%) |
| Corporate loans | 92,553.4 | 64.12 | 1,040.8 | 1.12 | 76,615.3 | 62.72 | 1,486.2 | 1.94 |
| Short-term loans | 11,310.3 | 7.84 | 99.7 | 0.88 | 9,575.8 | 7.84 | 208.1 | 2.17 |
| Medium- and long-term loans | 81,243.1 | 56.28 | 941.1 | 1.16 | 67,039.5 | 54.89 | 1,278.1 | 1.91 |
| Retail Loans | 51,538.8 | 35.71 | 1,041.3 | 2.02 | 42,600.4 | 34.88 | 1,425.1 | 3.35 |
| Residential mortgage and personal commercial property loans | 30,835.4 | 21.36 | 60.5 | 0.20 | 24,003.0 | 19.65 | 97.7 | 0.41 |
| Personal business and re-employment loans | 14,403.3 | 9.98 | 422.8 | 2.94 | 11,289.5 | 9.24 | 467.7 | 4.14 |
| Loans to farmers | 2,101.5 | 1.46 | 419.8 | 19.98 | 3,163.3 | 2.59 | 649.4 | 20.53 |
| Others ⁽¹⁾ | 4,198.6 | 2.91 | 138.2 | 3.29 | 4,144.6 | 3.39 | 210.3 | 5.07 |
| Discounted bill | 252.2 | 0.17 | — | — | 2,929.4 | 2.40 | — | — |
| Total | 144,344.4 | 100.00 | 2,082.1 | 1.44 | 122,145.1 | 100.00 | 2,911.3 | 2.38 |

⁽¹⁾ Other loans include personal car loans, loans for personal durable consumption goods, credit card loans and personal education loans.

As at December 31, 2011, non-performing loan ratios of corporate loans decreased by 0.82 percentage point to 1.12% as compared with the end of the previous year, whereas non-performing ratios of personal loans decreased by 1.33 percentage points to 2.02% as compared with the end of the previous year.

(IV) Overdue loans and advances to customers

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

| (Expressed in RMB million, unless especially stated) | As at December 31, | | | |
|---|--------------------|-----------------------|--------|-----------------------|
| | 2011 | | 2010 | |
| | Amount | % of the total (%) | Amount | % of the total (%) |
| Rescheduled loans and advances to customers | 294.4 | 0.20 | 456.2 | 0.37 |

(V) Overdue loans and advances to customers

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

| (Expressed in RMB million, unless especially stated) | As at December 31, | | | |
|---|--------------------|-----------------------|---------|-----------------------|
| | 2011 | | 2010 | |
| | Amount | % of the total (%) | Amount | % of the total (%) |
| Past due within 3 months | 1,633.0 | 1.14 | 1,561.6 | 1.28 |
| Past due for 3 months to 1 year | 392.8 | 0.27 | 952.8 | 0.78 |
| Past due for over 1 year and within 3 years | 1,225.5 | 0.85 | 1,325.9 | 1.08 |
| Past due for more than 3 years | 438.2 | 0.30 | 733.3 | 0.60 |
| Total overdue loans and advances to customers | 3,689.5 | 2.56 | 4,573.6 | 3.74 |

As at December 31, 2011, the total overdue loans amounted to RMB3,690 million, representing a decrease of RMB884 million from the end of the previous year. Overdue loans accounted for 2.56%, representing a decrease of 1.18 percentage points from the end of the previous year.

IV. Analysis of Capital Adequacy Ratio

Capital Adequacy Ratio

The following table sets forth, for the dates indicated, the relevant information of the Bank's capital adequacy ratio. The calculation of capital adequacy ratio has considered the impact of proposed dividend for 2011.

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | |
|---|--------------------|------------------|
| | 2011 | 2010 |
| Core capital adequacy ratio (%) | <u>13.71</u> | 14.78 |
| Capital adequacy ratio (%) | <u>14.90</u> | 16.31 |
| Components of capital base | | |
| Core capital: | | |
| Share capital | 9,300.0 | 9,000.0 |
| Capital reserve | 9,201.9 | 8,202.7 |
| Surplus reserve and general reserve | 5,570.7 | 2,479.7 |
| Unappropriated profit | 2,499.5 | 2,646.3 |
| Non-controlling shareholders' interests | <u>155.4</u> | <u>85.2</u> |
| Total core capital | <u>26,727.5</u> | 22,413.9 |
| Deductible items: | | |
| Goodwill | (440.1) | (440.1) |
| Other deductible items | <u>(42.6)</u> | <u>68.9</u> |
| Net core capital | <u>26,244.8</u> | 21,904.9 |
| Supplementary capital: | | |
| Long-term subordinated bonds | 2,300.0 | 2,300.0 |
| Other supplementary capital | <u>0.3</u> | <u>8.2</u> |
| Total capital base before deductions | <u>29,027.8</u> | 24,722.1 |
| Deductions: | | |
| Goodwill | (440.1) | (440.1) |
| Other deductible items | <u>(66.4)</u> | <u>(113.5)</u> |
| Total capital base after deductions | <u>28,521.3</u> | 24,168.5 |
| Risk-weighted assets and market risk capital adjustment | <u>191,473.1</u> | <u>148,206.7</u> |

As at the end of the reporting period, the capital adequacy ratio of the Group decreased by 1.41 percentage points as compared with the end of the previous year to 14.90%. The core capital adequacy ratio decreased by 1.07 percentage points to 13.71% as compared with the end of the previous year. The change of capital adequacy ratio in 2011 was mainly due to, on one hand, the factor that the Group replenished its core capital for an enlarged capital base based on profit growth and expansion of share capital, and on the other hand, the normal business development, together with the growth in total risk-weighted assets following the incorporation of market risk capital into risk-weighted assets, which partially offset the impact of the increase of capital base on its capital adequacy ratio.

V. Segment Information

(I) Summary of geographical segment

| (Expressed in percentage) | As at December 31, | | | | | | | | | |
|---|--------------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|
| | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
| | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area |
| Deposits | 66.79 | 33.21 | 66.66 | 33.34 | 69.69 | 30.31 | 74.26 | 25.74 | 74.07 | 25.93 |
| Loans | 46.80 | 53.20 | 47.76 | 52.24 | 45.28 | 54.72 | 55.30 | 44.70 | 59.27 | 40.73 |
| Assets | 46.67 | 53.33 | 48.80 | 51.20 | 54.99 | 45.01 | 53.83 | 46.17 | 55.21 | 44.79 |
| Loan-deposit ratio | 41.09 | 93.94 | 42.57 | 93.09 | 43.02 | 119.55 | 49.43 | 115.27 | 62.62 | 122.93 |
| Non-performing loan ratio | 2.75 | 0.29 | 4.32 | 0.61 | 7.20 | 1.13 | 12.82 | 3.57 | 17.72 | 6.68 |
| Allowance to non-performing loans ratio | 208.13 | 746.14 | 137.16 | 404.25 | 107.45 | 229.32 | 80.99 | 94.30 | 64.53 | 58.66 |

| (Expressed in percentage) | For the year ended December 31, | | | | | | | | | |
|---|---------------------------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|
| | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
| | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area |
| Return on average total assets | 1.34 | 1.35 | 1.31 | 1.20 | 1.01 | 1.05 | 1.07 | 1.76 | 4.12 | 1.64 |
| Net fee and commission income to operating income | 5.81 | 5.62 | 2.51 | 5.03 | 2.56 | 2.15 | 1.58 | 1.18 | 0.61 | 1.87 |
| Cost-to-income ratio | 38.61 | 34.69 | 44.46 | 44.34 | 56.32 | 37.20 | 52.34 | 26.12 | 28.20 | 31.76 |

County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of three subsidiaries, namely Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. (江蘇張家港華信村鎮銀行股份有限公司), Sichuan Dazhu Longyuan Village and Township Bank Co., Ltd. (四川大竹隆源村鎮銀行股份有限公司) and Yunnan Dali Haidong Village and Township Bank Co., Ltd. (雲南大理海東村鎮銀行有限責任公司).

(II) Summary of Business Segment

Operating Income

| (Expressed in RMB million, unless otherwise stated) | For the year ended December 31, | | | | | | | | | |
|---|---------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Corporate banking business | 4,479.6 | 40.29 | 3,284.3 | 42.41 | 2,322.4 | 40.91 | 2,556.2 | 48.28 | 2,153.1 | 37.69 |
| Personal banking business | 3,388.8 | 30.48 | 2,685.4 | 34.67 | 1,942.2 | 34.21 | 2,164.2 | 40.88 | 2,333.5 | 40.85 |
| Treasury operations business | 3,138.0 | 28.22 | 1,712.9 | 22.12 | 1,359.9 | 23.96 | 538.2 | 10.17 | (121.8) | (2.13) |
| Unallocated | 111.9 | 1.01 | 62.0 | 0.80 | 52.3 | 0.92 | 35.7 | 0.67 | 1,347.7 | 23.59 |
| Total operating income | 11,118.3 | 100.00 | 7,744.6 | 100.00 | 5,676.8 | 100.00 | 5,294.3 | 100.00 | 5,712.5 | 100.00 |

VI. Analysis of Off-balance-sheet Items

Off-balance-sheet items of the Group include acceptances, issuance of letters of credit, letters of guaranteed funds, receivables under export letters of credit, collection of foreign exchange funds receivables, collection of foreign exchange funds, foreign letters of credit by faith and wealth management, among which, acceptances and issuance of letters of credit were deemed as key business segments. As at December 31, 2011, the balances of acceptances and issuance of letters of credit were RMB3,000 million and RMB155 million, respectively.

VII. Significant Accounting Estimates and Judgments

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



Management Discussion and Analysis

Business Operation

I. Corporate Banking Business

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

| (Expressed in RMB million, unless otherwise stated) | For the year ended | | Changes (%) |
|--|-------------------------------|-------------------------------|----------------|
| | December 31 2011 | 2010 | |
| Net interest income | 4,175.3 | 3,214.2 | 29.90 |
| Net fee and commission income | 304.3 | 70.1 | 334.09 |
| Operating income | 4,479.6 | 3,284.3 | 36.39 |
| Operating expenses | (2,349.4) | (1,957.7) | 20.01 |
| (Impairment) reversals of impairment on assets | (341.6) | 318.1 | (207.39) |
| Profit before tax | <u>1,788.6</u> | <u>1,644.7</u> | 8.75 |
| | As at December 31, 2011 | As at December 31, 2010 | Changes (%) |
| Segment assets | <u>90,235.6</u> | <u>74,940.9</u> | 20.41 |

In 2011, the total profit before tax from the corporate banking business increased by 8.75% to RMB1,789 million over the previous year, accounting for 32.54% of the Bank's profit before tax. The overall growth in corporate loan business of the Group had driven the net interest income of the corporate banking business to increase by 29.90% over the previous year. Following its financial restructuring and establishment as a joint-stock commercial bank, the Bank is able to develop and offer a broad array of fee and commission-based products and services. This, together with its aspiration of marketing its consulting and financial advisory services to corporate customers, raised the net fee and commission income by 334.09% to RMB304 million.

1. *Corporate deposits*

The Group strived to capture the corporate deposit market and continued to maintain steady growth in corporate deposits. As at December 31, 2011, the balance of corporate deposits of the Group reached RMB66,928 million, including guarantee deposits and other deposits, which accounted for 27.19% of the total balance of deposits of the Group whilst posting a growth of RMB6,512 million or 10.78% over the end of the previous year.

2. *Corporate loans*

The Group adopted a prudent and moderate credit policy for corporate loans. The Group persisted in operating in compliance with laws and abided by the principle of "promoting some loans while curtailing others". The Group effectively observed the macro economic control policy of the country and expanded its corporate loan business in a prudent, steady and appropriate manner. As at December 31, 2011, the balance of corporate loans amounted to RMB92,806 million (including discounted bills), representing an increase of RMB13,261 million or 16.67% over the end of the previous year. Meanwhile, asset quality of corporate loans continued to improve, with outstanding non-performing loans and non-performing loan ratio of RMB1,041 million and 1.12%, respectively, representing a decrease of RMB445 million and 0.82 percentage point respectively from the end of the previous year.

The structure of credit assets was further optimized. On industry structure, in adherence to Chongqing's industry strategy of "making substantial investments, building large bases and developing pillar industries" and with reference to the actual conditions of its three major segments, namely "IT, modern equipment manufacturing and heavy chemical", the Group focused on extending loans to the industries such as manufacturing, water conservancy and environment and public utility management, real estate, construction as well as production and supply of electricity, gas and water, which accounted for 27.45%, 17.17%, 14.63%, 7.10% and 6.37% of the total amount of corporate loans of the Group (including discounted bills), respectively. Especially in the electronic information industry that the Chongqing Municipality strived to develop, the Bank has not only established credit relationships with Quanta and Foxconn (ranking first and fifth respectively among the world's six largest laptop makers), but also commenced cooperation with 36 supporting suppliers. In working on its customer profile, the Group remained committed to forging closer collaboration with quality enterprises among the top 500 enterprises in the world, top 500 enterprises of China, top 100 enterprises of Chongqing, industry leaders as well as government institutions whilst maintaining and strengthening its partnership with prime SME customers. As at December 31, 2011, the Bank had a total of 1,915 SME customers with RMB71,445 million loans outstanding with us (including discounted bills), accounting for 76.94% of the balance of loans. The Group continued to grant loans principally to quality customers with sound credit record.

3. *Corporate banking products*

In 2011, the corporate wealth management products newly launched by the Bank fully satisfied demand of its key corporate customers for wealth management and made a breakthrough in such products. Meanwhile, the Bank, after effective marketing of its existing deposit, loan and intermediary business products, gave full consideration to market demand and proceeded with its research and development on the Measures for the Administration of Domestic Factoring Business (《國內保理業務管理辦法》) and Measures for the Administration of Pledge and Credit Extension in Respect of Floating Assets (《浮動資產抵押授信業務管理辦法》) and devised new regulations such as Measures for the Administration of Domestic Credit Letter Business (《國內信用證業務管理辦法》), Measures for the Administration of Inventory Mortgage Business (《貨押業務管理辦法》) and Measures for the Administration of Credit Certification (《資信證明管理辦法》) for three of its new businesses, which will perfect the product lines of the Bank's corporate banking business.

4. *Corporate customer managers*

Since the launch of the corporate customer manager mechanism in July 2009, the Bank established a team of corporate customer managers and improved their overall quality by stepping up efforts in their education and training whilst strengthening the management mechanism on the admission and exit criteria as well as assessment of these managers, thereby increasing the number of corporate customer managers and improving their comprehensive quality. In 2011, four training sessions were provided to corporate customer managers, and the number of corporate customer managers increased by 26.85% over the end of the previous year. The expansion and growth of the team will substantially facilitate the growth of corporate business.

5. *Intermediary business*

The contribution of intermediary business of the Group has grown much more significant. The Group's fee and commission income mainly includes settlement and clearance fees, agency service fees, collection and payment charges as well as fees of consulting and financial advisory. The Group started to provide consulting and financial advisory services to corporate customers in 2009. For the year ended December 31, 2011, the Group's income from consulting and financial advisory increased by RMB346 million or 380.65% to RMB437 million over the previous year.

6. *Inter-bank cooperation*

The Group achieved a new breakthrough in inter-bank cooperation. As at December 31, 2011, the Bank has entered into a strategic cooperation agreement with the Export-Import Bank of China, whereby both parties agreed to cooperate in provision of syndicated loans, agency business and extension services. The Bank also struck a cooperation deal with Chongqing Chemical and Pharmaceutical Finance Company Limited (重慶化醫財務有限公司), the first finance company in Chongqing, which would bring large sums of funds of the Chemical And Pharmaceutical Group to be placed with the Bank. The Bank made its first private fund custody deal by becoming the custodian bank of Chongqing Zijin Bohong Fund Management Centre (重慶紫金博宏基金管理中心) for its RMB1,000 million fund. Meanwhile, the Bank gained RMB1,343 million by undertaking insurance business and had a leading market share compared to its peers.

7. *Channel construction*

The Group's channel construction proved to be a remarkable success. As at December 31, 2011, the Bank maintained extensive cooperation with competent authorities of the Chongqing Municipal Government. Following becoming a bank partner of the centralized finance and treasury payment system in Chongqing (重慶市財政國庫集中支付系統), the supervisory bank regarding capital used in real estate development in Chongqing (重慶市房地產開發項目資本金監管銀行) and the agency bank undertaking non-taxation business in Chongqing City (重慶市非稅業務代理銀行), the Bank achieved breakthrough in cooperation with the "Major Overhaul Fund" of Chongqing Municipal Bureau of Land Resources and Housing Management (國土房管「大修基金」) and some of its branches have already obtained agent qualifications for the Major Overhaul Fund (a new system). In addition, the Bank was also the first commercial bank to obtain the approval for setting up SMS platform for traffic fines in Chongqing City. The Bank was the only financial services bank to handle urban and rural social pension insurance for residents in Chongqing City. As at December 31, 2011, 10,000,000 people in the city have already been paid and distributed pension insurance through the Bank, which generated an annual cash flow of more than RMB4,936 million, and the balance of deposit was as much as RMB1,456 million.

8. *Small enterprise business*

In recent year, the Bank constantly adhered to the market positioning of "serve Sannong, serve SMEs and serve county economies" and kept in mind its historical missions. It fully implemented the guidelines of the Ninth Plenary Session of the Third Municipal Committee of the CPC and centered around the 12 measures for promoting common prosperity (共富12條) by coming up with innovative ideas and providing tailored-made tentative services to small enterprises to facilitate their growth. Firstly, the network system for providing services to small enterprises has been gradually improving. A small enterprise business department had been set up at the headquarters as the management body of small enterprise business line to deliver guidance and service in respect of the development of small enterprise business. Greater effort was made at branch level in setting up small enterprise loan centres to specialise in the sales and marketing area for the provision of loans for small enterprises, and information counters for small enterprise business have been established in each outlet to be responsible for handling business enquiries and information dissemination of small enterprises in their respective administrative region, thereby forming a "trinity and interrelated" service network. Secondly, a more comprehensive portfolio of specific

products for small enterprises has gradually come on stream. The Bank stepped up its effort in introducing new small enterprise financial services whilst focusing on branding, thus developing a unique small enterprise financial service brand, namely the Small Enterprise “Easy Commercial Loans” product series (小企業「商易貸」系列產品), which comprised 5 exclusive credit products, namely, “Startup Loan” (「創業扶持貸款」) for micro enterprises and “Easy Loan” (「便捷貸」), “Development Loan” (「發展貸」), “Jointly-Guaranteed Loan” (「聯保貸」) and “Machinery and Equipment Mortgage Loan” (「機器設備按揭貸」) for small enterprises. In order to better satisfy the capital requirements of real economies, the Bank further broadened and improved its comprehensive small enterprise specific product portfolio by developing and gradually promoting “Invoice Financing Loan” (「發票融資貸款」) and “Unsecured Loan” (「無抵押貸款」) for small enterprises. Thirdly, the loan process for tiny and small enterprises was further optimized and streamlined. Aiming to meet the characteristics of tiny and small enterprises’ requirement for funds, namely “short-term, small-size, frequency and urgency”, the Bank put great efforts in creating a green channel of “easy operation and standardized procedures” based on convenience and high efficiency requirements, to ensure that the approval for loan applications from tiny and small enterprises would be finished within one to five business days when all necessary information is provided.

9. *International business*

In order to effectively guard against exchange risk and deliver better returns to investors, the Bank had made continuous efforts in applying to the competent authorities for foreign exchange settlement for funds from global public offerings and finally gained understanding and support from the State Administration of Foreign Exchange and the People’s Bank of China. In 2011, the Bank handled the foreign exchange settlement of HK\$12,620 million from global public offerings, with exchange settlement ratio reaching 98.62%. In 2011, the Bank established correspondent banking relationships with 122 banks at home and abroad, raising the number of its correspondent banks to 285. The Bank also commenced new business such as overseas agency payments and export credit insurance financing, and the volumes of international trade financing, sale and purchase of foreign exchange and international settlement handled by the Bank amounted to US\$298 million, US\$512 million and US\$817 million respectively, a leading level among the banks of the city and ranking top among the local corporate banks, which has laid a solid foundation for the Bank’s integrated operations with domestic and foreign currencies.

II. Retail Banking Business

The table below sets forth the particulars of the major operating results and relevant changes of the retail banking segment:

| (Expressed in RMB million, unless otherwise stated) | For the year ended | | Changes (%) |
|--|----------------------|-----------|----------------|
| | December 31, 2011 | 2010 | |
| Net interest income | 3,206.3 | 2,590.2 | 23.79 |
| Net fee and commission income | 182.5 | 95.2 | 91.70 |
| Operating income | 3,388.8 | 2,685.4 | 26.19 |
| Operating expense | (1,811.6) | (1,503.0) | 20.53 |
| Impairment on assets | (213.2) | (272.9) | (21.88) |
| Profit before tax | 1,364.0 | 909.5 | 49.97 |
| | As at December 31, | | |
| | 2011 | 2010 | Changes (%) |
| Segment assets | 48,918.5 | 41,263.5 | 18.55 |

The retail banking business of the Group recorded a profit before tax of RMB1,364 million, up 49.97% over the previous year, representing a more remarkable contribution to the Group's profit. The steady increase of retail loans triggered a growth of 26.19% and 23.79% in operating income and net interest income of the retail banking business of the Group as compared to the previous year. In addition, driven by the blistering growth of personal bank card and agent businesses, the net fee and commission income of the Group increased by 91.70% as compared to the previous year, thus propping up a profit growth of the retail banking business for the year.

1. *Retail Deposits*

Backed by the vibrant economic growth in Chongqing, the Bank took full advantage of its exceptional regional brand recognition and strove to align its brand value services with key marketing campaigns, with an emphasis on the business promotion and sales during key business hours of peak seasons, of high-end major customers and key projects in target markets. Our efforts paid off as evidenced by an increase of RMB34,067 million or 23.47% in retail deposits over the end of the previous year to RMB179,213 million. The Bank remained unrivalled among regional counterparts in terms of the amount, annual growth and market share of retail deposits.

2. *Retail Loans*

The Group achieved a solid growth in retail loans, taking the lead in the local financial market in terms of stock and increment together with a sharp increase in residential mortgage loans. With a view to becoming the largest and the best local retail bank, the Group managed to further consolidate its leading presence in retail loans business on the strength of the improvement in credit structure, the innovation of retail credit products as well as the adjustment on customer and product structure.

Leveraging the specialized marketing strategies of the retail loan centers, the Group provided the customers with professional and effective retail loan services to such end as to streamline business process and standardizing operation procedures. 10 retail loan centers were set up in the year, the number of which will be increased to 49 by the end of the year. Based upon the segmented customer base, the Bank provided differentiated retail loan products and services by optimizing the existing product structure according to market demand and amending the existing measures on retail loan products for operating purpose. The retail loans of the Bank increased by RMB8,938 million to RMB51,539 million, among which personal residential mortgage loans posted a growth of RMB6,832 million to RMB30,835 million. Both the increment and stock of retail loans of the Bank ranked first in the local market.

Policy loans saw a steady growth. The government-supported employment and re-employment related small amount loans, a cutting-edge policy-based loan project of the Bank, had remarkably contributed to the employment conditions of the urban and rural citizens of Chongqing and the profitability of the Bank, thus leading to a win-win result with regard to economic profit and social responsibility. The policy-based loans of the Bank increased by RMB501 million to RMB2,542 million with its increment and stock in the leading position compared with other counterparts in China.

3. *Bank Cards*

The number of new bank cards and the amount of spending in relation thereto continued to surge. As at December 31, 2011, the total number of debit cards of the Bank reached 8,965,500; the spending related thereto amounted to RMB23,012 million, representing an increase of 43.87% over the previous year. The total number of credit cards issued by the Bank amounted to 42,900, representing an increase of 14,400 over the end of the previous year; spending related thereto amounted to RMB1,188,990,900, representing an increase of 292.35% over the previous year. The balance of loans amounted to RMB414.3178 million, representing an increase of 329.10% over the end of the previous year. The Bank committed itself to creating unique bank cards. To this end, it continued to facilitate the promotion of competitive products of Jiangyu Xiangqing Card, launched Jiangyu Xiangqing Farmer's Fortune Card (福農卡) and designed specialised cards for institutional customers. Platinum and diamond cards under the standard series of Jiangyu Credit Card were officially launched, together with the implementation of "1 Alliance" preferential merchant scheme (「1聯盟」特惠商戶計劃) as well as the commencement of various preferential card consumption activities, in an effort to create an exclusive value-added bank card service platform. Meanwhile, the Bank spared no effort in facilitating the establishment of an automatic point of sale platform (POSP) acquiring service system and a loyalty system, aspiring to bring its credit card service system to perfection.

4. *Agency Business*

In 2011, leveraging its advantage over outlet and channel development, the Bank commenced its distribution business of rare metals. On April 11, 2011, the Bank successfully commissioned its rare metal front desk sales system and introduced two tailored products, including the gold bar commemorating the 90th anniversary of the founding of the Communist Party of China and the gold bar commemorating the 3rd anniversary of the establishment of the Bank. For the year ended December 31, 2011, the Bank's sales volumes from the distribution of rare metals amounted to RMB27.6862 million and the fee income thereof amounted to RMB909,900.

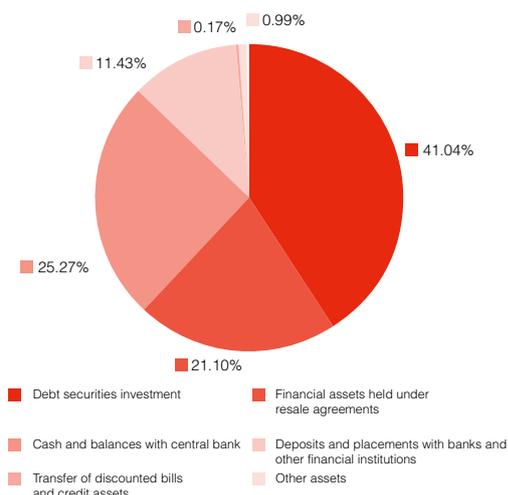
In face of various adverse factors at home and abroad, the Bank kept a watchful eye on the dynamics of macro- and micro-economic policies, actively strengthened market analysis and liquidity management, and vigorously carried out innovation activities under the premise of compliance, thereby maximizing the profitability of our funds. Firstly, the Bank adopted prudent operation style and multiple financing channels, effectively guarding against liquidity risk. Secondly, the Bank swiftly seized market opportunities and continued to increase investment in wealth management products to ensure a steady growth in earnings. Thirdly, the Bank strove to raise the efficiency of capital operation by complying with credit management requirements and shifting bill business focus to bills held under resale agreements. Fourthly, the Bank improved its interbank lending business by drawing on the advanced experience of peers and creating new interbank refinancing (同業代付) products, thus further broadening its capital utilization channels and increasing exchange and cooperation with peers.

The treasury businesses recorded profit before tax of RMB2,257 million, representing an increase of RMB839 million or 59.20% as compared with the previous year, which contributed to 41.06% of the Group's profit and became an important source of profit.

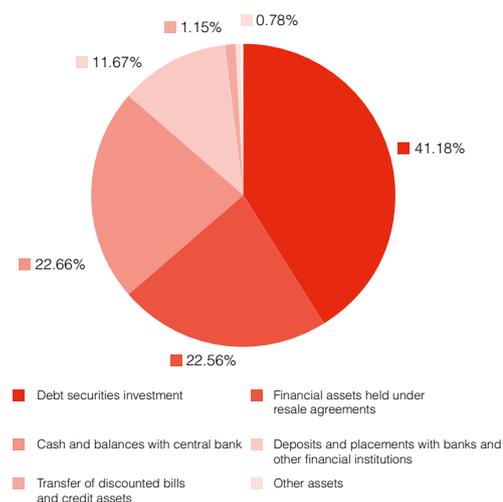
1. Segment Assets

| (Expressed in RMB million, unless otherwise stated) | As at December 31, | | | |
|---|--------------------|----------------|------------------|----------------|
| | 2011 | | 2010 | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Debt securities investments | 82,288.3 | 41.04 | 67,838.4 | 41.18 |
| Financial assets held under resale agreements | 42,296.8 | 21.10 | 37,158.0 | 22.56 |
| Cash and balances with central bank | 50,662.8 | 25.27 | 37,321.6 | 22.66 |
| Deposits and placements with banks and other financial institutions | 22,905.7 | 11.43 | 19,220.2 | 11.67 |
| Transfer of discounted bills and credit assets | 334.2 | 0.17 | 1,888.7 | 1.15 |
| Other assets | 1,998.4 | 0.99 | 1,301.6 | 0.78 |
| Total assets | 200,486.2 | 100.00 | 164,728.5 | 100.00 |

Assets structure as at December 31, 2011



Assets structure as at December 31, 2010



As at December 31, 2011, the total size of operating assets was RMB200,486 million, representing an increase of RMB35,758 million or 21.71% as compared with the end of the previous year. In particular, debt securities investment increased by RMB14,450 million or 21.30%, cash and balances with central bank increased by RMB13,341 million or 35.75%, financial assets held under resale agreements increased by RMB5,139 million or 13.83% while deposits and placements with banks and other financial institutions increased by RMB3,686 million or 19.18%. Transfer of discounted bills and credit assets decreased by RMB1,555 million or 82.31%, which was mainly due to the improvement of the loan proportion of quality customers as a result of appropriate adjustment of lending structure by the Group and the scaling down of the transfer of discounted bills and credit assets.

2. Debt Securities Investments

(1) Distribution of Debt Securities Investments by Holding Purpose

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2011 | | As at December 31, 2010 | |
|---|-------------------------|-------------------|-------------------------|-------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Held-to-maturity debt securities | 40,236.4 | 48.90 | 36,708.9 | 54.11 |
| Debt securities classified as receivables | 27,053.3 | 32.88 | 21,219.9 | 31.28 |
| Debt securities at fair value through profit or loss | 13,434.5 | 16.33 | 8,528.1 | 12.57 |
| Available-for-sale debt securities | 1,564.1 | 1.89 | 1,381.5 | 2.04 |
| Total | 82,288.3 | 100.00 | 67,838.4 | 100.00 |

In 2011, the Group has fully implemented the classification management of debt securities account. Apart from taking held-to-maturity debt securities as major investment target, the Group has moderately invested in certain accounts receivables and debt securities at fair value through profit or loss with reference to market conditions. As at December 31, 2011, the Group saw an increase of RMB3,528 million but a decrease of 5.21 percentage points in proportion in held-to-maturity debt securities as compared with the end of the previous year; an increase of RMB5,833 million or 1.60 percentage points in proportion in debt securities classified as receivables over the end of the previous year, as well as an increase of RMB4,906 million or 3.76 percentage points in proportion in debt securities at fair value through profit or loss over the end of the previous year.

(2) Distribution of Debt Securities Investments by Credit Rating

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2011 | | As at December 31, 2010 | |
|--|-------------------------|-------------------|-------------------------|-------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| AAA | 14,256.6 | 17.33 | 11,537.2 | 17.01 |
| AA | 4,832.3 | 5.87 | 3,481.1 | 5.13 |
| Unrated | 63,199.4 | 76.80 | 52,820.1 | 77.86 |
| Total | 82,288.3 | 100.00 | 67,838.4 | 100.00 |

In 2011, the Group further optimized its product portfolio by moderately increasing its holding of policy bonds and credit bonds with higher coupon rates, relative high investment value and higher ratings to boost the yield of its investment portfolio. As at December 31, 2011, bonds with a rating above AA increased by RMB4,071 million and increased in proportion by 1.06 percentage points, while unrated debt securities increased by RMB10,379 million but decreased in proportion by 1.06 percentage points. Unrated debt securities are mainly government bonds, bank notes issued by the People's Bank of China, public sector bonds, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2011 | | As at December 31, 2010 | |
|--|-------------------------|-------------------|-------------------------|-------------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Within 3 months | 12,998.7 | 15.80 | 10,576.9 | 15.59 |
| 3 to12 months | 9,283.1 | 11.28 | 9,359.1 | 13.80 |
| 1 to 5 years | 40,497.0 | 49.21 | 22,440.6 | 33.08 |
| Over 5 years | 19,509.5 | 23.71 | 25,461.8 | 37.53 |
| Total | 82,288.3 | 100.00 | 67,838.4 | 100.00 |

As at December 31, 2011, the Group's investments in debt securities with a remaining maturity of less than 12 months increased by RMB2,346 million but decreased by 2.31 percentage points in proportion from the end of the previous year. Our investments in debt securities with a remaining maturity of over 5 years decreased by RMB5,952 million or 13.82 percentage points in proportion from the end of the previous year, mainly due to the Group's improvement in the maturity structure of the investment portfolio given a proper build-up of investments in short-term debt securities and wealth management products with higher coupon rates and relatively high investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

(4) Investment in Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As at December 31, 2011, the balance of financial bonds of the Group was RMB20,154 million, which were mainly the financial bonds issued by policy banks. The table below sets out the top ten financial bonds held by the Group as at the dates indicated.

(Expressed in RMB million, unless otherwise stated)

| Name of debt securities | Nominal value | Interest rate per annum (%) | Maturity date | Impairment |
|---|---------------|-----------------------------------|------------------|------------|
| Debt securities issued by policy banks in 2010 | 700.0 | 4.09 | 2020-2-25 | — |
| Debt securities issued by policy banks in 2005 | 650.0 | 3.60 | 2020-11-29 | — |
| Debt securities issued by policy banks in 2010 | 620.0 | 3.14 | 2015-9-17 | — |
| Debt securities issued by policy banks in 2010 | 600.0 | 4.20 | 2040-9-20 | — |
| Debt securities issued by policy banks in 2006 | 570.0 | 3.79 | 2021-6-28 | — |
| Debt securities issued by policy banks in 2006 | 530.0 | 3.75 | 2016-12-19 | — |
| Debt securities issued by policy banks in 2005 | 510.0 | 3.42 | 2015-8-2 | — |
| Debt securities issued by policy banks in 2006 | 450.0 | 3.60 | 2026-4-11 | — |
| Debt securities issued by policy banks in 2006 | 400.0 | 3.78 | 2012-3-29 | — |
| Debt securities issued by policy banks in 2010 | <u>400.0</u> | <u>4.30</u> | <u>2030-3-17</u> | <u>—</u> |

IV. Distribution Channels

1. *Physical outlets*

Operating outlets are the primary distribution channels of the Bank. As at December 31, 2011, the Bank had 1,766 branches of various kinds, including 1 headquarters, 1 main branch of the Bank, 42 branches, 2 sub-branches and 1,720 branch outlets. Our network of branches covers all the 38 administrative districts and counties in Chongqing. We have 1,460 distribution outlets covering 1,244 townships and villages in Chongqing. We have established 306 outlets in the Chongqing urban areas. The number of branches ranked first in both county areas and urban areas.

The Bank has strategically developed distribution channels, optimized the layout of outlets and stepped up restructuring to improve its service coverage, service capabilities and operational efficiency. In 2011, the Bank reallocated 81 existing branches and refurbished 144 existing branches, resulting in a significant improvement in the overall appearance of outlets.

2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, the Bank established nine 24-hour self-service centres as at December 31, 2011, and the number of ATMs and self-service inquiry terminals increased to 1,590, among which the number of ATMs increased by 373 units to 1,223 units over the end of the previous year and self-service inquiry terminals increased by 128 units to 367 units over the end of the previous year.

3. *E-banking*

In 2011, the Bank continued to place high importance on channel construction in the development of e-banking business and officially launched personal internet banking and mobile banking services. It also continuously improved its existing corporate internet banking services and enriched product functions, thus increasing customer satisfaction. Meanwhile, the Bank kept raising the brand recognition and influence of E-banking through various marketing activities, driving the rapid growth in the sizes of customers and business. In 2011, the E-banking transaction amount amounted to RMB111,564 million, representing an increase of 597.54% over the end of the previous year, and the financial transactions of E-banking business amounted to 1,527,900, representing an increase of 2,852.93% over the end of the previous year. Transactions conducted through E-banking channel saw a steady increase in proportion.

(1) Internet banking

Corporate internet banking

On corporate internet banking business, the Bank launched smart call deposit, smart agreement-based deposit, freely grouped fund management and customized multi-system fund management services, which have helped enrich product lines of the corporate internet banking, broaden business coverage and raise capability to serve high-end clients. By the end of 2011, the number of corporate internet banking customers of the Bank increased by 191.13% over the end of the previous year to 2,559; the transaction amounts exceeded RMB91,230 million, representing a growth of 470.40% over the end of the previous year.

Personal internet banking

The Bank's personal internet banking business saw steady development as witnessed by the successful commissioning of payment by Baotong card, bank union online payment, fast payment by Baotong card and super internet banking services, thus further broadening payment channels and service scope. By the end of 2011, the number of personal internet banking customers reached 29,788 with an aggregate transaction amount for the year amounting to RMB7,679 million.

The Bank' internet banking won the "Online Regional Commercial Bank with the Best Risk Prevention in 2011" (「2011年區域性商業銀行網上銀行最佳網銀安全獎」) issued by the China Financial Certification Authority (中國金融認證中心), and the "Innovation Award for Best Financial IT Product" (最佳金融IT產品創新獎) jointly issued by China Banking Regulatory Commission and China Banking Association.

(2) Mobile banking

The Bank quickly adapted itself to the mobile financial development trends and introduced chip mobile banking that is easy to operate, highly adaptable and safe, which was the first of its kind in Western China. As at December 31, 2011, the number of mobile banking customers of the Bank exceeded 150,000 and the number of financial transactions aggregated to 1,094,600 with an aggregate transaction amount up to RMB12,656 million. The Bank quickened the progress of mobile finance products and took the lead to introduce “Jinagyu Mobile Finance” (江渝手機金融) that is compliant with the NFC SD standards issued by the China Banking Association, effectively integrating basic financial service, multi-field mobile payment application and cross-sectored mobile payment application and expanding the extension of mobile financial services. The launch of the product not only elevated the Bank’s service functions and brand image in line with the standards of international public banks and set up a benchmark for the banking industry in the financial mobile payment era, but also provided a brand new platform that changes people’s lifestyle and narrows the gap between urban and rural financial service, contributing to the city’s efforts to build itself into an inland financial center as well as a service and trade center and marking a new era of banking services. The product was highly acclaimed by the mayor of Chongqing City Mr. Huang Qifan and hailed as “the first-mover takes all” (領先者通吃). The NFC mobile payment project was awarded the 2011 Leading Entities in Chongqing Bank Card Business Development — Industry Cooperation and Innovation Prize (2011年度重慶市銀行卡業務發展先進單位 — 行業合作創新獎) by Chongqing Operations Management Division of the People’s Bank of China.

(3) Telephone banking and SMS banking

The Bank maintained a sound momentum in the development of telephone banking, and had provided services to its customers 7,271,100 times through telephone banking as at December 31, 2011. The newly-introduced reservation services for high-end customers further enhanced the telephone banking service standard. The development of SMS banking was rapid with gratifying growing momentum. As at December 31, 2011, the number of SMS banking customers aggregated to 1,440,400 with 953,000 additional customers in the year, representing a growth of 195.53% over the end of the previous year.

V. Principal Subsidiaries

Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd was established in April, 2010 with a registered capital of RMB60 million which was increased by RMB140 million in December 2011. Currently it has a registered capital of RMB200 million and is owned as to 51% by the Bank. As at December 31, 2011, its total assets amounted to RMB582 million.

Sichuan Dazhu Longyuan Village and Township Bank Co., Ltd., established in November 2010 with a registered capital of RMB60 million, is owned as to 51% by the Bank. As at December 31, 2011, its total assets amounted to RMB121 million.

Yunnan Dali Haidong Village and Township Bank Co., Ltd., established in December 2010 with a registered capital of RMB60 million, is owned as to 51% by the Bank. As at December 31, 2011, its total assets amounted to RMB256 million.

VI. Information technology

Pushing forward the construction of information systems and promoting refined management. The Bank supports business development and promoting refined management as the core tasks of information system construction. Firstly, the Bank has accelerated the construction of integrated large-scale preliminary project groups, among which unified identification authentication, enterprise service bus and certain functions of smart payment platform have been put into operation. Secondly, the Bank has built a remote centralized authorisation system that centralizes the management on authorized officers and separate business operators and business authorizers, thereby achieving centralized control on risk related to business authorization and enhancing prevention against operational risk. Thirdly, the Bank completed the construction of Phase 2 of its credit management system whereby the Bank improved its credit business management system through credit procedures management, thus ensuring an effective credit risk management. And finally, the Bank completed the construction of customer management and performance system, which provides more specific customer and individual information. Such system, as a complement to the FTP system, is equipped with functions such as enquiry of the transaction volume of tellers, appraisal of the progress of deposit taking and loan extension by staff, management of customer managers and customer relationship as well as measurement of the daily workload of projects, and may produce corresponding appraisal programs for each branch and office according to their respective actual conditions.

Expanding electronic channel application and building itself into a development bank with distinguishing features. The Bank actively expanded the application of electronic channels and strove to build itself into a bank with distinguishing features. Firstly, the Phase 1 mobile finance system of the Bank was put into operation In April 2011, which provides highly-safe, easy-to-operate and full-featured financial services to customers through SMD chips. Secondly, the Bank actively developed mobile financial products that are compliant with NFC SD China UnionPay standard and was the first to launch NFC mobile banking application in the world. This application incorporates functions such as self-service banking, remote payment, near-field payment and electronic wallet and is a brand new financial platform that changes people's lifestyle and secures the Bank a leading position in terms of mobile banking systems among its peers. Thirdly, the Bank developed and built a financial IC card system with an aim to realize the migration of its existing bank cards from magnetic stripe to chip and build a micro-payment (including non-contact micro-payment) feature (which is peculiar to IC cards) system. The system will boost the expansion of financial IC card application and facilitate innovation in bank cards and business process,

Strengthening information technology risk management to improve the security mechanisms in system operation. In order to ensure the normal and stable operation of each business system, the Bank intensified its control over exposures to information technology risks and carried out regular assessment and testing on its information systems to ensure timely repair and updating. First of all, the information systems were classified into five different levels, and different basic device configurations, disaster recovery and disaster tolerance protection, failure response time and troubleshooting time were set up for each level of information systems with corresponding responsibilities clearly assigned. Moreover, bank-wide emergency drills for disaster recovery of integrated business systems were organized to ensure the normal and stable operation of integrated business systems. From November 9 to November 10, 2011, nearly 1,766 outlets including the main branch under the Bank's headquarters, 43 sub-branches at districts and counties and 3 village and township banks, carried out emergency drills for disaster recovery. The mock drills, involving organizational systems, switching between the main and backup machines, business system application switching, accounts verification, computer room environment, network environment switching and information reporting, were proven to be a success with the expected goal being achieved.

VII. Employees and Human Resources Management

1. *Basic Information on Employees*

As at the end of 2011, the Bank had 13,524 regular employees, 6,498 of whom held Bachelor's degree or above, representing approximately 48.05% of all our regular employees. In addition, we had 2,162 internally retired employees, 3,820 retired employees and 1,696 dispatch workers.

2. *Overview of Human Resources Management*

During 2011, adhering to the strategic plan for development of listed banks, the Bank adjusted and optimized the organizational structure and considerably enhanced its professional level in operation and management, further optimized the employees structure through campus and social recruitment as well as introduction of various types of talents, strengthened cultivation of young managerial personnel, professionals, and key business personnel, thus building echelons of professional teams, tightened up staffing management to boost human resources management efficiency, completed upgrading of the human resources management system and further improved professionalized and information-based management of human resources.

As regards remuneration policies, the Bank further improved the position system for employees, and continuously implemented the "basic salary plus combined appraisal of position, performance and contribution" remuneration system with unique characteristics of the Bank. During 2011, based on its business growth and management needs, the Bank stepped up assessment of key performance indicators, strengthened the incentive effect and continually perfected the remuneration distribution mechanism.

3. *Training*

In a bid to promote business growth and career development of employees, the Bank incorporated staff education and training into its strategic development plan, established cooperation mechanism with domestic and overseas institutions of higher education by drawing on advanced education and training philosophies and consolidating training resources, continuously provided training to managerial, professional and operating employees at different levels and in various forms so as to accelerate enhancement of the comprehensive quality of employees, kept optimizing its online E-learning system to step up assessment and improve training effect. In 2011, the Bank carried out 1,832 off-line training programs for 106,800 employees and provided on-line training for 268,300 employees through the online learning system, with training coverage ratio reaching 100%.

Financial Business in County Area

The banking business in County Area has been a long-term strategic focus, and also one of the Group's major sources of revenues. The Group provides diversified financial services for customers in County Area through 31 branches located in County Area and their 1,460 distribution outlets as well as three village and township banks. During the reporting period, the Group brought into full play its advantage in interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, stimulated innovation in financial services, kept on increasing the total financial supply in County Area, leading to the rapid growth of financial services in County Area. As at December 31, 2011, the loan balance of the banking business in County Area amounted to RMB67,559 million, representing an increase of RMB9,223 million or 15.81% over the end of the previous year; non-performing loan ratio stood at 2.75%, down 1.57 percentage points over the end of the previous year; the deposit balance amounted to RMB164,400 million, representing an increase of RMB27,380 million or 19.98% over the end of the previous year.

I. Internal Mechanism Reform

1. Organisational Structure

During the reporting period, the Group further improved its management structure. The Sannong Business Department, renamed as Sannong Department (三農事業部), was responsible for implementing policies on County Area financial businesses made by Sannong Financial Service Committee (三農金融服務委員會) and providing professional operation and management for banking business in County Area. Sannong Department has three centres under it, namely "financial service centre for farmers, financial service centre of agriculture industrialisation, and Sannong business management centre", in charge of policy studies, system formulation, customer marketing and Sannong business management.

2. Credit Management

During the reporting period, the Group further revised and improved such systems as management measures, operation standards and authorisation of credit business, and streamlined the business process of Sannong credit business. By arranging dedicated staff to examine and approve loans, and establishing a team of customer managers, the Group effectively stepped up efforts in investigation, review and examination of loans of County Area in a bid to improve lending efficiency and enhance loan management.

3. Assessment and Incentives

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

II. Corporate Banking Business in County Area

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

As at December 31, 2011, the corporate loan balance of the Group's banking business in County Area stood at RMB34,441 million, representing 37.11% of the corporate loan balance of the Bank, up RMB3,028 million or 9.64% over the end of the previous year.

III. Personal Banking Business in County Area

During the reporting period, the Group devised and implemented special marketing plans in a bid to drive the growth of personal banking business in County Area. Targeting farmers with substantial livestock and crop (種養植大戶), individual and private business owners, farmer-entrepreneurs and mid- and high-end premium customers among urban and rural residents, the Group developed personal products for specific areas and promoted loans secured by forest property rights, rural residential housing and contractual management rights of rural lands in a steady pace in order to satisfy diversified credit needs in County Area.

During 2011, as the only bank in Chongqing offering the new type of pension insurance services in rural areas, the Group carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 10 million people. Departments of finance and social insurance of the city and district/county opened 125 social insurance accounts with the Group, with the capital balance of RMB1,456 million. In 2011, the number of individual pensions withheld by the Group amounted to 7.7715 million, totalling RMB1,464 million; the number of individual pensions paid by the Group as an agent amounted to 38.3046 million, totalling RMB3,472 million. These services provided the Group with an extensive customer base and helped stabilise customer resources and facilitate the development of our businesses.

The Group made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card, Jiangyu Xiangqing Card, credit card and personal internet banking. As at December 31, 2011, the Group owned 822 ATM and CRS machines, and 284 multi-media enquiry machines in County Area and set up 207 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Group in County Area also increased by 562,300 and 10,900 over the end of the previous year, respectively to 7,081,200 and 32,200, respectively, which accounted for 78.98% of the debit cards issued by the Group and 75.05% of the credit cards issued by the Bank, respectively. With the gradual enhancement in electronic equipment and so the increase in the number of cards, the Group is well poised to keep expanding its customer base in County Area and increase the penetration of banking business in County Area, and build good business relationship with customers.

As at December 31, 2011, the personal loan balance of the Group's banking business in County Area stood at RMB33,118 million, representing 64.26% of the total personal loan balance of the Group, up RMB6,195 million or 23.01% over the end of the previous year.

IV. Summary of Information on Geographical Segments

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

| Expressed in RMB million | For the year ended December 31, | | | | | |
|---|---------------------------------|----------------|-----------------|----------------|----------------|----------------|
| | 2011 | | | 2010 | | |
| | County Area | Urban Area | Total | County Area | Urban Area | Total |
| Net interest income | 1,921.4 | 8,583.6 | 10,505.0 | 2,002.8 | 5,499.0 | 7,501.8 |
| Net fee and commission income | 321.9 | 313.5 | 635.4 | 103.4 | 182.4 | 285.8 |
| Net trading gain (losses) | — | 23.4 | 23.4 | — | (46.2) | (46.2) |
| Other operating income, net | 69.1 | (114.6) | (45.5) | 39.0 | (35.8) | 3.2 |
| Total operating income | 2,312.4 | 8,805.9 | 11,118.3 | 2,145.2 | 5,599.4 | 7,744.6 |
| Internal transfer of income and expense | 3,230.6 | (3,230.6) | — | 1,972.7 | (1,972.7) | — |
| Gain after adjustment | 5,543.0 | 5,575.3 | 11,118.3 | 4,117.9 | 3,626.7 | 7,744.6 |

For the year ended 31 December 2011, the internal transfer of income for County Area segment amounted to RMB3,231 million, representing a year-on-year increase of 63.77%, which firmly bolstered rapid business development of the Bank. For the year ended 31 December 2011, the gain as adjusted for the County Area segment was RMB5,543 million, representing a year-on-year increase of 34.61%, which was mainly attributable to rapid increases in the fee and commission income and in internal transfer of income.

Risk Management

The Bank further improved its risk management system in 2011. Guided by the New Basel Capital Accord and in compliance with the requirements of the CBRC in the “Guidelines for the Establishment of the Risk Management System of Small- and Medium-sized Rural Financial Institutions” (《農村中小金融機構風險管理機制建設指引》), the Bank stepped up efforts in the cultural and organisational construction of risk management system, refined various policy guidelines and procedures of risk management as well as expedited the development and application of risk management instruments, with an aim to ensuring capital adequacy, optimising its asset quality and strengthening the comprehensive risk management capability gradually.

I. Credit Risk Management

Credit risks refer to the risk of the failure of the borrower of the Bank or the other party to fulfill the corresponding responsibilities in compliance with contracted provisions. The perceivable credit risks of the Bank mainly lie in loan portfolio, investment portfolio, guarantees and other payment undertakings.

During 2011, the Bank forged ahead with its credit risk management from perspectives such as organization and structure, credit approval, system construction, license management, market access, application of instruments, post-loan management and recovery of non-performing loans. Meanwhile, in order to tighten control over credit risks, the Bank established the Credit Management Department to be specialised in post-disbursement management of the credit business as well as the dissemination and implementation of credit policies within the Bank.

The Bank formulated its credit policies on the basis of a comprehensive and systematic analysis of the trends of China’s and the world’s economies in 2011 and through collation of potential major risks in the macro economy and the financial sector and their impacts on the Bank. Considering the basic access policy as its bottom line and with reference to the demands of customers, industries and regions, the Group aimed at achieving a balanced and efficient use of credit resources for a balanced development in terms of efficiency, quality, structure and scale.

II. Liquidity Risk Management

Liquidity risk refers to the risk of being unable to finance funds or liquidate a position at reasonable costs in a timely manner to cope with increase in assets or fund debt obligations on maturity. The Bank's objective in liquidity risk management is to ensure that it is able to meet all payment obligations and fund all operations in accordance with its development strategy. To this end, the Bank effectively identifies, measures, monitors and controls its liquidity risk to strike a balance between risk and income.

The Asset and Liability Management Commission is responsible for establishing policies and strategies relating to our overall management of liquidity risk. The Risk Management Department and Financial Planning Department are responsible for implementing the liquidity risk management policies and strategies, monitoring and evaluating the liquidity risks. In 2011, the Bank had adopted a series of measures to effectively improve liability structure and helped boost the growth of deposits, enhance the stability of deposits and reduce potential liquidity risks. Meanwhile, the Bank, leveraging on its unremitting efforts in strengthening liquidity monitoring and forecast as well as the application of the FTP system, has improved the management of internal fund allocation. To avoid potential liquidity risks, the Bank has also carried out real-time monitoring and prepared monthly reports on all liquidity control indicators to reflect the liquidity position of the Bank in a comprehensive and continuous manner.

As at the end of 2011, other than core liabilities ratio, all main indicators reflecting the Bank's liquidity conditions met regulatory requirements. The Bank increased the amount of core liabilities by adjusting its deposits structure, and improved core liabilities ratios through measures such as reducing short-term non-core liabilities derived from the capital market, such as financial assets sold under repurchase agreements and deposits from banks. The indicator as at the end of December 2011 increased by 1.39 percentage points over the end of last year to 57.49%, thus being closer to regulatory standards.

Liquidity Risk Analysis

During 2011, the fast-paced three interest rate and six reserve ratio hikes by the PBOC led to tightening inter-bank liquidity. However, the Bank ensured the balance among liquidity, safety and efficiency by virtue of flexible asset allocation, rationalized capital investment, optimized assets and liabilities structure and proper terms for respective credit funds.

The Bank appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of December 2011, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorized by contractual maturities

| | As at December 31, 2011 | | | | | | | |
|--|-------------------------|--------------------|------------------|-------------------|-------------------|-----------------|------------------|-----------------|
| | Past due/ | | | | | | | |
| | Undated | On demand | 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million |
| Net position of assets and liabilities | <u>46,703.3</u> | <u>(109,767.2)</u> | <u>(2,046.7)</u> | <u>(19,215.4)</u> | <u>(22,176.0)</u> | <u>90,522.7</u> | <u>107,066.2</u> | <u>91,086.9</u> |

| | As at December 31, 2010 | | | | | | | |
|--|-------------------------|-------------------|----------------|------------------|-------------------|-----------------|-----------------|-----------------|
| | Past due/ | | | | | | | |
| | Undated | On demand | 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million | RMB million |
| Net position of assets and liabilities | <u>36,091.9</u> | <u>(99,816.5)</u> | <u>3,464.1</u> | <u>(7,376.3)</u> | <u>(25,641.8)</u> | <u>72,866.4</u> | <u>84,215.7</u> | <u>63,803.5</u> |

Note: Please refer to “Notes to Consolidated Financial Statements: 49. Financial Risk Management. Liquidity Risk.”

As at the end of 2011, the accumulated gap of various maturities of the Group was RMB91,087 million, representing an increase of RMB27,283 million from the end of the previous year. Despite the negative gap for repayment on demand of RMB109,767 million, the Group enjoyed 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 negligible impact on the actual liquidity of the Bank.

III. Market Risk Management

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

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

Interest Rate Risk Analysis

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

In 2011, as a result of the People's Bank of China's shift from a prudent monetary policy to a tightening one, market interest rate hikes have gradually amplified the impact of re-pricing of interest rate sensitive assets and liabilities. The Bank, by properly applying the FTP system, improved the management of interest rate pricing, duly adjusted the pricing of funds and effectively controlled the fall of loan interest rates and interest costs, with a view to propping up the pro-activeness of risk management and ensuring the sustained growth of the Bank's profit and market value.

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

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2011 | | | | | | Total |
|--|-------------------------|------------------|------------------|-----------------|-----------------|-----------------------|------------------|
| | Within 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest -earning | |
| Cash and balances with central bank | 47,778.7 | — | — | — | — | 2,884.1 | 50,662.8 |
| Deposits with banks and other financial institutions | 4,782.3 | 2,172.6 | 4,290.1 | 200.0 | — | — | 11,445.0 |
| Placements with banks and other financial institutions | 1,381.3 | 412.0 | 8,587.6 | 1,079.8 | — | — | 11,460.7 |
| Financial assets held for trading | — | — | 400.9 | — | — | — | 400.9 |
| Financial assets designated as at fair value through profit or loss | 7,354.8 | 3,386.5 | 2,277.3 | 15.0 | — | — | 13,033.6 |
| Financial assets held under resale agreements | 12,996.2 | 13,430.7 | 15,869.9 | — | — | — | 42,296.8 |
| Loans and advances to customers | 45,716.2 | 20,112.7 | 61,391.4 | 11,534.0 | 67.5 | — | 138,821.8 |
| Available-for-sale financial assets | — | — | 99.6 | 611.4 | 853.1 | 35.5 | 1,599.6 |
| Held-to-maturity investments | — | 757.7 | 1,290.9 | 20,339.5 | 17,848.3 | — | 40,236.4 |
| Debt securities classified as receivables | 5,411.3 | 1,499.6 | 6,407.4 | 12,926.9 | 808.1 | — | 27,053.3 |
| Other financial assets | — | — | — | — | — | 2,414.6 | 2,414.6 |
| Total financial assets | 125,420.8 | 41,771.8 | 100,615.1 | 46,706.6 | 19,577.0 | 5,334.2 | 339,425.5 |
| Borrowings from central bank | — | — | 30.0 | — | — | — | 30.0 |
| Deposits from banks and other financial institutions | 1,568.0 | 10,670.1 | 10,289.1 | 2,579.9 | — | — | 25,107.1 |
| Placements from banks | 560.0 | 999.9 | 589.9 | — | — | — | 2,149.8 |
| Financial liabilities designated as at fair value through profit or loss | — | 335.6 | 30.0 | — | — | — | 365.6 |
| Financial assets sold under repurchase agreements | 12,631.9 | 9,226.7 | 10,901.1 | — | — | — | 32,759.7 |
| Due to customers | 127,009.5 | 26,551.5 | 68,882.1 | 23,575.1 | 123.3 | — | 246,141.5 |
| Debt securities issued | — | — | — | — | 2,300.0 | — | 2,300.0 |
| Other financial liabilities | — | — | — | — | 37.9 | 4,243.1 | 4,281.0 |
| Total financial liabilities | 141,769.4 | 47,783.8 | 90,722.2 | 26,155.0 | 2,461.2 | 4,243.1 | 313,134.7 |
| Interest rate gap | (16,348.6) | (6,012.0) | 9,892.9 | 20,551.6 | 17,115.8 | 1,091.1 | 26,290.8 |

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2010 | | | | | | Total |
|--|-------------------------|------------------|-------------------|-----------------|-----------------|-----------------------|------------------|
| | Within 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest -Earning | |
| Cash and balances with central bank | 35,027.4 | — | — | — | — | 2,294.3 | 37,321.7 |
| Deposits with banks and other financial institutions | 9,787.4 | 4,686.8 | 2,046.0 | 700.0 | — | — | 17,220.2 |
| Placements with banks and other financial institutions | — | — | — | 2,000.0 | — | — | 2,000.0 |
| Financial assets held for trading | — | — | — | — | 482.2 | — | 482.2 |
| Financial assets designated as at fair value through profit or loss | 3,709.8 | 1,566.1 | 2,770.1 | — | — | — | 8,046.0 |
| Financial assets held under resale agreements | 17,139.9 | 9,230.5 | 10,787.6 | — | — | — | 37,158.0 |
| Loans and advances to customers | 74,694.1 | 5,450.8 | 30,736.3 | 4,789.6 | 1,443.2 | — | 117,114.0 |
| Available-for-sale financial assets | — | — | — | 240.8 | 1,140.7 | 44.8 | 1,426.3 |
| Held-to-maturity investments | 1,099.9 | 1,499.7 | 1,578.4 | 9,557.8 | 22,973.0 | — | 36,708.8 |
| Debt securities classified as receivables | 1,945.5 | 755.9 | 5,010.6 | 12,642.0 | 865.9 | — | 21,219.9 |
| Other financial assets | — | — | — | — | — | 1,955.0 | 1,955.0 |
| Total financial assets | 143,404.0 | 23,189.8 | 52,929.0 | 29,930.2 | 26,905.0 | 4,294.1 | 280,652.1 |
| Deposits from banks and other financial institutions | 7,803.8 | 2,708.0 | 1,200.0 | — | — | — | 11,711.8 |
| Financial liabilities designated as at fair value through profit or loss | — | — | 444.8 | — | — | — | 444.8 |
| Financial assets sold under repurchase agreements | 18,104.4 | 5,734.4 | 11,923.8 | — | — | — | 35,762.6 |
| Due to customers | 110,247.2 | 21,828.0 | 59,280.5 | 14,027.5 | 179.8 | — | 205,563.0 |
| Debt securities issued | — | — | — | — | 2,300.0 | — | 2,300.0 |
| Other financial liabilities | — | — | — | — | 37.9 | 4,051.3 | 4,089.2 |
| Total financial liabilities | 136,155.4 | 30,270.4 | 72,849.1 | 14,027.5 | 2,517.7 | 4,051.3 | 259,871.4 |
| Interest rate gap | 7,248.6 | (7,080.6) | (19,920.1) | 15,902.7 | 24,387.3 | 242.8 | 20,780.7 |

As at December 31, 2011, the accumulated gaps for all maturities amounted to RMB26,291 million, representing an increase of RMB5,510 million from the end of the previous year.

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

Interest rate sensitivity analysis

In millions of RMB

| Change in basis points | The Group As at December 31, 2011 | | The Group As at December 31, 2010 | |
|------------------------|--------------------------------------|--|--------------------------------------|--|
| | Changes in net interest income | Changes in other comprehensive income | Changes in net interest income | Changes in other comprehensive income |
| +100 basis points | 592.5 | (71.5) | 620.1 | (79.8) |
| -100 basis points | (592.5) | 75.7 | (620.1) | 86.1 |

Note: Please refer to “Notes to Financial Statements: 49. Financial Risk Management. Market Risk. Interest Rate Risk”.

Exchange Rate Risk Analysis

Exchange rate risk primarily results from mismatches in the currency denomination of our assets and liabilities, either on- or off- balance sheet, and currency position mismatches caused by foreign currency transactions. The Bank mainly adopts foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. The Bank is mainly engaged in the RMB business with certain transactions related to U.S. dollars and HK dollars but seldom conducts transactions in other currencies. In 2011, with rising pressure on the appreciation of RMB, the Bank achieved highly efficient operation of funds raised from the global offering and completed exchange settlement, thus reducing potential foreign exchange losses. During day-to-day business operations, the Bank lowered or hedged against losses arising from foreign exchange fluctuations by cutting down settlement and sale of foreign exchange, enhancing fund utilization efficiency and such other means.

As at December 31, 2011, the position of assets of the Group on and off the balance sheet denominated in RMB is as follows:

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2011 | | | | Total |
|---|-------------------------|-----------------------------------|---------------------------------|---------------------------------------|------------------|
| | RMB | U.S. dollars RMB equivalent | HK dollars RMB equivalent | Other currencies RMB equivalent | |
| Cash and balances with central bank | 50,651.8 | 8.5 | 2.5 | — | 50,662.8 |
| Deposits from banks and other financial institutions | 10,988.0 | 300.0 | 57.9 | 99.1 | 11,445.0 |
| Placements with banks and other financial institutions | 11,460.7 | — | — | — | 11,460.7 |
| Financial assets held for trading | 400.9 | — | — | — | 400.9 |
| Financial assets designated as at fair value through profit or loss | 13,033.6 | — | — | — | 13,033.6 |
| Financial assets held under resale agreements | 42,296.8 | — | — | — | 42,296.8 |
| Loans and advances to customers | 138,691.3 | 130.5 | — | — | 138,821.8 |
| Available-for-sale assets | 1,599.6 | — | — | — | 1,599.6 |
| Held-to-maturity investments | 40,236.4 | — | — | — | 40,236.4 |
| Investments classified as receivables | 27,053.3 | — | — | — | 27,053.3 |
| Other financial assets | 2,414.6 | — | — | — | 2,414.6 |
| Total financial assets | 338,827.0 | 439.0 | 60.4 | 99.1 | 339,425.5 |
| Borrowings from central bank | 30.0 | — | — | — | 30.0 |
| Deposits with banks and other financial institutions | 25,107.1 | — | — | — | 25,107.1 |
| Placements from banks | 2,149.8 | — | — | — | 2,149.8 |
| Financial liabilities designated as at fair value through profit or loss | 365.6 | — | — | — | 365.6 |
| Financial assets sold under resale agreements | 32,759.7 | — | — | — | 32,759.7 |
| Due to customers | 245,861.0 | 134.1 | 49.8 | 96.6 | 246,141.5 |
| Debt securities issued | 2,300.0 | — | — | — | 2,300.0 |
| Other financial liabilities | 4,281.0 | — | — | — | 4,281.0 |
| Total financial liabilities | 312,854.2 | 134.1 | 49.8 | 96.6 | 313,134.7 |
| Net position | 25,972.8 | 304.9 | 10.6 | 2.5 | 26,290.8 |

| (Expressed in RMB million, unless otherwise stated) | As at December 31, 2010 | | | | Total |
|--|-------------------------|----------------|------------------|-------------|------------------|
| | U.S. dollars | HK dollars | Other currencies | | |
| | RMB | RMB | RMB | RMB | |
| | RMB | equivalent | equivalent | equivalent | |
| Cash and balances with central bank | 37,310.3 | 9.2 | 2.1 | — | 37,321.6 |
| Deposits from banks and other financial institutions | 7,131.5 | 4,175.6 | 5,897.2 | 15.9 | 17,220.2 |
| Placements with banks and other financial institutions | 2,000.0 | — | — | — | 2,000.0 |
| Financial assets held for trading | 482.2 | — | — | — | 482.2 |
| Financial assets designated as at fair value through profit or loss | 8,046.0 | — | — | — | 8,046.0 |
| Financial assets held under resale agreements | 37,158.0 | — | — | — | 37,158.0 |
| Loans and advances to customers | 117,114.0 | — | — | — | 117,114.0 |
| Available-for-sale assets | 1,426.3 | — | — | — | 1,426.3 |
| Held-to-maturity investments | 36,708.9 | — | — | — | 36,708.9 |
| Debt securities classified as receivables | 21,219.9 | — | — | — | 21,219.9 |
| Other financial assets | 1,955.0 | — | — | — | 1,955.0 |
| Total financial assets | 270,552.1 | 4,184.8 | 5,899.3 | 15.9 | 280,652.1 |
| Deposits with banks and other financial institutions | 11,634.4 | 77.4 | — | — | 11,711.8 |
| Financial liabilities designated as at fair value through profit or loss | 444.8 | — | — | — | 444.8 |
| Financial assets sold under repurchase agreements | 35,762.7 | — | — | — | 35,762.7 |
| Due to customers | 205,071.1 | 99.5 | 378.8 | 13.7 | 205,563.1 |
| Debt securities issued | 2,300.0 | — | — | — | 2,300.0 |
| Other financial liabilities | 4,089.1 | — | — | — | 4,089.1 |
| Total financial liabilities | 259,302.1 | 176.9 | 378.8 | 13.7 | 259,871.5 |
| Net position | 11,250.0 | 4,007.9 | 5,520.5 | 2.2 | 20,780.6 |

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

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

| | As at December 31, 2011 | As at December 31, 2010 |
|----------------------|-------------------------------|-------------------------------|
| Exchange rate change | Changes in net profit | Changes in net profit |
| 5% appreciation | (11.9) | (357.4) |
| 5% depreciation | <u>11.9</u> | <u>357.4</u> |

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

IV. Operational Risk Management

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

With a view to meeting the demands of the new Basel Capital Accord and the establishment of process-based banking as well as complying with the requirement for a comprehensive risk management, the Bank further strengthened its implementation of the internal control system and improved its control and management over operational risks. By applying an information system in each stage of the business processing procedures, ranging from teller management to business control, the Group effectively controlled and averted operational risks, sparing no efforts in enhancing its centralised risk control. At present, a large-scale, consolidated front office system is in the making, where the Group achieved parametric centralised operation and transactions as well as remote and authorised transactions by establishing a framework for the operational risk control system and differentiating the control authority. In order to fulfill its duties of managing operational risks, it fostered the implementation of a scientific and comprehensive operational risk management system, thus laying solid foundation for preventing and monitoring operational risks.

V. Implementation of New Basel Capital Accord

As required by regulatory authorities, the Group, as a pilot project under the new Basel Capital Accord, has, by far, completed the gap analysis and filed with the competent regulatory authorities. Detailed implementation plan is still under deliberation.

VI. Anti-money Laundering

The Bank thoroughly implemented anti-money laundering laws and regulations at home and abroad, rigorously followed administrative requirements of regulatory authorities on anti-money laundering, and duly performed its anti-money laundering duties and obligations. During the reporting period, the Bank improved business management systems, and incorporated measures of customer identification, customer transaction identification and customer risk prevention into its business systems to ensure close linkage among various business operational procedures and effectively control operational risks, invited anti-money laundering experts to provide extensive and in-depth training programs to raise the awareness and boost the skills of anti-money laundering prevention, as well as enhance professional competence for anti-money laundering, carried out diverse anti-money laundering publicity events in various forms to create a favorable environment for anti-money laundering and interact with the general public to jointly fight against money laundering criminal activities, actively conducted due diligence investigation on customers to have an all-round grasp of facts and analyze customers' transaction behaviors as appropriate, accurately defined suspicion degree and grade and delivered reports on suspicious transactions in compliance with relevant requirements, launched research over the implementation of the anti-money laundering internal control system, explored risk control and prevention measures for online banking, telephone banking and mobile banking, promoted compliance and controllability of anti-money laundering administration, formulated the anti-money laundering inspection plan, rigorously inspected and reinforced implementation of anti-money laundering regulations and provisions in combination with anti-money laundering systems to continuously enhance execution of anti-money laundering systems.

Internal Audit

As the purpose of the Bank's internal audit was to achieve effective internal control, risk management and corporate governance, the Bank carried out appraisals and evaluations on the effectiveness of internal control and risk management, the profitability of operating activities, the effects of governance procedure and the economic responsibilities of major management members and proposed corresponding recommendations for improvement. The internal audit was conducted independently. It was mainly accountable to the Board and the audit committee and responsible for reporting to them, the supervisory committee and the senior management. An Internal Audit Department is in place at the head office, and two audit offices are also put in place in Wanzhou and Qianjiang to answer and report to the Audit Department. Divisions covering off-site inspection, on-site inspection and special inspection were set up under the Audit Department to carry out off-site supervision, on-site audit and special inspections. Internal audit departments were established at the 43 branches to administer audit work and conduct audit across the Bank.

In 2011, the Bank proceeded with its internal audit work and implemented a series of supporting measures around management model, procedural standards, technical approaches, internal control and team qualities. Furthermore, the Bank managed to improve the quality and value of audit by boosting the capability of duty performance and ensuring the smooth implementation of audit plans.

During the reporting period, the audit activities mainly focused on the adequacy and effectiveness of internal control, risk management and corporate governance. It organized and carried out audit projects including the annual audit on the truthfulness of financial information, the specialized audit on credit business, the regular audit, and the specialized audit for the resignation of key positions and personnel, thus reinforcing audit of major areas and risks. Meanwhile, it conducted risk investigations in the capital operation department, the international business department, the business department, the IT department, and the capital settlement center of the Bank as well as the branches within its jurisdiction. Particularly, the spot check on grass-roots business outlets by the special inspection team conducted comprehensive internal control appraisal of the head office's major business departments and all the branches across the Bank, and offered key assistance to some branches in their internal control, which not only revealed the risk hazards and loopholes, but also improved the internal control and the execution of risk prevention.

Outlook

Looking into 2012, with the economic recovery of major developed countries still wobbling, and possible co-existence between excess capacity of traditional industries and uncertainty over the development of emerging industries, global competition over trade investment, energy resources and currency will become increasingly fierce, while economic growth worldwide may slow down with global markets probably trapped in prolonged recession. However, emerging market economies will continue to grow and remain the bright spots and engines of global economic growth.

2012 will still be a year full of strategic opportunities for China. The national economy will head towards the expected macro control target, with job market conditions constantly improving, international balance of payment in better equilibrium, and substantial progress to be made in transformation of economic growth model. However, concerns still persist over imbalance, disharmony, and unsustainability in economic growth. The overarching work keynote of “pursuing progress while ensuring stability” as set by the Central Government will breathe new life into continued promotion of economic and social development.

The foundation and environment for faster development of Chongqing in 2012 is favorable on the whole. An “accelerated” and “leading” economic growth of the city will be continuously powered by construction of “Five Chongqings”, the ten great projects for people’s well-being, opening up of western China to the world, integrated reforms on coordinated urban and rural development, and construction of the “Three Major Centers” (三大中心). The “Ten Principles of People’s Well-being” (民生十條) and the “Twelve Principles of Common Wealth” (共富十二條) have enjoyed popular support from the people. A growth pole in western China is taking shape; with gradually shortening “Three Gaps” (三個差距), and all-round advancement of common wealth, remarkable improvement of people’s livelihood will be achieved.

The year of 2012 is critical for China to implement the “Twelfth Five-year Plan”, and for the Bank to lay solid foundation for becoming the “most competitive regional commercial bank of China”. By closely combining the requirement of development from a scientific perspective with the current realities, and duly grasping the keynote of transformation and upgrading, the Bank will commit itself to advancing the characteristic operation, streamlining the management and fostering an enterprising corporate culture, and strive for steady and healthy growth bankwide and returns to shareholders and the society with the best performance.

Corporate Social Responsibility

In 2011, guided by the scientific development philosophy, the Bank vigorously undertook social responsibilities and was granted the First Prize of Financial Contribution Award (金融貢獻獎一等獎) by the Chongqing Municipal Government, enlisted as one of the Top 200 Efficient Enterprises of China and was awarded the Community Chest Annual Presentation of Awards (公益榮譽獎) in Hong Kong. In addition, it was honored as the Bank with the Best “Sannong” Services (最佳服務三農銀行), the Bank with the Best Financial Services for Middle-, Small- and Micro-sized Enterprises (最佳中小微企業金融服務銀行).

The Bank kept key issues in mind while implementing macro-economic policies, and underpinning central projects. The Bank supported industries such as electricity power, transportation, chemical engineering, automobiles, urban construction, railway and medical and health. Also, the Bank attained breakthroughs in interconnectivity between finance and taxation (財稅互聯互通), the Three Gorges Supporting Fund (三峽後扶資金) as well as the resources exchange centre. At the end of 2011, corporate loan balance of the Company amounted to RMB92.806 billion (including discounted bills), representing an increase of 16.67% as compared to the end of the previous year. The Bank built up a low-carbon finance. The Bank set up a one-vote veto mechanism (一票否決制) for environmental protection and tightened control over new credit approval on industries with excessive capacities including steel and iron, cement, sheet glass, coal chemicals, polysilicon, wind power equipment, electrolytic aluminum, ship building and soybean crushing. Safeguarding State-owned assets. With total assets amounting to RMB344.820 billion, all taxes paid amounted to RMB1.95 billion, which preserved and increased the value of state-owned assets,

The Bank overcame difficulties in undertaking obligations to serve Sannong. The Bank pushed ahead with product innovation. The Bank has innovated various agriculture-related credit products such as pledged loans secured by “Three Rights” (三權), and loans for land reclamation in County Area. In addition, the Business Start-up Loans for Migrant Workers who Returned Home (農民工返鄉創業貸款) was honored as “Top Ten Featured Financial Products Serving for Small-sized Enterprises and ‘Sannong’ (服務小企業及三農十佳特色金融產品)”. The Bank extended services channels. A brand new financing service model in support of farmers, namely “self-service terminals for rural villages” (農村自助服務終端) was debuted in western China, while the NFC SD China UnionPay Standard Mobile Financing Products were introduced worldwide so that all farmers could benefit from the latest achievement brought by advancement of modern technology and innovation of financing products. Optimizing the farmer subsidizing mechanism. The Bank brought into full play its advantage in interactive linkage between urban and rural areas (城鄉聯動優勢) while pressing ahead with new financial services and undertaking obligation of serving Sannong. As at the end of 2011, the deposits and loans of financial business in country area amounted to RMB164.400 billion and RMB67.559 billion, representing an increase of RMB19.98% and 15.81%, respectively.

Adhering to the trend, the Bank assisted small- and micro-sized enterprises. It set up innovative system including the “trinity and interrelated” financial services network for small and micro enterprise which vertically coordinates small enterprises banking department at headquarters, small enterprise loan centers at sub-branches and service information counters of small and micro enterprises at distribution outlets, in an attempt to provide small and micro enterprises with citywide, seamless and all-encompassing financial service. Besides, the Bank came up with innovative procedures. As part of its professional service model, it launched simplistic business process (一表通) tabulated for micro enterprises and set up green channel with easy operation and standardized procedures which gained much popularity among customers. The Bank has introduced new services and optimized business process such as Micro Enterprise Business Start-up Subsidizing Loan (微型企業創業扶持貸款), Small Enterprises Easy Loan (小企業便捷貸) and Small Enterprise Development Loan (小企業發展貸) which helped upgrade small enterprises.

The Bank stayed focused on social issues. The Bank commenced caring action from staff. In adherence to the motto of “human resources fore-most”, the Bank promoted its corporate culture by facilitating trainings for staff, protecting their rights and fostering staff development. Files were set up for employees with difficulties. The Bank has organized “warmth-giving” (送溫暖) activities. The Bank promoted efforts in blood donation and poverty relief. The Bank has continuously invested in Yujian Village and Shexing Village in Tai’an Town, Tongnan County and Guopo Village, Baizi Town, in a bid to alleviate the impoverished condition of all these villages. Meanwhile, difficulties of local children in going to school and of villager in commuting were effectively solved. The Bank participated in public welfare. The Bank strived to conserve energy and reduce emission and made great effort saving at work to create a green bank. It aspired to support social course such as charitable activates, science, education, culture and sanitation. In addition, it participated in “Greening the Yangtze River-Chongqing Action”, initiated extensive campaigns to popularise financial knowledge and donated RMB5 million to community services.

Changes in Share Capital and Particulars of Shareholders

MOVEMENTS IN SHARES

Unit: share, %

| | January 1, 2011 | | Increase/(Decrease) during the reporting period | | | | | | December 31, 2011 | |
|--|----------------------|---------------|---|-------------------------------|-------------|---------------------------------------|-----------------|----------------------|-------------------|------------|
| | Number of shares | Percentage | private placement | Issuance of additional shares | Bonus issue | Shares converted from capital reserve | Others | Sub-total | Number of shares | Percentage |
| (I) Shares subject to trading restrictions¹ | | | | | | | | | | |
| 1. Non-overseas listed shares held by legal persons | 5,255,724,599 | 58.40 | | | | (5,255,724,599) | (5,255,724,599) | | — | — |
| Including: (1) Shares held by state-owned legal person shareholders ^{2,3} | 2,091,860,399 | 23.24 | | | | (2,091,860,399) | (2,091,860,399) | | — | — |
| (2) Shares held by private legal person shareholders | 3,163,864,200 | 35.16 | | | | (3,163,864,200) | (3,163,864,200) | | — | — |
| 2. Non-overseas listed shares held by natural persons | 1,558,765,800 | 17.32 | | | | (1,558,765,800) | (1,558,765,800) | | — | — |
| Including: (1) Shares held by employee natural persons | 148,440,720 | 1.65 | | | | (148,440,720) | (148,440,720) | | — | — |
| (2) Shares held by natural persons other than employees | 1,408,979,575 | 15.66 | | | | (1,408,979,575) | (1,408,979,575) | | — | — |
| (3) Shares held by shareholders without affirmed ownership ⁴ | 1,345,505 | 0.01 | | | | (1,345,505) | (1,345,505) | | — | — |
| (II) Shares not subject to trading restrictions | | | | | | | | | | |
| 1. Non-overseas listed shares held by legal persons | 5,255,724,599 | 58.40 | | | | (27,794,540) | (27,794,540) | 5,227,930,059 | 56.21 | |
| Including: (1) Shares held by state-owned legal person shareholders ^{2,3} | 2,091,860,399 | 23.24 | | | | (7,826,440) | (7,826,440) | 2,084,033,959 | 22.41 | |
| (2) Shares held by private legal person shareholders | 3,163,864,200 | 35.16 | | | | (19,968,100) | (19,968,100) | 3,143,896,100 | 33.80 | |
| 2. Non-overseas listed shares held by natural persons | 1,558,765,800 | 17.32 | | | | (31,900) | (31,900) | 1,558,733,900 | 16.76 | |
| Including: (1) Shares held by employee natural persons | 148,440,720 | 1.65 | | | | — | — | 148,440,720 | 1.60 | |
| (2) Shares held by natural persons other than employees | 1,408,979,575 | 15.66 | | | | 7,240 | 7,240 | 1,408,986,815 | 15.15 | |
| (3) Shares held by shareholders without affirmed ownership ⁴ | 1,345,505 | 0.01 | | | | (39,140) | (39,140) | 1,306,365 | 0.01 | |
| 3. Overseas listed foreign shares | 2,185,509,601 | 24.28 | 300,000,000 | | | 27,826,440 | 327,826,440 | 2,513,336,041 | 27.03 | |
| (III) Total number of shares | 9,000,000,000 | 100.00 | 300,000,000 | | | | | 9,300,000,000 | 100.00 | |

Changes in Share Capital and Particulars of Shareholders

- All trading restrictions on relevant shares were released on December 16, 2011.
- Non-overseas listed shares of the Bank held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
- According to the Approval Concerning the Transfer of State-owned Shares of Chongqing Rural Commercial Bank Co., Ltd. (Guo Zi Chan Quan No. [2010] 627) (《關於重慶農村商業銀行股份有限公司國有股轉持有關問題的批覆》(國資產權[2010] 627號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, 10 state-owned shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司), upon the exercise of the over-allotment option, reduced their state-owned shares by transfer of 27,826,440 shares in aggregate to National Council for Social Security Fund of the PRC ("NSSF"). At the same time, NSSF entrusted the Bank with the public sale of these state-owned shares in Hong Kong by transferring them into H shares.
- Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not affirmed their ownership in the shares of the Bank. (Note: during the reporting period, 39,140 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,306,365 shares held by shareholders without affirmed ownership.)

MOVEMENTS IN SHARES SUBJECT TO TRADING RESTRICTIONS

Unit: share

| Name of shareholder | Number of shares subject to trading restrictions at the beginning of the year | | Released during the year | Number of shares subject to trading restrictions at the end of the year ² | | Reason for trading restrictions | Date of release from trading restrictions |
|--|---|---------------------|--------------------------|--|----------|---|---|
| | (Reduced) during the year | | | | | | |
| 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited ¹ (重慶渝富資產經營管理集團有限公司) | 2,091,860,399 | (27,826,440) | (2,064,033,959) | — | — | The 1-year lock-up period since listing of H-shares (December 16, 2010) | December 16, 2011 |
| 163 private legal person shareholders including Loncin Holdings Limited (隆鑫控股有限公司) | 3,163,864,200 | — | (3,163,864,200) | — | — | The 1-year lock-up period since listing of H-shares (December 16, 2010) | December 16, 2011 |
| 80,500 domestic natural person shareholders (including employees, natural persons other than employees, natural person shareholders without affirmed ownership) | 1,558,765,800 | — | (1,558,765,800) | — | — | The 1-year lock-up period since listing of H-shares (December 16, 2010) | December 16, 2011 |
| Total number of shares | 6,814,490,399 | (27,826,440) | (6,786,663,959) | — | — | | |

1. According to the Approval Concerning the transfer of state-owned shares of Chongqing Rural Commercial Bank Co., Ltd. (Guo Zi Chan Quan No. [2010] 627) issued by the State-owned Assets Supervision and Administration Commission of the State Council, 10 state-owned shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅游投資集團有限公司), upon the exercise of the over-allotment option, reduced their state-owned shares by transfer of 27,826,440 shares in aggregate to NSSF. At the same time, NSSF entrusted the Bank with the public sale of these state-owned shares in Hong Kong by transferring them into H shares.
2. All trading restrictions on relevant shares were released on December 16, 2011.

DETAILS OF SECURITIES ISSUANCE

On January 12, 2011, the Bank newly issued 300,000,000 H shares overseas as a result of the exercise of over-allotment option pursuant to listing, and converted 27,826,440 shares into H shares on behalf of NSSF (Note: accordingly, the existing 6,814,490,399 non-overseas listed shares of the Bank were reduced by 27,826,440 shares to 6,786,663,959 non-overseas listed shares). A total of 327,826,440 H shares were issued and the total number of existing shares of the Bank was 9,300,000,000 and the paid-in capital was RMB9,300,000,000.00.

Save as disclosed above, neither the Bank nor its subsidiaries had purchased, sold or redeemed any securities of the Bank during the year.

ISSUE OF BONDS

In 2011, there was no default by the Bank in respect of either repayment of the principal and interests of the RMB2.3 billion callable subordinated bonds issued in the PRC interbank bonds market on December 29, 2009 or any matters in connection therewith.

PARTICULARS OF SHAREHOLDINGS

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

PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF NON-OVERSEAS LISTED SHARES/SHARES SUBJECT TO TRADING RESTRICTIONS

Unit: share, %

| No. | Name of shareholder | Nature of shareholder | Total number of shares held | Shareholding percentage | Number of shares pledged or frozen | Type of share |
|-------|--|-----------------------|-----------------------------|-------------------------|------------------------------------|----------------------------|
| 01 | Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) | state-owned | 629,304,418 | 6.77 | — | non-overseas listed shares |
| 02 | Chongqing City Construction Investment Group Company Limited ¹ (重慶市城市建設投資(集團)有限公司) | state-owned | 621,435,221 | 6.68 | — | non-overseas listed shares |
| 03 | Loncin Holdings Limited (隆鑫控股有限公司) | private enterprise | 570,000,000 | 6.13 | 470,000,000 | non-overseas listed shares |
| 04 | Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) | state-owned | 423,431,972 | 4.55 | — | non-overseas listed shares |
| 05 | Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司) | private enterprise | 300,000,000 | 3.23 | 300,000,000 | non-overseas listed shares |
| 06 | Xiamen Laierfu Trading Co., Ltd. (廈門來爾富貿易有限責任公司) | private enterprise | 200,000,000 | 2.15 | 100,000,000 | non-overseas listed shares |
| 07 | Chongqing Emperor Science & Technology Co., Ltd. (重慶愛普科技有限公司) | private enterprise | 190,000,000 | 2.04 | 170,000,000 | non-overseas listed shares |
| 08 | Chongqing Tianqi Industry Management Company Limited (重慶天麟產業管理有限公司) | private enterprise | 160,000,000 | 1.72 | 160,000,000 | non-overseas listed shares |
| 09 | Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司) | private enterprise | 150,000,000 | 1.61 | — | non-overseas listed shares |
| 10 | Jiangsu Huaxi Group Corporation (江蘇華西集團公司) | private enterprise | 150,000,000 | 1.61 | — | non-overseas listed shares |
| Total | | | 3,394,171,611 | 36.50 | 1,200,000,000 | |

Note: 1. On December 31, 2011, 20,000,000 non-overseas listed shares were transferred to Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) which held 621,435,221 non-overseas listed shares of the Bank as at December 31, 2011.

2. As at December 31, 2011, the aforesaid shareholding percentage of non-overseas listed shares is based on the total shares of the Bank of 9.3 billion. In addition, the aforesaid shares held by shareholders are pledged only and not subject to judicial moratorium.

Material Interests

As at December 31, 2011, the interests of substantial shareholders other than directors and supervisors (pursuant to the SFO) in the shares and underlying shares of the Bank as recorded in the register required to be kept under section 336 of the SFO of Hong Kong were as follows:

Domestic Shares

Unit: share, %

| Name of the shareholder | Capacity | Number of domestic shares held(long position) | % of the total issued domestic shares of the Bank | % of the total share capital of the Bank |
|--|------------------|---|---|--|
| Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) | Beneficial Owner | 629,304,418 | 9.27 | 6.77 |
| Chongqing City Construction Investment (Group) Company Limited ¹ (重慶市城市建設投資(集團)有限公司) | Beneficial Owner | 621,435,221 | 9.16 | 6.68 |
| Loncin Holdings Limited (隆鑫控股有限公司) | Beneficial Owner | 570,000,000 | 8.40 | 6.13 |
| Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅游投資集團有限公司) | Beneficial Owner | 423,431,972 | 6.24 | 4.55 |

Note: 1. On December 31, 2011, 20,000,000 non-overseas listed shares were transferred to Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) which held 621,435,221 non-overseas listed shares of the Bank as at December 31, 2011.

H SHARES

Unit: share, %

| Name of the shareholder | Capacity | Number of H shares held (long position) ⁽¹⁾ | % of the total issued H shares of the Bank | % of the total share capital of the Bank |
|--|-------------------------------------|--|--|--|
| Capital Research and Management Company | Investment manager | 297,064,000 | 11.82 | 3.19 |
| FIL Limited | Investment manager | 153,449,000 | 6.11 | 1.65 |
| GAM Hong Kong Limited | Investment manager | 151,115,000 | 6.01 | 1.62 |
| Al Nehayan Mansoor Bin Zayed Bin Sultan | Interest of controlled corporations | 147,995,000 | 5.89 | 1.59 |
| GAM Star China Equity (a sub-fund of GAM Star Fund p.l.c.) | Beneficial Owner | 126,590,000 | 5.04 | 1.36 |
| Cheah Capital Management Limited | Interest of controlled corporations | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Cheah Cheng Hye | Founder of a discretionary trust | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Cheah Company Limited | Interest of controlled corporations | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Hang Seng Bank Trustee International Limited | Trustee | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Value Partners Group Limited | Interest of controlled corporations | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Value Partners Limited | Investment manager | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| To Hau Yin | Interest of Spouse | 125,865,000 ⁽²⁾ | 5.01 | 1.35 |

Note: 1. These H shares are held by Value Partners Limited, which is wholly-owned by Value Partners Hong Kong Limited, a wholly-owned subsidiary of Value Partners Group Limited, which is in turn owned 28.47% by Cheah Capital Management Limited, which is in turn wholly-owned by Cheah Company Limited. The entire issued capital of Cheah Company Limited is owned by Hang Seng Bank Trustee International Limited as the trustee of The C H Cheah Family Trust. Mr. Cheah Cheng Hye is the founder of The C H Cheah Family Trust.

2. To Hau Yin is the spouse of Cheah Cheng Hye and is deemed to be interested in the shares held by Cheah Cheng Hye.

SUBSTANTIAL SHAREHOLDERS OF THE BANK

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

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

Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) (formerly known as Chongqing Yufu Assets Management Company Limited (重慶渝富資產經營管理有限公司)) is a solely state-owned comprehensive assets operation and management company organized under the approval of Chongqing Municipal Government. It was established on March 18, 2004, with registered capital of RMB1.9 billion. It was under direct supervision of Chongqing State-owned Assets Supervision and Administration Commission and renamed as Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) on June 28, 2011.

Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (formerly known as Chongqing City Construction Investment Company (重慶市城市建設投資公司)) is a solely state-owned enterprise organized under the approval of Chongqing Municipal Government in April 1994 and authorized to raise and manage capital for city construction. It has a registered capital of RMB6 billion and renamed as Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) on January 7, 2011.

Loncin Holdings Limited (隆鑫控股有限公司) is a private enterprise group established on January 22, 2003, with registered capital of RMB1,000 million. It has been listed among “Top 500 Chinese Enterprises” for eight years in a row.

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

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

As at December 31, 2011, the interests or short positions of the directors and supervisors of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under Section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were as follows:

Domestic Shares

Unit: share, %

| Name | Capacity | Number of domestic shares held (long position) | % of the total issued domestic shares | % of the total issued share capital of the Bank |
|---------------|------------------|--|---------------------------------------|---|
| Tan Yuansheng | Beneficial Owner | 6,300 | 0.00009 | 0.00007 |
| Sui Jun | Beneficial Owner | 75,400 | 0.00111 | 0.00081 |
| Zuo Ruilan | Beneficial Owner | 11,900 | 0.00017 | 0.00013 |
| Zhu Yuzhou | Beneficial Owner | 37,600 | 0.00055 | 0.00040 |

Other than as disclosed above, none of the directors or supervisors of the Bank nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at December 31, 2011.

Corporate Governance Report

Recognising the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Bank is committed to maintaining high standard of corporate governance practices to safeguard the interests of shareholders and to enhance corporate value and commitment.

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

To the best of the directors' knowledge, save for code provision A.4.2 of the CG Code, there is no reasonable information indicating that the Bank is or was in violation of the CG Code during the year ended December 31, 2011.

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

GENERAL MEETINGS

Details of the General Meetings

During the year of 2011, the Bank held one annual general meeting and one extraordinary general meeting. Details are as follows:

- (i) On May 19, 2011, the Bank held the 2010 annual general meeting, at which the resolutions regarding the 2010 work report of the board of directors, the 2010 work report of the board of supervisors, the 2010 annual report, the 2010 financial report, the 2010 profit appropriation plan, the 2011 financial budget proposal, the appointment of accounting firm for 2011, and granting of authorization by the general meeting to the board of directors to determine the operating and management matters including external investment, asset acquisition and disposal, pledge of assets, external guarantee, entrusted wealth management and connected transaction were approved.

- (ii) On December 12, 2011, the Bank held the first 2011 extraordinary general meeting, at which Mr. Liu Jianzhong, Mr. Tan Yuansheng and Mr. Sui Jun were elected as executive directors of the Bank; Mr. Tao Jun, Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng were elected as the non-executive directors of the Bank; Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili were elected as independent non-executive directors of the Bank; Mr. Zeng Jianwu and Ms. Zuo Ruilan were elected as shareholder representative supervisors of the Bank and Ms. Dong Yunling, Mr. Chen Huiming, Mr. Zhang Xinyu and Mr. Shi Bentong were elected as external supervisors of the Bank, and the proposed amendments to the articles of association of the Bank was considered and approved at the meeting.

The above general meetings were held in compliance with relevant legal procedures.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

The Board of Directors' Implementation of Resolutions of the General Meetings

In 2011, the board of directors strictly implemented the resolutions passed at the general meetings and exercised the authorisation granted by the general meetings, earnestly implemented the resolutions regarding 2010 profit appropriation, financial budget for 2011, appointment of accounting firm for 2011, election of directors, shareholder representative supervisors and external supervisors as well as the amendment to the articles of association.

Composition of the Board of Directors

As at the end of the reporting period, the board of directors comprised 15 directors, including 3 executive directors, namely, Mr. Liu Jianzhong (chairman of the board of directors), Mr. Tan Yuansheng (president of the Bank) and Mr. Sui Jun (vice president of the Bank, secretary to the board); 7 non-executive directors, namely, Mr. Tao Jun, Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng; and 5 independent non-executive directors, namely, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili.

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

The board of directors is responsible for establishing the company management system, monitoring the Group's decision-making regarding business activities and financial strategies and report and accountable to the general meeting. The board of directors has delegated the management with the power and responsibilities to manage the Group. In addition, the board of directors has designated the Audit Committee, Nomination Committee and Remuneration Committee to perform their respective responsibilities. Details of the aforesaid committees are further described in this report.

Pursuant to code provision A.4.2 of the CG Code, each director (including directors with designated term of office) shall be subject to retirement by rotation at least once in every three years. During the reporting period, the terms of office of certain directors and supervisors of the Bank expired in June 2011. The Bank held the 2011 first extraordinary general meeting on December 12, 2011 to elect new members for the new session of the board and the board of supervisors.

Operation of the Board of Directors

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

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

Board Meetings

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

In 2011, the Bank convened 20 board meetings in total, including 6 on-site meetings and 14 meetings through the circulation of written resolutions and via correspondence. Resolutions considered and passed at such meetings included those regarding outlets organization plan, the mid and long term strategic plan for the establishment of the village and township banks, 2010 annual results announcement, 2011 interim results announcement, nomination of directors for the 2nd session of the board of directors and external investment. Attendance records of the directors at board meetings (directors who involved in connected transactions and required to be abstained from the meeting are also deemed as attending directors) in 2011 are set out as follows:

| Members of the Board of Directors | Number of meetings attended/number of meetings which shall be attended during the tenure of office | Attendance rate |
|-----------------------------------|--|-----------------|
| Current Directors | | |
| Liu Jianzhong | 20/20 | 100% |
| Tan Yuansheng | 20/20 | 100% |
| Sui Jun | 3/3 | 100% |
| Tao Jun | 20/20 | 100% |
| Hua Yusheng | 3/3 | 100% |
| Tu Minghai | 3/3 | 100% |
| Wang Yongshu | 19/20 | 95% |
| Wen Honghai | 20/20 | 100% |
| Gao Xiaodong | 20/20 | 100% |
| Wu Xiufeng | 20/20 | 100% |
| Sun Leland Li Hsun | 3/3 | 100% |
| Yin Mengbo | 3/3 | 100% |
| Wu Qing | 3/3 | 100% |
| Chen Zhengsheng | 3/3 | 100% |
| Liu Weili | 3/3 | 100% |
| Retired Directors | | |
| Tu Jianhua | 17/17 | 100% |
| Xu Bin | 17/17 | 100% |
| Pu Yongjian | 17/17 | 100% |
| Ran Hua | 17/17 | 100% |

Independent Non-executive Directors

For the year ended December 31, 2011, the board of directors at all times met the requirements of the Listing Rules of the Hong Kong Stock Exchange relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, neither do they hold any management positions in the Bank. The independent non-executive directors of the Bank are elected for a term of three years. They are eligible for re-election as the Bank's non-executive directors but not independent non-executive directors upon expiry of the term of office.

Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended December 31, 2011.

Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgement when preparing financial reports for the year ended December 31, 2011.

Board Committees

There are seven committees established under the board of directors: namely the Strategic Development Committee, Risk Management Committee, Related Party Transaction Supervision Committee, Nomination Committee, Remuneration Committee, Audit Committee and Minority Shareholders' Interest Protection Committee. Compositions of these Committees are set out as follows:

(1) *Strategic Development Committee*

As at the end of the reporting period, the Strategic Development Committee of the Bank comprised 5 directors with Mr. Liu Jianzhong as the chairman and Mr. Tan Yuansheng, Mr. Tao Jun, Mr. Tu Minghai and Mr. Wu Qing being its committee members.

The primary responsibilities of the Strategic Development Committee include:

1. to review the strategies and development plans of the Bank, to monitor and assess the implementation thereof and give advice to the board of directors;
2. to review the annual operation plans and financial budgets of the Bank and submit the same to the board of directors for consideration;
3. to review the reports on the implementation of the annual operation plans and financial budgets;
4. to evaluate the coordinated development of various businesses and give advice to the board of directors;
5. to review the plans for major organizational restructuring and structural plan and give advice to the board of directors;
6. to review significant investment and financing projects and give advice to the board of directors;
7. to make decisions on special issues as authorized by the board of directors; and
8. to handle such other matters as authorized by the board of directors.

During the reporting period, the Strategic Development Committee convened two meetings in total, at which two proposals including the establishment of new functional department of the Bank and the mid and long term strategic plan for the establishment of village and township banks were considered.

(II) *Risk Management Committee*

As at the end of the reporting period, the Risk Management Committee of the Bank comprised 5 directors, with Mr. Tan Yuansheng as the chairman, and Mr. Sui Jun, Mr. Wang Yongshu, Mr. Sun Leland Li Hsun and Mr. Wu Qing being its committee members.

The primary responsibilities of the Risk Management Committee include:

1. to decide on the risk management and internal control policies in accordance with the overall strategy of the Bank, and to monitor and assess the implementation and effectiveness;

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

(III) Related Party Transaction Supervision Committee

As at the end of the reporting period, the Related Party Transaction Supervision Committee of the Bank comprised 5 directors, with Mr. Wu Qing as the chairman, Mr. Hua Yusheng, Mr. Wang Yongshu, Mr. Wen Honghai and Mr. Chen Zhengsheng being its committee members.

The primary responsibilities of the Related Party Transaction Supervision Committee include:

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

As at the end of the reporting period, the Related Party Transaction Supervision Committee under the board of directors convened 6 meetings in total, at which 8 resolutions regarding the connected transactions on the new credit and loans granted in favor of Loncin Holdings Limited (隆鑫控股有限公司), Chongqing Huayu Property Service Co., Ltd. (重慶華宇物業(集團)有限公司), Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) and Chongqing New City Develop & Building Co., Ltd. were (重慶市新城開發建設股份有限公司) considered.

(IV) *Nomination Committee*

As at the end of the reporting period, the Nomination Committee of the Bank comprised 5 directors, with Mr. Yin Mengbo as the chairman, and Mr. Liu Jianzhong, Mr. Tan Yuansheng, Mr. Wu Qing and Mr. Chen Zhengsheng being its committee members.

The primary responsibilities of the Nomination Committee include:

1. to formulate the criteria, procedures and methods for the selection of directors and senior management of the Bank;
2. to review the qualifications and condition for candidates of directors and senior management and submit the same to the board of directors for consideration;
3. to conduct appraisal for candidates of other members of senior management nominated by the president and provide opinions thereof to the board of directors;
4. to make recommendations on candidates for directors, shareholder representative supervisors and senior management of wholly-owned subsidiaries; to make recommendations on candidates for shareholder representative, directors, shareholder representative supervisors and senior management of controlled subsidiaries and investee subsidiaries;
5. to propose talents pool program to the Bank and make recommendation thereof;
6. to recruit qualified candidates from human resource markets at home and abroad and retain talented personnel of the Bank and make recommendation to the board of directors in respect thereof; and
7. to discharge such other duties as authorized by the board of directors.

During the reporting period, the Nomination Committee under the board of directors held 3 meetings in total, at which 3 proposals regarding the appointments of Dong Lu and Xie Wenhui as the vice presidents of the Bank, the nomination of candidates for the 2nd session of the board of directors and the proposed appointments of senior management were considered. All members of the Nomination Committee were present at the meetings. The Nomination Committee under the board of directors of the Bank made recommendation of, and selected the candidates for directors of the Bank, in strict compliance with regulations under the Listing Rules of the Hong Kong Stock Exchange and the articles of association of the Bank.

(V) *Remuneration Committee*

As at the end of the reporting period, the Remuneration Committee of the Bank comprised 5 directors, with Mr. Sun Leland Li Hsun as the chairman and Mr. Tan Yuansheng, Mr. Tu Minghai, Mr. Yin Mengbo and Mr. Liu Weili being its committee members.

The primary responsibilities of the Remuneration Committee include:

1. to make recommendations to the board of directors on the Bank's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing these remuneration policy;
2. determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of directors on the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
3. to review and approve performance-based remuneration by reference to goals and objectives of the Bank resolved by the board of directors from time to time;
4. to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms; and to ensure such compensation is fair and reasonable and not excessive for the Bank if otherwise;

5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms; and to ensure that any compensation payment is reasonable and appropriate if not determined in accordance with relevant contractual terms;
6. to monitor the performance evaluation and remuneration level of responsible persons of the Bank's internal departments, branches and subsidiaries (other than person-in-charge of the internal audit department);
7. to ensure neither the directors nor any of his/her associates determine his or her own remuneration; and
8. to discharge such other duties as authorized by the board of directors.

During the reporting period, the Remuneration Committee convened 1 meeting in total, at which one proposal regarding issues such as remuneration of the President at the headquarters was considered. All the members of the Remuneration Committee were present at the meeting.

(VI) *Audit Committee*

As at the end of the reporting period, the Audit Committee of the Bank comprised 5 directors, with Mr. Chen Zhengsheng as the chairman, and Mr. Tao Jun, Mr. Gao Xiaodong, Mr. Sun Leland Li Hsun, and Mr. Liu Weili being its committee members, which is in compliance with the requirement under Rule 3.21 of the Listing Rules of the Hong Kong Stock Exchange.

The primary responsibilities of the Audit Committee include:

1. to be primarily responsible for making recommendations to the board of directors on the appointment, re-appointment and removal of the external accounting firm, approve the remuneration and terms of employment of the external accounting firm, and to handle any matters arising from its resignation or dismissal;
2. to review and monitor the external accounting firm's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and the committee shall discuss with the accounting firm about the nature and scope of the audit and the reporting obligations thereof prior to the audit;

3. to formulate and implement policies on the appointment of external accounting firm for the provision of non-audit services. For the purpose of this provision, “external accounting firm” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the domestic or international business of the audit firm. The committee shall report to the board of directors on any matters where action or improvement is needed, and make constructive suggestion thereof;
4. to monitor the completeness of the Bank’s financial statements, annual report and account, interim report and quarterly reports, and to review important opinions regarding financial reporting set out therein. Before submitting the annual reports and accounts, interim reports and quarterly reports of the Bank to the board of directors for the said purpose, the committee, when reviewing such accounts and reports, shall focus on particularly on:
 - (1) any amendments to the accounting policies and practices;
 - (2) area require material judgment;
 - (3) significant adjustments resulting from audit;
 - (4) assumption of ongoing operation of the corporation and any qualified opinions;
 - (5) compliance with accounting standards; and
 - (6) compliance with the listing rules of the place where the shares of the Bank are listed and any other requirement stipulated by laws and regulations on financial reporting;
5. For the purpose of the preceding paragraph:
 - (1) the members of the committee shall keep contact with the board of directors, senior management of the Bank and certified public accountant appointed by the Bank, and shall hold meeting with the external accounting firm of the Bank at least once a year; and
 - (2) the committee shall consider any significant or unusual items which are, or required to be, reflected in the said report and accounts, it shall give due consideration to any matters which have been put forward by the Bank’s certified public accountant or accounting firm;

6. to review the Bank's financial controls, internal control and risk management systems;
7. to discuss the internal control system with senior management so as to ensure that the senior management has performed his/her duties to set up an effective internal control system;
8. to study major investigation findings on internal control matters as delegated by the board of directors or on its own initiative and the feedbacks of senior management thereof;
9. to ensure co-ordination between the internal and external accounting firm, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness;
10. to review the financial and accounting policies and practices of the Bank and its Group;
11. to review the opinion letter to the senior management issued by the external accounting firm, any material queries raised by the external accounting firm in respect of accounting records, financial accounts or control systems and the feedbacks of senior management thereof;
12. to ensure that the board of directors will respond in a timely manner to the issues raised in the opinion letter to the senior management issued by the external accounting firm;
13. to report to the board of directors on matters set out herein;
14. to study other topics prescribed by the board of directors; and
15. to discharge other duties as authorized by the board of directors.

During the reporting period, the Audit Committee held 3 meetings in total, at which seven proposals including the 2010 annual report and results announcement, 2010 financial report, 2010 risks management assessment report, 2011 interim report and results announcement, 2011 third quarterly report as well as the appointment of auditor for 2011 were considered. All members of the Audit Committee were present at the meetings.

(VII) Minority Shareholders' Interest Protection Committee

As at the end of the reporting period, the Minority Shareholders' Interest Protection Committee of the Bank comprised 5 directors, with Mr. Liu Weili as the chairman and Mr. Wen Honghai, Mr. Gao Xiaodong, Mr. Wu Xiufeng and Mr. Yin Mengbo being its committee members.

The primary responsibilities of the Minority Shareholders' Interest Protection Committee include:

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

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

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

Chairwoman of the Board of Supervisors

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

Meetings of the Board of Supervisors

In 2011, the board of supervisors of the Bank held 8 meetings at which 18 proposals including the 2010 work report of the board of supervisors, work report of the 1st session of the board of supervisors, nomination of candidates for the second session of the board of supervisors, report on concentrated supervision and inspection for 2010, report on duly performance of directors, interim report on financial supervision and inspection and regular quarterly reports were mainly considered and approved.

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

| Members of the Board of Supervisors | Number of meetings attended / Number of meetings which shall be attended during their tenure of office | Attendance rate |
|-------------------------------------|--|-----------------|
| Current Supervisors | | |
| Yang Mingping | 8/8 | 100% |
| Dong Yunling | 8/8 | 100% |
| Chen Huiming | 8/8 | 100% |
| Zhang Xinyu | 1/1 | 100% |
| Shi Bentong | 1/1 | 100% |
| Zeng Jianwu | 8/8 | 100% |
| Zuo Ruilan | 8/8 | 100% |
| Zheng Yi | 1/1 | 100% |
| Zhu Yuzhou | 1/1 | 100% |
| Retired Supervisors | | |
| Zhang Peng | 7/7 | 100% |
| Chen Fangming | 6/7 | 86% |
| Zhang Yiqiao | 7/7 | 100% |
| Liu Yu | 7/7 | 100% |

Note: Both Mr. Zhang Xinyu and Mr. Shi Bentong served as supervisors in December 2011.

Both Mr. Zheng Yi and Mr. Zhu Yuzhou served as supervisors in November 2011.

Chairman and President

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

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

Appointment

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

Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors, supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. Having made specific enquiries, all directors and supervisors confirmed that they have complied with the Model Code for the year ended December 31, 2011.

Internal Control

The board of directors of the Bank shall be responsible for establishing a sound and effective internal control system, while the board of supervisors shall supervise the establishment and implementation of internal control by the board of directors and senior management, and the senior management shall be accountable to daily operation of internal control across the bank. Meanwhile, the board of directors of the Bank has set up the Audit Committee, Risk Management Committee and Related Party Transaction Supervision Committee to discharge respective duties on the management of internal control and evaluate the effectiveness thereof.

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

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

INFORMATION DISCLOSURE

Effective Communication with Shareholders

The Bank places great emphasis on communications with its shareholders and strives to enhance understanding and communication through many channels such as general meetings, results announcement, road shows, visit reception and telephone enquiries.

Investor Relations

Enquiries to the Board may be directed to:

Office of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.

No. 10 East Yanghe Road, Jiangbei District, Chongqing, China

Telephone: (8623) 6763 7981

Facsimile: (8623) 6763 7932

Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of Chongqing Rural Commercial Bank Co., Ltd.
Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong

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

Shareholder Enquiries

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Remuneration of Domestic and Overseas Auditors

The audit opinion and their responsibilities of external auditors are set out in the "Independent Auditor's Report" on pages 159 to 160.

Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu have been providing audit services to the Bank for 3 years. The fees paid by the Bank to Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu for the audit of financial statements for the year ended December 31, 2011 were RMB2.12 million. Other fees were RMB1.7 million which mainly included the service fee for the review of financial statement.

Other Particulars

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



Directors, Supervisors and Senior Management

INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

| Name | Position | Gender | Age | Term of office |
|--------------------|--|--------|-----|-------------------------------------|
| Liu Jianzhong | Chairman of the Board of Directors, Executive Director | Male | 48 | From December 2011 to December 2014 |
| Tan Yuansheng | Executive Director, President | Male | 58 | From December 2011 to December 2014 |
| Sui Jun | Executive Director, Vice President, Secretary to the Board | Male | 43 | From December 2011 to December 2014 |
| Tao Jun | Non-executive Director | Male | 45 | From December 2011 to December 2014 |
| Hua Yusheng | Non-executive Director | Male | 58 | From December 2011 to December 2014 |
| Tu Minghai | Non-executive Director | Male | 53 | From December 2011 to December 2014 |
| Wang Yongshu | Non-executive Director | Male | 54 | From December 2011 to December 2014 |
| Wen Honghai | Non-executive Director | Male | 46 | From December 2011 to December 2014 |
| Gao Xiaodong | Non-executive Director | Male | 49 | From December 2011 to December 2014 |
| Wu Xiufeng | Non-executive Director | Male | 62 | From December 2011 to December 2014 |
| Sun Leland Li Hsun | Independent Non-executive Director | Male | 50 | From December 2011 to December 2014 |
| Yin Mengbo | Independent Non-executive Director | Male | 56 | From December 2011 to December 2014 |
| Wu Qing | Independent Non-executive Director | Male | 42 | From December 2011 to December 2014 |
| Chen Zhengsheng | Independent Non-executive Director | Male | 60 | From December 2011 to December 2014 |
| Liu Weili | Independent Non-executive Director | Male | 55 | From December 2011 to December 2014 |

Supervisors

| Name | Position | Gender | Age | Term of office |
|---------------|--|--------|-----|-------------------------------------|
| Yang Mingping | Chairwoman of the Board of Supervisors, Employee Representative Supervisor | Female | 58 | From December 2011 to December 2014 |
| Dong Yunling | External Supervisor | Female | 63 | From December 2011 to December 2014 |
| Chen Huiming | External Supervisor | Male | 68 | From December 2011 to December 2014 |
| Zhang Xinyu | External Supervisor | Male | 60 | From December 2011 to December 2014 |
| Shi Bentong | External Supervisor | Male | 60 | From December 2011 to December 2014 |
| Zeng Jianwu | Shareholder Representative Supervisor | Male | 36 | From December 2011 to December 2014 |
| Zuo Ruilan | Shareholder Representative Supervisor | Female | 36 | From December 2011 to December 2014 |
| Zheng Yi | Employee Representative Supervisor | Male | 46 | From November 2011 to November 2014 |
| Zhu Yuzhou | Employee Representative Supervisor | Male | 46 | From November 2011 to November 2014 |

Senior Management

| Name | Position | Gender | Age | Term of office |
|---------------|---|--------|-----|-------------------------------------|
| Tan Yuansheng | Executive Director, President | Male | 58 | From December 2011 to December 2014 |
| Bai Guiting | Vice President | Male | 56 | From December 2011 to December 2014 |
| Wang Rong | Vice President | Male | 55 | From December 2011 to December 2014 |
| Yang Xiaotao | Vice President | Male | 48 | From December 2011 to December 2014 |
| Ling Jiaquan | Chief Controller | Male | 56 | From December 2011 to December 2014 |
| Yuan Xiaobo | Deputy Secretary to the Party Committee, Secretary to the Disciplinary Committee, | Male | 48 | From December 2011 to December 2014 |
| Sui Jun | Executive Director, Vice President, Secretary to the Board | Male | 43 | From December 2011 to December 2014 |
| Dong Lu | Vice President | Female | 36 | From December 2011 to December 2014 |
| Xie Wenhui | Vice President | Male | 39 | From December 2011 to December 2014 |

Note: The employee representative supervisors of the Bank were elected at the staff representative assembly, whereas the chairman of the board of supervisors was elected by supervisors of the Bank in December 2011.

WORKING EXPERIENCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors of the Bank

LIU Jianzhong

Chairman, Executive Director

Mr. Liu has been the Chairman of the board of directors, executive director and the secretary to the Party committee of the Bank since June 2008. Mr. Liu is a deputy to the 3rd People's Congress of Chongqing. He also serves as the chairman of the Strategic Development Committee and a member of the Nomination Committee of the Bank. Between November 2002 and June 2008, Mr. Liu held a number of positions at the Chongqing Rural Credit Cooperative Union, including director-general, secretary and deputy secretary to the Party committee, director-general and deputy director-general. Prior to joining the Bank and between October 1992 and November 2002, Mr. Liu held several positions at the Chongqing business management department of the PBOC Chongqing Operations Office, including division director and deputy division director of the Cooperative Financial Institution Regulatory Division and deputy division director of the Administration Office. Mr. Liu worked for the frontier inspection station at the Chongqing Airport between March 1984 and September 1992. Mr. Liu has over 19 years of experience in banking. Mr. Liu received a master's degree in Industrial Engineering from Chongqing University in 2005. He is currently a senior economist accredited by Chongqing Municipal Government.

TAN Yuansheng

Executive Director, President

Mr. Tan has been the executive director and president of the Bank since June 2008. Mr. Tan is a member of Chongqing Municipal Committee of the 3rd Chinese People's Political Consultative Conference. He also serves as the chairman of the Risk Management Committee, and a member of the Strategic Development Committee, Nomination Committee and the Remuneration Committee. Between April 2003 and June 2008, Mr. Tan held a number of positions at the Chongqing Rural Credit Cooperatives, including director-general, deputy director-general. Prior to joining the Bank and from May 1998 to April 2003, Mr. Tan was an assistant to the president, vice president, executive director of Commercial Bank of Chongqing; from September 1996 to May 1998, Mr. Tan was the vice president and executive director of Chongqing Urban Cooperative Bank; from October 1993 to September 1996, Mr. Tan was the director of Chongqing Urban Cooperative Union; and from July 1992 to October 1993, Mr. Tan was general manager of the Chongqing Stock Exchange Centre. Since 1977, Mr. Tan held various positions at the PBOC Chongqing Operations Office and the Chongqing branch of the Industrial and Commercial Bank of China. Mr. Tan has over 30 years of experience in banking. Mr. Tan graduated from the Correspondence College of Sichuan Provincial Party Committee No.2 Party School majoring in Law in 1996 and is currently a senior economist accredited by PBOC.

SUI Jun

Executive Director, Vice President, Secretary to the Board

Mr. Sui has been an executive director of the Bank since December 2011. He is also a member of the Risk Management Committee. Mr. Sui has served as the secretary to the board since August 2010 and has been its vice president since January 2009. Mr. Sui served as a general manager of the sales department of the headquarters of the Bank from August 2008 to December 2008. He served as the president of Jiangjin sub-branch of the Bank from June 2008 to August 2008. He was the director-general and secretary of the Party committee of Jiangjin Rural Credit Cooperatives Union of Chongqing from April 2004 to June 2008. Prior to joining the Bank, Mr. Sui held several positions at China Construction Bank Nancong branch from January 1994 to April 2004 including, general and deputy general manager of the sales department. Mr. Sui worked at the Guangan sub-branch of the Construction Bank of China from July 1990 to January 1994. Mr. Sui attended the Southwestern University of Finance and Economics and obtained a bachelor's degree in Agricultural Finance and Economics in 1990, and an Executive Master of Business Administration (EMBA) degree from Chongqing University in June 2010. He is currently a senior economist accredited by Chongqing Municipal Government.

TAO Jun

Non-Executive Director

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

Mr. HUA Yusheng*Non-Executive Director*

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

TU Minghai*Non-Executive Director*

Mr. Tu has been a non-executive director of the Bank since December 2011. He is also a member of the Remuneration Committee and the Strategic Development Committee. Mr. Tu is currently the chairman of Loncin Holdings Limited (隆鑫控股有限公司) (one of our substantial shareholders). Mr. Tu was the president of Loncin Holdings Limited between June 2010 and August 2010 and held a number of positions in Jiulongpo sub-branch, Gaokeji sub-branch (高科技支行) and Yubei subbranch of Industrial and Commercial Bank of China Limited between August 1980 and June 2010, including a loan officer, deputy chief of the credit bureau (信貸科副科長), chief of the credit bureau, vice president and president. Mr. Tu obtained a MBA degree and National May First Labour Medal of Chongqing City and is currently a senior economist.

Mr. WANG Yongshu

Non-Executive Director

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

WEN Honghai

Non-Executive Director

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

GAO Xiaodong*Non-Executive Director*

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

WU Xiufeng*Non-Executive Director*

Mr. Wu has been a non-executive director of the Bank since June 2008. He is also a member of the Minority Shareholders' Interest Protection Committee of the Bank. Mr. Wu is the chairman of the board and secretary of the Party committee of Chongqing Water Group Co., Ltd. (601158-SH), one of our state-owned shareholders (shares of which are listed on the Shanghai Stock Exchange), the chairman of the board of Chongqing Water Assets Management Co., Ltd. and is the chairman of the board for Sino French Water Investment Co., Ltd., Chongqing Sino French Tangjiatuo Wastewater Treatment Co., Ltd. and Chongqing Sino French Water Supply Co., Ltd., a director of Chongqing International Trust Company Limited (重慶國際信托有限公司). Mr. Wu is a deputy to the 11th National People's Congress and vice chairman of the 3rd Chongqing Urban and Rural Construction & Environmental Protection Committee of the National People's Congress. Mr. Wu has previously served as the chairman of the board and secretary of the Party committee for Chongqing Water Holdings (Group) Co., Ltd. from December 2000 to August 2007 (also the president from December 2000 to August 2001) and was the deputy director of Chongqing Municipality Judicial and Legal Affairs Committee and preparation group leader of Chongqing Water

Holdings (Group) Co., Ltd. between August 2000 and December 2000. Mr. Wu was the secretary of the Party committee and director-general of Chongqing Municipality Engineering and Public Utility Bureau from July 1997 to August 2000, the vice secretary of the Party committee and deputy director-general of Chongqing Municipality Engineering and Public Utility Bureau from October 1992 to July 1997, manager of Chongqing Municipality Tap Water Company from December 1989 to October 1992 and was the deputy secretary of the Party committee and secretary of the Party committee of Chongqing Municipality Tap Water Company from January 1984 to December 1989. Mr. Wu was the deputy secretary of Youth League committee of Chongqing Public Bureau from September 1978 to January 1984. Mr. Wu was the deputy secretary of Youth League committee and a member of the municipal committee of Youth League of Chongqing Urban Construction Bureau from August 1972 to September 1978. Mr. Wu was the director of Youth League committee and an alternate member of municipal committee of Youth League of Chongqing Public Transport Company from July 1971 to August 1972. From February 1968 to July 1971, Mr. Wu was a student pilot at China Senior Civil Aviation School. Mr. Wu graduated from the People's Liberation Army Air Force No. 2 Aviation Preparatory School majoring in Flying in 1968 and is currently a senior economist and a senior expert on operation management directly liaised with the municipal committee of Chongqing.

SUN Leland Li Hsun

Independent Non-Executive Director

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

YIN Mengbo*Independent Non-Executive Director*

Mr. Yin has been an independent non-executive director of the Bank since December 2011. He also serves as the chairman of the Nomination Committee and a member of the Remuneration Committee and the Minority Shareholders' Interest Protection Committee. Mr. Yin has been a lecturer of Southwestern University of Finance and Economics since July 1982, the head of the graduate department of Southwestern University of Finance and Economics (西南財經大學研究生部主任) since September 2007 and the dean of the School of Finance of Southwestern University of Finance and Economics between September 1997 and September 2007. Mr. Yin graduated from the department of finance of Southwestern University of Finance and Economics in 1982 and currently holds a master's degree and a doctorate degree, serving as professor and doctoral supervisor.

WU Qing*Independent Non-Executive Director*

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

CHEN Zhengsheng

Independent Non-Executive Director

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

LIU Weili

Independent Non-Executive Director

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

2. Supervisors of the Bank

YANG Mingping

Chairwoman of the Board of Supervisors and Employee Representative Supervisor

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

ZENG Jianwu

Shareholder Representative Supervisor

Mr. Zeng has been a shareholder representative supervisor of the Bank since June 2008. He is also a member of the Audit Committee under the Board of Supervisors of the Bank. Mr. Zeng Jianwu is currently the deputy general manager of Laierfu Trading Co., Ltd. Mr. ZENG has been serving as director of Xiamen Baiying Finance Leasing Co., Ltd. since May 2011 and director of Quanzhou Licheng Huixin Small Loan Co., Ltd. (泉州市鯉城區匯鑫小額貸款公司) since February 2010. Mr. Zeng has been the deputy general manager of Laierfu Trading Co., Ltd since May 2001. Mr. Zeng has obtained a PhD in Applied Economics (Financial Engineering) from Xiamen University in June 2008 and a master degree of Science from Xiamen University in July 2000.

ZUO Ruilan

Shareholder Representative Supervisor

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

DONG Yunling

External Supervisors

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

CHEN Huiming*External Supervisor*

Mr. Chen has been an external supervisor of the Bank since November 2010. He also serves as the chairman of the Audit Committee under the Board of Supervisors of the Bank. Mr. Chen has been an independent director of Lifan Industry (Group) Co., Ltd in Chongqing since November 2007; and an independent director of Chongqing ZhiFei Biological Products Co., Ltd. since August 2009. Mr. Chen has retired since April 2003. Mr. Chen was an inspector of Chongqing municipal government office from April 2002 to May 2003, the team leader of Chongqing special commission office of National Audit Office of the PRC from August 2001 to April 2002, and the deputy secretary general of Chongqing municipal government from August 1997 to July 2001. He was chairman and secretary of party committee of Chongqing ITIC (重慶國際信託投資公司) from December 2000 to April 2001, deputy director of Chongqing Fiscal Bureau and director of Chongqing State-owned Assets Supervision and Administration Commission from May 1991 to August 1997, the chief accountant of Chongqing Administration of Taxation from February 1988 to May 1991, deputy director of Chongqing Audit Bureau from August 1983 to February 1988, deputy director of Chongqing Nantong Mining Bureau from December 1982 to August 1983. Mr. Chen graduated from the Central Institute of Finance and Banking (currently Central University of Finance & Economics) as a financial accounting major in August 1968 and is currently a senior economist.

ZHANG Xinyu*External Supervisor*

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

SHI Bentong

External Supervisor

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

ZHENG Yi

Employee Representative Supervisor

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

ZHU Yuzhou*Employee Representative Supervisor*

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

3. Senior Management of the Bank**TAN Yuansheng***Executive Director, President*

For the biography of Mr. Tan, please refer to “Directors” in this section.

BAI Guiting

Vice President

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

WANG Rong

Vice President

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

Mr. YANG Xiaotao*Vice President*

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

LING Jiaquan*Chief Controller*

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

YUAN Xiaobo

Deputy secretary to the Party committee, secretary to the discipline committee

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

SUI Jun

Executive Director, Vice President, Secretary to the Board

For the biography of Mr. Sui, please refer to "Directors" in this section.

DONG Lu

Vice President

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

XIE Wenhui*Vice President*

Mr. Xie has been the vice president of the Bank since August 2011. Mr. Xie was a general manager of the Information Technology Department at the headquarters of the Bank from January 2010 to October 2011, deputy general manager (take charge of work) of the Technology Department at the headquarters of the Bank from August 2008 to January 2010 and held various positions in Chongqing Rural Credit Cooperative Union from February 2007 to August 2008, including deputy general manager and assistant to general manager at the Technology Department. Prior to joining the Bank, Mr. Xie served as a deputy director of the Technology Division at the Chongqing Branch of Industrial and Commercial Bank of China from March 1998 to February 2007 and worked in Zhuhai Software Development Centre of Industrial and Commercial Bank of China from July 1997 to March 1998. Mr. Xie obtained a master's degree in engineering from Chongqing University in July 1997 and is currently an economist and engineer.

Secretary to the Board and Joint Company Secretary

Mr. Sui Jun has been the secretary to the board and joint company secretary of the Bank since August 2010. For the biography of Mr. Sui, please refer the section headed "Directors".

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The 2nd session of the board of directors was elected in the first extraordinary general meeting of the Bank in 2011, at which Mr. Liu Jianzhong, Mr. Tan Yuansheng and Mr. Sui Jun were elected as executive directors; Mr. Tao Jun, Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng were elected as non-executive directors; Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili were elected as independent non-executive directors. The first session of non-executive director, Mr. Tu Jianhua and independent non-executive directors Mr. Xu Bin, Mr. Pu Yongjian and Ms. Ran Hua have retired from office.

The 2nd session of the board of supervisors was elected in the first extraordinary general meeting of the Bank in 2011, at which Ms. Dong YunLing, Mr. Chen Huiming, Mr. Zhang Xinyu and Mr. Shi Bentong were elected as external supervisors of the Bank and Mr. Zeng Jianwu and Ms. Zuo Ruilan were elected as the shareholder representative supervisors of the Bank. At the sixth and seventh meetings of the first staff representative assembly of the Bank, Ms. Yang Mingping, Mr. Zheng Yi and Mr. Zhu Yuzhou were elected as employee representative supervisors. The first session of shareholder representative supervisors of the Bank, Mr. Zhang Peng and Mr. Chen Fangming and the first session of employee representative supervisors of the Bank, Mr. Zhang Yiqiao and Mr. Liu Yu have all retired from office.

The Bank convened the 49th meeting of the first session of the board of directors on June 14, 2011, at which Ms. Dong Lu and Mr. Xie Wenhui were appointed as vice presidents of the Bank.

REMUNERATION FOR DIRECTORS OF THE BANK IN 2011

Unit: RMB'000

| Name | Position | Paid remuneration (before tax) (1) | Social insurance, housing funds, the portion of supplementary health insurance contributed by the Bank (2) | Part-time fees(3) | Total remuneration before tax (4)=(1)+(2)+(3) |
|--------------------|--|------------------------------------|--|-------------------|---|
| Liu Jianzhong | Chairman of the Board of Directors, Executive Director | 829 | 76 | — | 905 |
| Tan Yuansheng | Executive Director, President | 823 | 76 | — | 899 |
| Sui Jun | Executive Director, Vice President, Secretary to the Board | 666 | 76 | — | 742 |
| Tao Jun | Non-executive Director | — | — | 38 | 38 |
| Tu Jianhua | Non-executive Director | — | — | 38 | 38 |
| Wen Honghai | Non-executive Director | — | — | 38 | 38 |
| Wang Yongshu | Non-executive Director | — | — | 38 | 38 |
| Gao Xiaodong | Non-executive Director | — | — | 38 | 38 |
| Wu Xiufeng | Non-executive Director | — | — | 38 | 38 |
| Hua Yusheng | Non-executive Director | — | — | — | — |
| Tu Minghai | Non-executive Director | — | — | — | — |
| Xu Bin | Independent Non-executive Director | — | — | 75 | 75 |
| Pu Yongjian | Independent Non-executive Director | — | — | 75 | 75 |
| Ran Hua | Independent Non-executive Director | — | — | 75 | 75 |
| Sun Leland Li Hsun | Independent Non-executive Director | — | — | — | — |
| Yin Mengbo | Independent Non-executive Director | — | — | — | — |
| Wu Qing | Independent Non-executive Director | — | — | — | — |
| Chen Zhengsheng | Independent Non-executive Director | — | — | — | — |
| Liu Weili | Independent Non-executive Director | — | — | — | — |

Note:

Mr. Tu Jianhua, Mr. Xu Bin, Mr. Pu Yongjian and Ms. Ran Hua have retired from office in December 2011, the remuneration were salaries of the aforesaid persons during their term of office.

Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili held the position as director in December 2011, the part-time fees of the aforesaid persons for 2011 have yet been paid.

REMUNERATION FOR SUPERVISORS AND SENIOR MANAGEMENT

As at December 31, 2011, the total remuneration before tax paid by the Bank to its supervisors and senior management amounted to RMB2,620,000 and RMB4,254,000, respectively, details of which are set out below:

Remuneration for Supervisors of the Bank in 2011

Unit: RMB'000

| Name | Position | Paid remuneration (before tax) (1) | Social insurance, housing funds, the portion of supplementary health insurance contributed by the Bank (2) | Part-time fees(3) | Total remuneration before tax (4)=(1)+(2)+(3) |
|---------------|--|------------------------------------|--|-------------------|---|
| Yang Mingping | Chairwoman of the Board of Supervisors, Employee Representative Supervisor | 738 | 76 | — | 814 |
| Zhang Peng | Shareholder Representative Supervisor | — | — | 25 | 25 |
| Zeng Jianwu | Shareholder Representative Supervisor | — | — | 25 | 25 |
| Zuo Ruilan | Shareholder Representative Supervisor | — | — | 25 | 25 |
| Chen Fangming | Shareholder Representative Supervisor | — | — | 25 | 25 |
| Dong Yunling | External Supervisor | — | — | 50 | 50 |
| Chen Huiming | External Supervisor | — | — | 50 | 50 |
| Zhang Xinyu | External Supervisor | — | — | — | — |
| Shi Bentong | External Supervisor | — | — | — | — |
| Zhang Yiqiao | Employee Representative Supervisor | 700 | 63 | — | 763 |
| Liu Yu | Employee Representative Supervisor | 662 | 63 | — | 725 |
| Zheng Yi | Employee Representative Supervisor | 46 | 13 | — | 59 |
| Zhu Yuzhou | Employee Representative Supervisor | 46 | 13 | — | 59 |

Note:

Mr. Zhang Peng and Mr. Chen Fangming have retired from office in December 2011; Mr. Zhang Yiqiao and Mr. Liu Yu have retired from office in November 2011, the remuneration was salaries of the aforesaid persons during their term of office.

Both Mr. Zheng Yi and Mr. Zhu Yuzhou held the position as supervisor in November 2011, such remuneration were their salaries as supervisors.

Both Mr. Zhang Xinyu and Mr. Shi Bentong held the position as supervisor in December 2011, the part-time fees of the aforesaid persons for 2011 have yet been paid.



Report of The Board of Directors

The board of directors of the Bank is pleased to present its report together with the audited financial statements of the Group for the year ended December 31, 2011.

PRINCIPAL ACTIVITIES

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

PROFIT AND DIVIDENDS

The income of the Group for the year ended December 31, 2011 and the Group's financial position as at that date are set out in the "Consolidated Financial Statements" of this Annual Report.

Pursuant to the resolutions passed at the 2010 second extraordinary general meeting on November 26, 2010, the Bank distributed special dividends to the pre-IPO shareholders. A cash dividend of RMB0.06 per share (tax inclusive) was distributed to the shareholders of the original 6 billion shares, and RMB0.0436 per share (tax inclusive) was distributed to shareholders of 1 billion shares which were newly issued at the end of March 2010, totalling RMB403.6 million. The aforementioned special dividends have been paid subsequent to the convening of the annual general meeting of the Bank held on May 19, 2011.

The board of directors of the Bank recommends a distribution of cash dividends of RMB1,302 million (tax inclusive) for 2011 to all the shareholders at a par value of RMB0.14 per share (tax inclusive). Such dividend distribution plan will be submitted to the 2011 annual general meeting for consideration. Provided such proposal is approved at the 2011 annual general meeting, the dividends will be distributed to holders of domestic shares and holders of H shares whose names appear on the register of members on May 18, 2012. Such proposed dividends will be denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The exchange rate of RMB to HKD to be adopted shall be the average closing rates of the five business days preceding the date of declaration of such dividends at the 2011 annual general meeting of the Bank (May 7, 2012) as announced by the PRC.

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

| <i>(RMB, in million)</i> | 2010 | 2009 | 2008 |
|--|--------|--------|--------|
| Cash dividends | 403.6 | 360.0 | 232.1 |
| As a percentage of profit for the year | 13.18% | 19.06% | 11.63% |

RESERVES

Please refer to the consolidated statement of changes in shareholder's equity for details of the movements in the reserves of the Group for the year ended December 31, 2011.

SUMMARY OF FINANCIAL INFORMATION

Please refer to the "Financial Summary" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended December 31, 2011.

DONATIONS

Donations made by the Group during the year ended December 31, 2011 for charitable and other purposes were approximately RMB5 million.

PROPERTY AND EQUIPMENT

Please refer to Note "Property and Equipment" to the "Consolidated Financial Statements" of this Annual Report for details of movements in the property and equipment of the Group for the year ended December 31, 2011.

RETIREMENT BENEFITS

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

ULTIMATE PARENT COMPANY AND SUBSIDIARIES

Please refer to this report "Substantial Shareholders of the Bank" in the "Changes in Share Capital and Particulars of Shareholders" and related notes to the "Consolidated Financial Statements" of this Annual Report for details of the Bank's ultimate parent company and subsidiaries respectively as at December 31, 2011.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE BANK

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

In 2011, the aggregate amount of interest income and other operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total interest income and other operating income of the Bank.

SHARE CAPITAL

Please refer to note "Share Capital" to the "Consolidated Financial Statements" of this Annual Report for details of the movement in share capital of the Bank during the year.

USE OF THE PROCEEDS

During the reporting period, on January 12, 2011, as a result of the exercise of the over-allotment option pursuant to the Listing, the Bank issued and allotted an additional 300,000,000 H shares, and disposed of domestic shares on behalf of NSSF, the selling shareholder, and converted 27,826,440 shares into H shares, with a total of 327,826,440 shares and HK\$1.721 billion of proceeds raised. After payment of HK\$146 million of proceeds from sale of shares which were transferred by the Bank's state-owned shareholders to NSSF, all remaining proceeds were used to strengthen the Bank's capital base for supporting the Bank's ongoing business growth as committed by the Bank.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

The top ten shareholders of the Bank and their respective shareholdings at the end of 2011 are stated in "Changes in Share Capital and Particulars of Shareholders" of this Annual Report.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

From the beginning of the reporting period to December 12, 2011, the board of directors of the Bank comprised 11 directors in total, including 2 executive directors, namely Mr. Liu Jianzhong (chairman of the board of directors) and Mr. Tan Yuansheng (president); 6 non-executive directors, namely Mr. Tao Jun, Mr. Tu Jianhua, Mr. Wen Honghai, Mr. Wang Yongshu, Mr. Gao Xiaodong and Mr. Wu Xiufeng; 3 independent non-executive directors, namely Mr. Xu Bin, Mr. Pu Yongjian and Ms. Ran Hua.

From December 12, 2011 to the end of the reporting period, upon election of new members, the board of directors of the Bank comprised 15 directors in total, including 3 executive directors, namely Mr. Liu Jianzhong (chairman of the board of directors), Mr. Tan Yuansheng (president) and Mr. Sui Jun (vice president and secretary to the board); 7 non-executive directors, namely Mr. Tao Jun, Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng; 5 independent non-executive directors, namely Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili. The former non-executive director, Mr. Tu Jianhua and independent non-executive directors, Mr. Xu Bin, Mr. Pu Yongjian and Ms. Ran Hua have retired from office upon expiry of their three-year term of office.

Please refer to the “Profiles of Directors, Supervisors and Senior Management” of this Annual Report for details of directors, supervisors and senior management of the Bank.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at December 31, 2011, the interests or short positions of the directors and supervisors of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO of Hong Kong) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were as follows:

Domestic Shares

| Name | Capacity | Number of domestic shares held (long position) | % of the total issued domestic shares | % of the total issued share capital of the Bank |
|---------------|------------------|--|---------------------------------------|---|
| Tan Yuansheng | Beneficial owner | 6,300 | 0.00009 | 0.00007 |
| Sui Jun | Beneficial owner | 75,400 | 0.00111 | 0.00081 |
| Zuo Ruilan | Beneficial owner | 11,900 | 0.00017 | 0.00013 |
| Zhu Yuzhou | Beneficial owner | 37,600 | 0.00055 | 0.00040 |

Other than as disclosed above, none of the directors or supervisors of the Bank nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at December 31, 2011.

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the 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 of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Save for those disclosed under Continuing Connected Transactions in this report, no director or supervisor of the Bank had a material interest, whether directly or indirectly, in material contracts in relation to the Group's businesses to which the Bank, its holding company, or any of its subsidiaries or fellow subsidiaries was a party on December 31, 2011 or at any time during the year (excluding service contracts).

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2011, the interests and short positions of substantial shareholders (pursuant to SFO), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under section 336 of the SFO were as follows:

Domestic Shares

Unit: share, %

| Name of the shareholder | Capacity | Number of domestic shares held(long position) | % of the total issued domestic shares of the Bank | % of the total share capital of the Bank |
|--|------------------|---|---|--|
| Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司) | Beneficial Owner | 629,304,418 | 9.27 | 6.77 |
| Chongqing City Construction Investment (Group) Company Limited ¹ (重慶市城市建設投資(集團)有限公司) | Beneficial Owner | 621,435,221 | 9.16 | 6.68 |
| Loncin Holdings Limited (隆鑫控股有限公司) | Beneficial Owner | 570,000,000 | 8.40 | 6.13 |
| Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司) | Beneficial Owner | 423,431,972 | 6.24 | 4.55 |

Note: 1. On December 31, 2011, 20,000,000 non-overseas listed shares were transferred to Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) which held 621,435,221 non-overseas listed shares of the Bank as at December 31, 2011.

H SHARES

Unit: share, %

| Name of the shareholder | Capacity | Number of H shares held (long position) ⁽¹⁾ | % of the total issued H shares of the Bank | % of the total share capital of the Bank |
|--|-------------------------------------|--|--|--|
| Capital Research and Management Company | Investment manager | 297,064,000 | 11.82 | 3.19 |
| FIL Limited | Investment manager | 153,449,000 | 6.11 | 1.65 |
| GAM Hong Kong Limited | Investment manager | 151,115,000 | 6.01 | 1.62 |
| Al Nehayan Mansoor Bin Zayed Bin Sultan | Interest of controlled corporations | 147,995,000 | 5.89 | 1.59 |
| GAM Star China Equity (a sub-fund of GAM Star Fund p.l.c.) | Beneficial Owner | 126,590,000 | 5.04 | 1.36 |
| Cheah Capital Management Limited | Interest of controlled corporations | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Cheah Cheng Hye | Founder of a discretionary trust | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Cheah Company Limited | Interest of controlled corporations | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Hang Seng Bank Trustee International Limited | Trustee | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Value Partners Group Limited | Interest of controlled corporations | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| Value Partners Limited | Investment manager | 125,865,000 ⁽¹⁾ | 5.01 | 1.35 |
| To Hau Yin | Interest of Spouse | 125,865,000 ⁽²⁾ | 5.01 | 1.35 |

Note: 1. These H shares are held by Value Partners Limited, which is wholly-owned by Value Partners Hong Kong Limited, a wholly-owned subsidiary of Value Partners Group Limited, which is in turn owned 28.47% by Cheah Capital Management Limited, which is in turn wholly-owned by Cheah Company Limited. The entire issued capital of Cheah Company Limited is owned by Hang Seng Bank Trustee International Limited as the trustee of The C H Cheah Family Trust. Mr. Cheah Cheng Hye is the founder of The C H Cheah Family Trust.

2. To Hau Yin is the spouse of Cheah Cheng Hye and is deemed to be interested in the shares held by Cheah Cheng Hye.

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

Transactions between the Bank and the Bank's connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the IASB.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Bank provides commercial banking services and products in the ordinary and usual course of business to the public in China, which includes certain of the Bank's directors, supervisors and/or their respective associates. These transactions are entered into on normal commercial terms in the ordinary and usual course of business, and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

COMMERCIAL BANKING SERVICES PROVIDED IN THE ORDINARY AND USUAL COURSE OF BUSINESS - DEPOSITS TAKING

The Bank takes deposits in the ordinary and usual course of business from certain of the Bank's directors, supervisors and/or their respective associates at normal deposit rates and on normal commercial terms.

The provision of commercial banking services and products by the Bank to its connected persons in the ordinary and usual course of business and on normal commercial terms that are comparable or no more favorable than those offered to independent third parties (including other employees of the Bank who are not connected persons) will be exempt continuing connected transactions under Rule 14A.65(4) of the Hong Kong Listing Rules, namely financial assistance provided by a connected person in the form of deposits placed with a listed issuer for the benefit of the listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance, and thus will be exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

COMMERCIAL BANKING SERVICES PROVIDED IN THE ORDINARY AND USUAL COURSE OF BUSINESS - LOANS AND CREDIT FACILITIES TO CONNECTED PERSONS

The Bank extends loans and credit facilities in the ordinary and usual course of business to certain of the Bank's directors, supervisors and/or their respective associates on normal commercial terms with reference to prevailing market rates, which constitute continuing connected transactions for the Bank under the Listing Rules.

The provision of loans and credit facilities by the Bank to its connected persons (including the Bank's directors, supervisors and their respective associates) are in the ordinary and usual course of business and on normal commercial terms and conditions available to independent third parties. Therefore, these transactions will constitute exempt continuing connected transactions pursuant to Rule 14A.65(1) of the Hong Kong Listing Rules (namely, financial assistance provided by a listed issuer in its ordinary and usual course of business for the benefit of a connected person on normal commercial terms), and thus, will be exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

COMMERCIAL BANKING SERVICES PROVIDED IN THE ORDINARY AND USUAL COURSE OF BUSINESS - OTHER BANKING SERVICES AND PRODUCTS

The Bank provides various commercial banking services and products (including credit/debit cards and wealth management products) in the ordinary and usual course of business to certain of the Bank's directors, supervisors and/or their respective associates at normal prescription fees, service fees and charges and on normal commercial terms and conditions.

As none of the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in respect of the annual aggregate service and/or product fees paid to the Bank by a particular connected person and its associates reaches 0.1%, these transactions constitute exempt continuing connected transactions pursuant to Rule 14A.33(3) of the Hong Kong Listing Rules, and thus, will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange exercised its discretion under Rule 8.08(1)(d) of the Hong Kong Listing Rules and accepted the minimum percentage of shares held (from time to time) by the public in the issued share capital of the Bank be reduced to the relevant percentage of shares listed on the Hong Kong Stock Exchange in the form of H shares upon completion of the global offering (representing no less than 24% of the Bank's enlarged share capital immediately upon the global offering), provided that the value of H Shares held by the public shall not be less than HK\$1.5 billion. As at December 31, 2011, the public float of the Bank is 27.02%.

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

Tax Relief (H-Share Holders):

Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and its relevant implementation rules which came into effect on January 1, 2008, the Bank will withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of members in respect of H shares of the Bank on May 18, 2012.

Non-resident Individual Shareholders

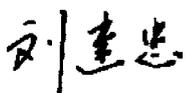
According to Guoshuihan [2001] No. 348 documents issued by the State Administration of Taxation, PRC, the Bank is required to withhold individual income tax for non-resident individual H Share Holders, who are entitled to relevant preferential tax arrangement pursuant to the taxation agreements between the countries where they are residing with China and the regulation on taxation arrangement between the Mainland and Hong Kong (Macau).

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

AUDITORS

Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu have been appointed as the Bank's domestic and overseas auditors for 2011.

On behalf of the Board



Liu Jianzhong
Chairman

March 19, 2012



Report of the Board of Supervisors

In 2011, pursuant to the relevant provisions of the Company Law of the People's Republic of China and the articles of association of Chongqing Rural Commercial Bank Co., Ltd., the board of supervisors earnestly performed their duties, and conducted supervision over the Board and the senior management and their members on their performance and due diligence as well as supervision over the finance, credits and internal control of the Bank by means of attending meetings as observers, concentrated supervision, special investigation, interviews and conducting investigation and analysis. Accordingly, the board of supervisors played an effective role in the supervision and check-and-balance, and safeguarded the interests of the shareholders and the Bank.

CONVENING OF THE MEETINGS

During the reporting period, the board of supervisors convened eight meetings in total, details of which were as follows:

On January 12, 2011, the 15th (extraordinary) meeting of the first session of the board of supervisors was convened by means of written resolutions and correspondence, at which the Proposal Regarding the 2010 Work Scheme for Concentrated Supervision and Inspection of the Board of Supervisors of Chongqing Rural Commercial Bank was considered and approved.

On January 21, 2011, the 16th (extraordinary) meeting of the first session of the board of supervisors was convened by means of written resolutions and correspondence, at which the Proposal Regarding the 2010 Work Summary of the Board of Supervisors of Chongqing Rural Commercial Bank was considered and approved.

On March 25, 2011, the 17th meeting of the first session of the board of supervisors was convened, at which six proposals including the Proposal Regarding the Adjustment to the Division of Labor among Members of the Special Committee under the Board of Supervisors of Chongqing Rural Commercial Bank (重慶農村商業銀行關於調整監事會專門委員會委員分工的議案), the Proposal Regarding the Terms of Reference Newly Formulated and Amended for the Improvement of Special Committee of Chongqing Rural Commercial Bank (重慶農村商業銀行關於新制定和修改完善專門委員會工作細則的議案) · 2010 Work Report of the Board of Supervisors of Chongqing Rural Commercial Bank, 2010 Report on Duly Performance Appraisal of Supervisors and Mutual Evaluation of External Supervisors of Chongqing Rural Commercial Bank (重慶農村商業銀行2010年度監事履行職務情況評價及外部監事相互評價報告), 2010 Report on Concentrated Supervision and Inspection of the Board of Supervisors of Chongqing Rural Commercial Bank and Assessment Measures on the Performance of Duties of Supervisors of Chongqing Rural Commercial Bank (重慶農村商業銀行監事履職評價辦法).

On August 12, 2011, the 18th meeting of the first session of the board of supervisors was convened, at which the Proposal Regarding the Consideration of Interim Report and Results Announcement of Chongqing Rural Commercial Bank for 2011 (關於審議重慶農村商業銀行2011年中期報告及業績公告的議案) was considered and approved.

On August 29, 2011, the 19th (extraordinary) meeting of the first session of the board of supervisors was convened by means of written resolutions and correspondence, at which the 2011 interim report on financial supervision and inspection of the Board of Supervisors of Chongqing Rural Commercial Bank (重慶農村商業銀行監事會關於2011年上半年度財務監督檢查報告的議案) was considered and approved.

On October 25, 2011, the 20th meeting of the first session of the board of supervisors was convened, at which 4 proposals including the Work Report of the First Session of the Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd., the Proposal Regarding the Nomination of Six Candidates Including Zeng Jianwu as the Members for the 2nd Session of the Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd. (關於提名曾建武等6名同志為重慶農村商業銀行股份有限公司第二屆監事會監事候選人的議案), Special Investigation Report on the Performance of Duties of Directors of Chongqing Rural Commercial Bank (重慶農村商業銀行董事履職專項檢查報告), the Proposal Regarding the Consideration of 2011 Third Quarterly Report of Chongqing Rural Commercial Bank were considered and approved, and the Report from Credit Management Department and Risk Management Department in Respect of Credit Asset Risks and Post-loan Management was debriefed.

On December 9, 2011, the 21st (extraordinary) meeting of the first session of the board of supervisors was convened by means of written resolutions and correspondence, at which the Special Inspection Report on Credit and Capital Risks and Post-loan Management of Chongqing Rural Commercial Bank was considered and approved.

On December 12, 2011, the 1st meeting of the second session of the board of supervisors was convened, at which the Proposal Regarding the Consideration of Election Procedures for Chairman of the Board of Supervisors of Chongqing Rural Commercial Bank, the Proposal Regarding the Election of Chairman of the Board of Supervisors of Chongqing Rural Commercial Bank and the Proposal Regarding the Consideration of Chairmen and Members of the Four Special Committees under the Board of Supervisors were considered and approved.

MAJOR WORK

Ever-refining mechanism of the Board of Supervisors. During the reporting period, it revised the Rules of Procedures of the Board of Supervisors in compliance with the listing rules of Hong Kong in respect of H share. It formulated and optimized the terms of reference for various special committees under the board of supervisors, drew up the Assessment Measures on the Performance of Duties of Supervisors and compiled records logging performance of duties of supervisors, whereby gradually putting in place a working system for the board of supervisors which fulfill the requirement as a listed bank.

Standardized and Orderly Operation of the Board of Supervisors. During the reporting period, 8 meeting of the board of supervisors were held, including 4 on-site meetings and 4 off-site meetings with 18 proposals considered and 18 written resolutions formed, and 10 meetings of the special committees under the board of supervisor were held, with 11 matters considered. During the reporting period, supervisors attended 4 on-site board meetings and 2 general meetings as observers and the chairman of the board of supervisors attend weekly meeting with the president and work meetings of significant importance to the Bank. Besides, the supervisors have present at professional meetings as observers at headquarters in connection with loan approval, substantial procurement and case prevention, whereas external supervisors, upon invitation, have attended talks pertaining to prudence organized by regulatory departments, thus effectively increasing the coverage of supervision and its specificity.

Pragmatic and Efficient Supervision and Inspection. During the reporting period, in accordance with the guidance of “Focusing on Standards and Actual Effects”, the board of supervisors undertook obligation to carry out due inspection after meticulous planning with a stress on formality, it conducted supervision and inspection for 4 times during the year which included the annual concentrated supervision and inspection, interim financial supervision, performance of duties of directors and credit risk aversion. During the course of supervision and inspection, 11 questions and matters subject to improvement, together with 18 advices and recommendation thereof were brought up to the board of directors and senior management, who highly valued these advices and recommendations and promptly distributed them to relevant departments for implementation with attached responsibilities so as to rectify the problems immediately. Moreover, the board of supervisor placed paramount emphasis on the feedbacks on the result of the rectification, which enabled the supervision achievements of the board of supervisors to be utilized sufficiently and effectively.

Gradual Improvement in Performance of Supervisory Duties. During the reporting period, the board of supervisors proceeded with the election of the new session of the board of supervisors pursuant to law and made new arrangement on the division of labor among members of special committees. Upon the election of the new session of the board of supervisors, the number of shareholders' representative supervisors decreased from 4 to 2, whereas the number of external supervisors increased from 2 to 4, whereby the independence and expertise of supervisors were further enhanced. During the reporting period, supervisors listened to elucidation of Hong Kong lawyers on Listing Rules in respect of H shares, and carried out investigation and research on Hechuan, Jiangjin and Yuzhong branches and other branches serving the grassroots, which has further stepped up the capacity of supervisors in performing their duties.

In 2011, the board of directors and the senior management had given great support to the supervision work of the board of supervisors and thought highly of, and actively responded to, the reminders, opinions and recommendations of the board of supervisors, thus enabling the board of supervisors to play a supervision role and make its constructive contributions to the improvement of corporate governance and the promotion of healthy business development.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in Compliance with Laws and Regulations

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

Financial Reporting

The 2011 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

USE OF THE PROCEEDS

During the reporting period, on January 12, 2011, as a result of the exercise of the over-allotment option pursuant to the Listing, the Bank issued and allotted an additional 300,000,000 H shares, and disposed of domestic shares on behalf of NSSF, the selling shareholder, and converted 27,826,440 shares into H shares, with a total of 327,826,440 shares and HK\$1.721 billion of proceeds raised. After payment of HK\$146 million of proceeds from sale of shares which were transferred by the Bank's state-owned shareholders to NSSF, all remaining proceeds were used to strengthen the Bank's capital base for supporting its ongoing business growth as committed by the Bank.

Acquisition and Sale of Assets

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

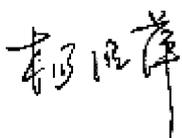
Connected Transactions

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

Internal Control

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

On behalf of the board of supervisors



YANG Mingping

Chairman of the board of supervisors

March 19, 2012

CORPORATE GOVERNANCE

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

Amendments to corporate governance documents. During the reporting period, the Bank made amendments to the articles of association of Chongqing Rural Commercial Bank Co. Ltd. (《重慶農村商業銀行股份有限公司章程》), the “Terms of Reference For Strategic Development Committee of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司戰略發展委員會工作細則), the “Terms of Reference For Risk Management Committee of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司風險管理委員會工作細則), the “Terms of Reference For Audit Committee of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司審計委員會工作細則), the “Terms of Reference For Nomination Committee of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司提名委員會工作細則), the “Terms of Reference For Remuneration Committee of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司薪酬委員會工作細則), the “Terms of Reference For Related Party Transaction Supervision Committee of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司關聯交易控制委員會工作細則), the “Terms of Reference For Minority Shareholders’ Interest Protection Committee of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司小股東權益保障委員會工作細則), the “Terms of Reference For Independent Directors of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司獨立董事工作規則), the “Terms of Reference For Due Diligence Supervisory Committee under the Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司監事會履職盡職監督委員會工作細則), the “Terms of Reference For Internal Control Review Committee under the Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司監事會內控評審委員會工作細則). During the reporting period, the Bank newly formulated the “Interim Assessment Measures on the Performance of Duties of Directors of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司董事履職評價試行辦法), the “Terms of Reference For Nomination Committee under the Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司監事會提名委員會工作細則), and the “Assessment Measures on the Performance of Duties of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.” (重慶農村商業銀行股份有限公司監事履職評價辦法).

Adjustment to, and Expansion of composition of the board of directors and the special committees thereunder. During the reporting period, the Bank convened the first 2011 extraordinary general meeting, at which the new members of its board of directors were elected. Members of the board of directors were adjusted from 11 to 15 in number and Mr. Liu Jianzhong, Mr. Tan Yuansheng and Mr. Sui Jun were elected as executive directors of the Bank; Mr. Tao Jun, Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng were elected as the non-executive directors of the Bank whereas Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili were elected as the independent non-executive directors of the Bank and corresponding adjustments were made to the composition of members of the Strategic Development Committee, Risk Management Committee, Audit Committee, Nomination Committee, Remuneration Committee, Related Party Transaction Supervision Committee and Minority Shareholders' Interest Protection Committee.

board of directors

Adjustment to composition of the board of supervisors and the special committees thereunder. During the reporting period, the Bank held the first 2011 extraordinary general meeting, at which new members of its board of supervisors were elected. The employee representative supervisor, Mr. Liu Yu and Mr. Zhang Yiqiao have resigned from their office due to other work engagement. At the staff representative assembly of the Bank, Ms. Yang Mingping, Mr. Zhu Yuzhou and Mr. Zheng Yi were elected as employee representative supervisors of the second session of the board of supervisors while at the general meeting of the Bank, Mr. Zeng Jianwu, Ms. Zuo Ruilan and Mr. Shi Bentong were elected as external supervisors of the Bank and corresponding adjustments were made to the composition of members of Due Diligence Supervisory Committee, Internal Control Review Committee, Nomination Committee and the Audit Committee.

Code on corporate governance practices. The Bank has adopted our own corporate governance practices, which were fully in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 to the Hong Kong Stock Exchange Listing Rules. As of December 31, 2011, the Bank had complied with most of the provisions of the Code.

MATERIAL CONNECTED TRANSACTIONS

As of the end of the reporting period, the loan balance of material connected transactions with related parties amounted to RMB4,759 million, accounting for 3.31% of the total loan of the Bank. Loans under the material connected transaction between the Bank and related parties have no negative impact on operating results and the financial position of the Bank.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

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

As of the end of 2011, pending legal proceedings in which the Bank was a defendant or a third party involved an amount of RMB33,061,100. In the opinion of the Bank, it will not have any material effect on our operating activities.

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

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

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

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

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

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

Independent Auditor's Report

Deloitte.

德勤

TO THE MEMBERS OF
CHONGQING RURAL COMMERCIAL BANK CO., LTD.

重慶農村商業銀行股份有限公司

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

We have audited the consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 161 to 286, which comprise the consolidated and Bank's statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

Independent Auditor's Report

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 March 2012

Consolidated Income Statement

For The Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | NOTES | Year ended 31 December | |
|---|-------|------------------------|-------------|
| | | 2011 | 2010 |
| Interest income | 5 | 17,539,202 | 11,473,378 |
| Interest expense | 5 | (7,034,183) | (3,971,610) |
| Net interest income | | 10,505,019 | 7,501,768 |
| Fee and commission income | 6 | 671,074 | 308,909 |
| Fee and commission expense | 6 | (35,667) | (23,133) |
| Net fee and commission income | | 635,407 | 285,776 |
| Net trading gain (losses) | 7 | 23,377 | (46,181) |
| Other operating (losses) income, net | 8 | (45,427) | 3,226 |
| Operating income | | 11,118,376 | 7,744,589 |
| Operating expenses | 9 | (4,774,436) | (3,910,064) |
| (Impairment) reversals of impairment on assets | 11 | (848,047) | 45,208 |
| Net gain on disposal of available-for-sale financial assets | | — | 106,432 |
| Net gain on disposal of debt securities classified as receivables | | 999 | — |
| Profit before tax | | 5,496,892 | 3,986,165 |
| Income tax expense | 12 | (1,248,894) | (924,945) |
| Profit for the year | | 4,247,998 | 3,061,220 |
| Attributable to: | | | |
| Equity holders of the Bank | | 4,246,460 | 3,064,176 |
| Non-controlling interests | | 1,538 | (2,956) |
| | | 4,247,998 | 3,061,220 |
| Earnings per share (Expressed in RMB per share) | | | |
| — Basic | 13 | 0.46 | 0.45 |

Consolidated Statement Of Comprehensive Income

For The Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2011 | 2010 |
| Profit for the year | 4,247,998 | 3,061,220 |
| Other comprehensive (losses) income: | | |
| Fair value (losses) gain on available-for-sale financial assets | | |
| — fair value (losses) gain arising during the year | (47,111) | 40,740 |
| — amount reclassified to the profit or loss upon disposal of available-for-sale financial assets | — | (106,432) |
| Income tax relating to available-for-sale financial assets | 11,778 | 16,423 |
| Other comprehensive (losses) income for the year (net of tax) | (35,333) | (49,269) |
| Total comprehensive income for the year | 4,212,665 | 3,011,951 |
| Total comprehensive income attributable to: | | |
| Equity holders of the Bank | 4,211,127 | 3,014,907 |
| Non-controlling interests | 1,538 | (2,956) |
| Total comprehensive income for the year | 4,212,665 | 3,011,951 |

Consolidated Statement of Financial Position

At 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | NOTES | At 31 December | |
|--|-------|--------------------|--------------------|
| | | 2011 | 2010 |
| ASSETS | | | |
| Cash and balances with central bank | 15 | 50,662,768 | 37,321,633 |
| Deposits with banks and other financial institutions | 16 | 11,444,958 | 17,220,237 |
| Placements with banks and other financial institutions | 17 | 11,460,716 | 2,000,000 |
| Financial assets held for trading | 18 | 400,880 | 482,159 |
| Financial assets designated as at fair value through profit or loss | 19 | 13,033,648 | 8,046,043 |
| Financial assets held under resale agreements | 20 | 42,296,805 | 37,158,018 |
| Loans and advances to customers | 21 | 138,821,830 | 117,114,024 |
| Available-for-sale financial assets | 22 | 1,617,749 | 1,444,437 |
| Held-to-maturity investments | 23 | 40,236,422 | 36,708,860 |
| Debt securities classified as receivables | 24 | 27,053,280 | 21,219,865 |
| Property and equipment | 26 | 2,711,120 | 2,341,319 |
| Deferred tax assets | 37 | 1,517,672 | 1,307,604 |
| Goodwill | 27 | 440,129 | 440,129 |
| Other assets | 29 | 3,122,044 | 2,741,340 |
| Total assets | | 344,820,021 | 285,545,668 |
| LIABILITIES | | | |
| Borrowings from central bank | | 30,000 | — |
| Deposits from banks and other financial institutions | 30 | 25,107,105 | 11,711,766 |
| Placements from banks | 31 | 2,149,818 | — |
| Financial liabilities designated as at fair value through profit or loss | 32 | 365,625 | 444,806 |
| Financial assets sold under repurchase agreements | 33 | 32,759,721 | 35,762,687 |
| Due to customers | 34 | 246,141,374 | 205,563,022 |
| Accrued staff costs | 35 | 2,398,050 | 2,166,165 |
| Tax liabilities | | 905,384 | 443,391 |
| Debt securities issued | 36 | 2,300,000 | 2,300,000 |
| Other liabilities | 38 | 4,652,053 | 4,723,442 |
| Total liabilities | | 316,809,130 | 263,115,279 |

Consolidated Statement of Financial Position

At 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | NOTES | At 31 December | |
|---|-------|--------------------|--------------------|
| | | 2011 | 2010 |
| EQUITY | | | |
| Share capital | 39 | 9,300,000 | 9,000,000 |
| Capital reserve | 40 | 9,201,954 | 8,202,717 |
| Investment revaluation reserve | 41 | (18,879) | 16,454 |
| Surplus reserve | 42 | 3,650,944 | 575,473 |
| General reserve | 43 | 1,919,803 | 1,904,193 |
| Retained earnings | 44 | 3,801,687 | 2,646,308 |
| | | <u>27,855,509</u> | <u>22,345,145</u> |
| Equity attributable to equity holders of the Bank | | | |
| Non-controlling interests | | 155,382 | 85,244 |
| | | <u>28,010,891</u> | <u>22,430,389</u> |
| | | | |
| Total equity | | <u>28,010,891</u> | <u>22,430,389</u> |
| | | | |
| Total equity and liabilities | | <u>344,820,021</u> | <u>285,545,668</u> |

The consolidated financial statements on pages 161 to 286 were approved and authorised for issue by the Board of Directors on 19 March 2012 and are signed on its behalf by:

LIU JIANZHONG
CHAIRMAN

TAN YUANSHENG
EXECUTIVE DIRECTOR AND PRESIDENT

Statement of Financial Position

At 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | NOTES | At 31 December | |
|--|-------|--------------------|--------------------|
| | | 2011 | 2010 |
| ASSETS | | | |
| Cash and balances with central bank | 15 | 50,585,888 | 37,300,255 |
| Deposits with banks and other financial institutions | 16 | 11,319,519 | 16,978,635 |
| Placements with banks and other financial institutions | 17 | 11,460,716 | 2,000,000 |
| Financial assets held for trading | 18 | 400,880 | 482,159 |
| Financial assets designated as at fair value through profit or loss | 19 | 13,018,648 | 8,046,043 |
| Financial assets held under resale agreements | 20 | 42,296,805 | 37,158,018 |
| Loans and advances to customers | 21 | 138,222,341 | 116,932,354 |
| Available-for-sale financial assets | 22 | 1,617,749 | 1,444,437 |
| Held-to-maturity investments | 23 | 40,236,422 | 36,708,860 |
| Debt securities classified as receivables | 24 | 27,053,280 | 21,219,865 |
| Investments in subsidiaries | 25 | 163,200 | 91,800 |
| Property and equipment | 26 | 2,689,360 | 2,320,344 |
| Deferred tax assets | 37 | 1,517,672 | 1,307,604 |
| Goodwill | 27 | 440,129 | 440,129 |
| Other assets | 29 | 3,116,784 | 2,738,982 |
| Total assets | | 344,139,393 | 285,169,485 |
| LIABILITIES | | | |
| Deposits from banks and other financial institutions | 30 | 25,124,040 | 11,678,858 |
| Placements from banks | 31 | 2,149,818 | — |
| Financial liabilities designated as at fair value through profit or loss | 32 | 365,625 | 444,806 |
| Financial assets sold under repurchase agreements | 33 | 32,666,590 | 35,762,687 |
| Due to customers | 34 | 245,732,836 | 205,304,192 |
| Accrued staff costs | 35 | 2,392,826 | 2,165,604 |
| Tax liabilities | | 904,868 | 443,391 |
| Debt securities issued | 36 | 2,300,000 | 2,300,000 |
| Other liabilities | 38 | 4,645,805 | 4,721,725 |
| Total liabilities | | 316,282,408 | 262,821,263 |

Statement of Financial Position

At 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | NOTES | At 31 December | |
|-------------------------------------|-------|--------------------|--------------------|
| | | 2011 | 2010 |
| EQUITY | | | |
| Share capital | 39 | 9,300,000 | 9,000,000 |
| Capital reserve | 40 | 9,201,954 | 8,202,717 |
| Investment revaluation reserve | 41 | (18,879) | 16,454 |
| Surplus reserve | 42 | 3,650,944 | 575,473 |
| General reserve | 43 | 1,919,803 | 1,904,193 |
| Retained earnings | 44 | 3,803,163 | 2,649,385 |
| Total equity | | 27,856,985 | 22,348,222 |
| Total equity and liabilities | | 344,139,393 | 285,169,485 |

The consolidated financial statements on pages 161 to 286 were approved and authorised for issue by the Board of Directors on 19 March 2012 and are signed on its behalf by:

LIU JIANZHONG
CHAIRMAN

TAN YUANSHENG
EXECUTIVE DIRECTOR AND PRESIDENT

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | NOTES | Attributable to equity holders of the Bank | | | | | | Subtotal | Non-controlling interests | Total |
|--|-------|--|------------------|------------------|------------------|-------------------|--------------------------------|-------------------|---------------------------|-------------------|
| | | Share capital | Capital reserve | Surplus reserve | General reserve | Retained earnings | Investment revaluation reserve | | | |
| As at 1 January 2010 | | 6,000,000 | 586,229 | 263,878 | 491,771 | 2,069,749 | 65,723 | 9,477,350 | — | 9,477,350 |
| Profit for the year | | — | — | — | — | 3,064,176 | — | 3,064,176 | (2,956) | 3,061,220 |
| Other comprehensive (losses) income | | — | — | — | — | — | (49,269) | (49,269) | — | (49,269) |
| Total comprehensive income for the year | | — | — | — | — | 3,064,176 | (49,269) | 3,014,907 | (2,956) | 3,011,951 |
| Shares issued | | | | | | | | | | |
| — Private placement | 39 | 1,000,000 | 910,000 | — | — | — | — | 1,910,000 | — | 1,910,000 |
| — H shares offering | 39 | 2,000,000 | 6,997,660 | — | — | — | — | 8,997,660 | — | 8,997,660 |
| — Transaction cost of H share offering | | — | (291,172) | — | — | — | — | (291,172) | — | (291,172) |
| Contribution from non-controlling shareholders | | — | — | — | — | — | — | — | 88,200 | 88,200 |
| Appropriation to surplus reserve | 42 | — | — | 311,595 | — | (311,595) | — | — | — | — |
| Appropriation to general reserve | 43 | — | — | — | 1,412,422 | (1,412,422) | — | — | — | — |
| Dividends recognised as distribution | 14 | — | — | — | — | (763,600) | — | (763,600) | — | (763,600) |
| As at 31 December 2010 | | <u>9,000,000</u> | <u>8,202,717</u> | <u>575,473</u> | <u>1,904,193</u> | <u>2,646,308</u> | <u>16,454</u> | <u>22,345,145</u> | <u>85,244</u> | <u>22,430,389</u> |
| As at 1 January 2011 | | 9,000,000 | 8,202,717 | 575,473 | 1,904,193 | 2,646,308 | 16,454 | 22,345,145 | 85,244 | 22,430,389 |
| Profit for the year | | — | — | — | — | 4,246,460 | — | 4,246,460 | 1,538 | 4,247,998 |
| Other comprehensive (losses) income | | — | — | — | — | — | (35,333) | (35,333) | — | (35,333) |
| Total comprehensive income for the year | | — | — | — | — | 4,246,460 | (35,333) | 4,211,127 | 1,538 | 4,212,665 |
| Shares issued | | | | | | | | | | |
| — H shares offering | 39 | 300,000 | 1,039,390 | — | — | — | — | 1,339,390 | — | 1,339,390 |
| — Transaction cost of H share offering | | — | (40,153) | — | — | — | — | (40,153) | — | (40,153) |
| Contribution from non-controlling shareholders | | — | — | — | — | — | — | — | 68,600 | 68,600 |
| Appropriation to surplus reserve | 42 | — | — | 3,075,471 | — | (3,075,471) | — | — | — | — |
| Appropriation to general reserve | 43 | — | — | — | 15,610 | (15,610) | — | — | — | — |
| As at 31 December 2011 | | <u>9,300,000</u> | <u>9,201,954</u> | <u>3,650,944</u> | <u>1,919,803</u> | <u>3,801,687</u> | <u>(18,879)</u> | <u>27,855,509</u> | <u>155,382</u> | <u>28,010,891</u> |

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | Year ended 31 December | |
|---|------------------------|--------------|
| | 2011 | 2010 |
| OPERATING ACTIVITIES | | |
| Profit before tax | 5,496,892 | 3,986,165 |
| Adjustments for: | | |
| Depreciation and amortisation | 347,374 | 331,124 |
| Impairment (reversals of impairment) on assets | 848,047 | (45,208) |
| Interest income arising from debt securities | (3,219,965) | (2,310,581) |
| Interest income arising from impaired financial assets | (51,418) | (29,319) |
| Interest expense arising from debt securities issued | 126,500 | 126,500 |
| Net gain on disposal of investment securities | (999) | (106,432) |
| Dividend income from investment securities | (899) | (2,189) |
| Net gain on disposal of property and equipment | (42,593) | (21,713) |
| Exchange losses | 158,022 | 60,332 |
| Operating cash flows before movements in working capital | 3,660,961 | 1,988,679 |
| Increase in balances with central bank, deposits with banks and other financial institutions | (14,962,121) | (14,728,625) |
| Increase in placements with banks and other financial institutions | (9,214,463) | (2,000,000) |
| Increase in financial assets held under resale agreements | (10,520,501) | (23,999,214) |
| Increase in financial assets held for trading | (102,279) | (461,516) |
| Increase in loans and advances to customers | (22,159,757) | (20,273,819) |
| (Decrease) increase in financial assets sold under repurchase agreements | (3,002,966) | 9,257,100 |
| Increase in due to customers, deposits from banks and other financial institutions | 53,900,050 | 59,808,708 |
| Increase in borrowings from central bank | 30,000 | — |
| Increase in placements from banks | 2,150,000 | — |
| Increase in other operating assets | (5,180,464) | (1,647,364) |
| Increase in other operating liabilities | 564,096 | 1,551,074 |
| Cash (used in) generated by operating activities | (4,837,444) | 9,495,023 |
| Income tax paid | (985,191) | (734,072) |
| Net cash (used in) generated by operating activities | (5,822,635) | 8,760,951 |

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

| | NOTES | Year ended 31 December | |
|--|-------|--------------------------|--------------------------|
| | | 2011 | 2010 |
| INVESTING ACTIVITIES | | | |
| Cash received from disposal and redemption of investment securities | | 14,510,000 | 21,281,420 |
| Cash received from disposal of property and equipment and other assets | | 104,612 | 252,316 |
| Cash paid for purchase of investment securities | | (24,348,000) | (39,681,790) |
| Cash paid for purchase of property and equipment and other assets | | (758,649) | (739,383) |
| Interest income received from investment securities | | 3,110,923 | 2,003,566 |
| Net cash used in investing activities | | <u>(7,381,114)</u> | <u>(16,883,871)</u> |
| FINANCING ACTIVITIES | | | |
| Net proceeds from issuance of shares | | | |
| — Private placement | | — | 1,910,000 |
| — H shares offering | | 1,339,390 | 8,997,660 |
| — Transaction cost of H shares offering | | (40,153) | (291,172) |
| Contribution from non-controlling shareholders | | 68,600 | 88,200 |
| Interest expenses paid for debt securities issued | | (126,500) | (126,500) |
| Dividends paid to shareholders of the Bank | | (409,322) | (366,726) |
| Net cash from financing activities | | <u>832,015</u> | <u>10,211,462</u> |
| Net (decrease) increase in cash and cash equivalents | | <u>(12,371,734)</u> | <u>2,088,542</u> |
| Cash and cash equivalents at 1 January | | 30,750,454 | 28,722,945 |
| Effect of foreign exchange rate changes | | <u>(158,085)</u> | <u>(61,033)</u> |
| Cash and cash equivalents at 31 December | 45 | <u><u>18,220,635</u></u> | <u><u>30,750,454</u></u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

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

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

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

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

In the current year, the Group has applied the following new and revised standards, amendments to the standards and relevant interpretations (“new or revised IFRSs”).

| | |
|-----------------------------|---|
| Amendments to IFRSs | Improvements to IFRSs issued in 2010 |
| Amendments to IAS 32 | Classification of Rights Issues |
| Amendments to IFRIC 14 | Prepayments of a Minimum Funding Requirement |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |
| IAS 24 (as revised in 2009) | Related Party Disclosures |

IAS 24 (as revised in 2009) has changed the definition of a relate party. IAS 24 (as revised in 2009) requires retrospective application, thus the comparatives for the related party transactions set out in Note 47 have been restated. The adoption of other new or revised IFRSs had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

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

New and revised IFRSs issued but not yet effective

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

| | |
|---------------------------------|--|
| Amendments to IFRS 7 | Disclosures - Transfers of Financial Assets ¹ Disclosures - Offsetting Financial Assets and Financial Liabilities ² |
| Amendments to IFRS 7 and IFRS 9 | Mandatory Effective Date of IFRS 9 and Transition Disclosures ³ |
| IFRS 9 | Financial Instruments ³ |
| IFRS 10 | Consolidated Financial Statements ² |
| IFRS 11 | Joint Arrangements ² |
| IFRS 12 | Disclosure of Interests in Other Entities ² |
| IFRS 13 | Fair Value Measurement ² |
| Amendments to IAS 1 | Presentation of Items of Other Comprehensive Income ⁵ |
| Amendments to IAS 12 | Deferred Tax - Recovery of Underlying Assets ⁴ |
| IAS 19 (as revised in 2011) | Employee Benefits ² |
| IAS 27 (as revised in 2011) | Separate Financial Statements ² |
| IAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures ² |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities ⁶ |

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 July 2012.

⁶ Effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to IFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

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

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

IFRS 9 Financial Instruments (Continued)

The directors anticipate that IFRS 9 that will be adopted in the Group’s consolidated financial statements for the financial year ending 31 December 2015 and that the application of IFRS 9 will affect the classification and measurement of the Group’s available-for-sale investments and may have impact on the Group’s other financial assets and the Group’s financial liabilities. The directors of the Company have not yet completed the assessment of financial impact to the Group.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns.

Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards would have no significant impact on amounts reported in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

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

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to IAS 12 Deferred Tax - Recovery of Underlying Assets

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012.

The directors anticipate that the application of the amendments to IAS 12 in future accounting periods would have no significant impact on amounts reported in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

IAS 19 (as revised in 2011) Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19. The amendments require all actuarial gain and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013 and may have impact on amounts reported in respect of the Groups’ defined benefit plans.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the subsidiaries controlled by the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the Group's equity therein.

Total comprehensive income and expense of subsidiaries are attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments in subsidiaries

In the Bank's statements of financial position, its investments in the subsidiaries are stated at cost, less impairment losses, if any.

Goodwill

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

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

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

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

Revenue recognition

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income and expense

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

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

Dividend income

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

Taxation

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

Current tax

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

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

Social welfare

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

Retirement benefits

The Group pays supplementary retirement benefits to retired employees and early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of retirement benefits are calculated by an independent actuary using the projected unit credit method at the end of the reporting period. Actuarial gain and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and fair value of plan assets arising from changes in actuarial assumptions are recognised in profit or loss for the year in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the year in which they become receivable.

Financial instruments

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Loans and receivables

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

Impairment of financial assets

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

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

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

- (1) significant financial difficulty of the issuer or obligor;
- (2) a breach of contract, such as a default or delinquency in interest or principal payments;
- (3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (4) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

- (5) the disappearance of an active market for that financial asset because of financial difficulties; or
- (6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

Impairment of financial assets carried at amortised cost

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

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of available-for-sale financial assets

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

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

Impairment loss on available-for-sale equity investments at cost is not reversed.

Financial liabilities and equity instruments

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

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

Financial liabilities at FVTPL

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

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

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

Other financial liabilities

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

Equity instruments

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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

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

Financial guarantee contracts

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (1) the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Repurchase agreements and agreements to resell

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

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

Property and equipment

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

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

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

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

Land use rights

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

Foreclosed assets

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

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

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

Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

Leasing

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

The Group as lessor

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

The Group as lessee

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

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

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets

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

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

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

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

Provisions

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

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

Foreign currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the functional currency of the Group (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and/or in the next twelve months.

Impairment losses on loans and advances to customers

The directors of the Bank review its loan portfolio to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the directors of the Bank make judgments as to whether there is any observable data indicating that there is an objective evidence of impairment which will have a measurable decrease in the estimated future cash flows from a portfolio of loans and advances. When the decrease may not have been identified individually or the individual loan is not significant, the directors of the Bank use estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intention and ability to hold to maturity were classified as held-to-maturity investments. This classification requires significant judgement. In making this judgement, the directors of the Bank evaluate its intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of assets as available-for-sale financial assets.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value of financial instruments

The directors of the Bank use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as the credit risk of the Bank and counterparties, volatilities and correlations require the directors of the Bank to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Supplementary retirement benefit and early retirement benefit obligation

The directors of the Bank recognise liabilities in connection with retirement benefits of employees using the projected unit credit method based on various assumptions, including the discount rate and average medical expense increase rate for early retirement and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions may affect the amount of expense recognised in profit or loss and the corresponding liability.

Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the year during which such a determination is made.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

| | Year ended 31 December | |
|---|------------------------|-------------|
| | 2011 | 2010 |
| Interest income | | |
| Loans and advances to customers | 9,460,470 | 7,110,093 |
| Including: Corporate loans and advances | 5,564,531 | 4,027,696 |
| Personal loans and advances | 3,533,757 | 2,742,372 |
| Discounted bills | 362,182 | 340,025 |
| Financial assets held under resale agreements | 2,912,991 | 870,503 |
| Held-to-maturity investments | 1,692,332 | 1,280,917 |
| Debt securities classified as receivables | 1,442,680 | 977,405 |
| Balances with central bank | 696,599 | 447,388 |
| Financial assets designated as at fair value through profit or loss | 522,920 | 436,958 |
| Deposits with banks and other financial institutions | 392,051 | 145,360 |
| Placements with banks and other financial institutions | 322,408 | 30,991 |
| Available-for-sale financial assets | 84,953 | 52,259 |
| Financial assets held for trading | 11,798 | 121,504 |
| Subtotal | 17,539,202 | 11,473,378 |
| Interest expense | | |
| Due to customers | (3,944,076) | (2,607,667) |
| Financial assets sold under repurchase agreements | (1,955,662) | (1,016,100) |
| Deposits from banks and other financial institutions | (954,931) | (221,343) |
| Debt securities issued | (126,500) | (126,500) |
| Placements from banks | (52,436) | — |
| Borrowings from central bank | (578) | — |
| Subtotal | (7,034,183) | (3,971,610) |
| Net interest income | 10,505,019 | 7,501,768 |
| Included: interest income on impaired financial assets | 51,418 | 29,319 |
| Included within interest income | | |
| Interest income on listed investments | 1,841,591 | 1,518,325 |
| Interest income on unlisted investments | 1,913,092 | 1,350,718 |
| | 3,754,683 | 2,869,043 |

Listed investments included securities traded on the China Domestic Interbank Bond Market and securities listed on exchanges.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

| | Year ended 31 December | |
|--|------------------------|----------|
| | 2011 | 2010 |
| Fee and commission income | | |
| Consultancy and advisory fees | 436,950 | 90,908 |
| Agency commissions | 106,369 | 103,333 |
| Bank card fees | 73,623 | 54,310 |
| Settlement and clearing fees | 35,314 | 34,252 |
| Custodian and other fiduciary service fees | 9,342 | 16,773 |
| Others | 9,476 | 9,333 |
| Subtotal | 671,074 | 308,909 |
| Fee and commission expense | | |
| Bank card fees | (23,361) | (11,349) |
| Settlement and clearing fees | (8,224) | (5,166) |
| Other service fees | (4,082) | (6,618) |
| Subtotal | (35,667) | (23,133) |
| Total | 635,407 | 285,776 |

7. NET TRADING GAIN (LOSSES)

| | Year ended 31 December | |
|---|------------------------|----------|
| | 2011 | 2010 |
| Net gain (losses) on held-for-trading debt securities | 23,377 | (46,181) |

8. OTHER OPERATING (LOSSES) INCOME, NET

| | Year ended 31 December | |
|--|------------------------|----------|
| | 2011 | 2010 |
| Net gain on disposal of property and equipment | 42,593 | 21,713 |
| Net gain on disposal of foreclosed assets | 48,645 | 9,977 |
| Rental income | 13,167 | 18,309 |
| Dividend income from unlisted available-for-sale investments | 899 | 2,189 |
| Exchange losses | (157,365) | (58,695) |
| Others | 6,634 | 9,733 |
| Total | (45,427) | 3,226 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

9. OPERATING EXPENSES

| | NOTE | Year ended 31 December | |
|---|------|------------------------|------------------|
| | | 2011 | 2010 |
| Staff costs | (1) | 2,861,920 | 2,341,077 |
| Business tax and surcharges | | 700,951 | 471,538 |
| General operating and administrative expenses | | 704,543 | 609,433 |
| Depreciation and amortisation | | 347,374 | 331,124 |
| Auditor's remuneration | | 3,820 | 1,500 |
| Others | | 155,828 | 155,392 |
| Total | | <u>4,774,436</u> | <u>3,910,064</u> |

Note:

(1) Staff costs

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2011 | 2010 |
| Salaries, bonuses and allowances | 1,891,142 | 1,574,001 |
| Social insurance | 320,917 | 179,522 |
| Housing funds | 157,934 | 135,628 |
| Staff welfare | 75,733 | 90,771 |
| Labor union fees and staff education expenses | 63,154 | 55,775 |
| Supplementary retirement benefits | 127,160 | 120,070 |
| Early retirement benefits | 225,880 | 185,310 |
| Total | <u>2,861,920</u> | <u>2,341,077</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB):

THE GROUP AND THE BANK

Year ended 31 December 2011

| Name | Fees | Basic salaries, allowances and benefits in kind | Contribution to pension schemes | Bonuses | Total |
|--|------|---|---------------------------------|---------|-------|
| Executive directors | | | | | |
| Liu Jianzhong | — | 87 | 76 | 742 | 905 |
| Tan Yuansheng | — | 87 | 76 | 736 | 899 |
| Sui Jun ⁽¹⁾⁽⁵⁾ | — | 68 | 76 | 598 | 742 |
| Non-executive directors | | | | | |
| Tao Jun | 38 | — | — | — | 38 |
| Tu Jianhua ⁽²⁾ | 38 | — | — | — | 38 |
| Wen Honghai | 38 | — | — | — | 38 |
| Wang Yongshu | 38 | — | — | — | 38 |
| Gao Xiaodong | 38 | — | — | — | 38 |
| Wu Xiufeng | 38 | — | — | — | 38 |
| Hua Yusheng ⁽¹⁾ | — | — | — | — | — |
| Tu Minghai ⁽¹⁾ | — | — | — | — | — |
| Independent non-executive directors | | | | | |
| Xu Bin ⁽²⁾ | 75 | — | — | — | 75 |
| Pu Yongjian ⁽²⁾ | 75 | — | — | — | 75 |
| Ran Hua ⁽²⁾ | 75 | — | — | — | 75 |
| Sun Leland Li Hsun ⁽¹⁾ | — | — | — | — | — |
| Yin Mengbo ⁽¹⁾ | — | — | — | — | — |
| Wu Qing ⁽¹⁾ | — | — | — | — | — |
| Cheng Zhengsheng ⁽¹⁾ | — | — | — | — | — |
| Liu Weili ⁽¹⁾ | — | — | — | — | — |
| Supervisors | | | | | |
| Yang Mingping | — | 76 | 76 | 662 | 814 |
| Zhang Peng ⁽⁴⁾ | 25 | — | — | — | 25 |
| Zeng Jianwu | 25 | — | — | — | 25 |
| Zuo Ruilan | 25 | — | — | — | 25 |
| Chen Fangming ⁽⁴⁾ | 25 | — | — | — | 25 |
| Dong Yunlin | 50 | — | — | — | 50 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB): (Continued)

THE GROUP AND THE BANK (Continued)

Year ended 31 December 2011 (Continued)

| Name | Fees | Basic salaries, allowances and benefits in kind | Contribution to pension schemes | Bonuses | Total |
|-----------------------------|------------|---|---------------------------------|--------------|--------------|
| Supervisors | | | | | |
| Chen Huiming | 50 | — | — | — | 50 |
| Zhang Xinyu ⁽³⁾ | — | — | — | — | — |
| Shi Bentong ⁽³⁾ | — | — | — | — | — |
| Zhang Yiqiao ⁽⁴⁾ | — | 63 | 63 | 637 | 763 |
| Liu Yu ⁽⁴⁾ | — | 76 | 63 | 586 | 725 |
| Zheng Yi ⁽³⁾ | — | 14 | 13 | 32 | 59 |
| Zhu Yuzhou ⁽³⁾ | — | 14 | 13 | 32 | 59 |
| Total | 653 | 485 | 456 | 4,025 | 5,619 |

- (1) Upon the election at the 2011 first Extraordinary General Meeting of the Bank, Mr. Sui Jun commenced his position as an executive director of the Bank from December 2011, Mr. Hua Yusheng and Mr. Tu Minghai commenced their positions as non-executive directors of the Bank from December 2011, and Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili commenced their positions as independent non-executive directors of the Bank from December 2011. The new directors are subject to the ratification of the eligibility by CBRC Chongqing Bureau.
- (2) Mr. Tu Jianhua ceased to serve as non-executive director of the Bank from December 2011; Mr. Xu Bin, Mr. Pu Yongjian and Ms. Ran Hua ceased to serve as independent non-executive director of the Bank from December 2011.
- (3) Upon the election at the 2011 first Extraordinary General Meeting of the Bank, Mr. Zhang Xinyu and Mr. Shi Bentong commenced their positions as shareholder representative supervisors of the Bank from December 2011. Upon the election at the bank's Staff Representative Meeting, Mr. Zheng Yi and Mr. Zhu Yuzhou commenced their positions as staff representative supervisors of the Bank from November 2011.
- (4) Mr. Zhang Peng and Mr. Chen Fangming ceased to serve as shareholder representative supervisor of the Bank from December 2011; Mr. Zhang Yiqiao and Mr. Liu Yu ceased to serve as staff representative supervisor of the Bank from November 2011.
- (5) Emoluments of Mr. Sui Jun covered the period as senior management personnel of the Bank in 2011.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (in thousands of RMB): (Continued)

THE GROUP AND THE BANK (Continued)

Year ended 31 December 2010

| Name | Fees | Basic salaries, allowances and benefits in kind | Contribution to pension schemes | Bonuses | Total |
|--|------|---|---------------------------------|---------|-------|
| Executive directors | | | | | |
| Liu Jianzhong | — | 88 | 36 | 650 | 774 |
| Tan Yuansheng | — | 87 | 36 | 651 | 774 |
| Independent non-executive directors | | | | | |
| Xu Bin | 75 | — | — | — | 75 |
| Pu Yongjian | 75 | — | — | — | 75 |
| Ran Hua | 75 | — | — | — | 75 |
| Non-executive directors | | | | | |
| Tao Jun | 38 | — | — | — | 38 |
| Tu Jianhua | 38 | — | — | — | 38 |
| Wen Honghai | 38 | — | — | — | 38 |
| Wang Yongshu | 38 | — | — | — | 38 |
| Gao Xiaodong | 38 | — | — | — | 38 |
| Wu Xiufeng | 38 | — | — | — | 38 |
| Supervisors | | | | | |
| Yang Mingping | — | 79 | 36 | 586 | 701 |
| Zeng Jianwu | 25 | — | — | — | 25 |
| Zuo Ruilan | 25 | — | — | — | 25 |
| Chen Fangming | 25 | — | — | — | 25 |
| Dong Yunlin | 50 | — | — | — | 50 |
| Li Zhen | — | 47 | 18 | 257 | 322 |
| Zhang Yiqiao | — | 76 | 36 | 498 | 610 |
| Liu Yu | — | 31 | 15 | 213 | 259 |
| Zhang Peng | 3 | — | — | — | 3 |
| Chen Huiming | 5 | — | — | — | 5 |
| Total | 586 | 408 | 177 | 2,855 | 4,026 |

Directors' and supervisors' bonuses were paid quarterly and were determined by reference to the performance of the Group and each individual.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the relevant periods are as follows:

| | Year ended 31 December | |
|---------------------------------|------------------------|---------------|
| | 2011 | 2010 |
| Basic salaries and allowances | 365 | 360 |
| Bonuses | 6,099 | 10,100 |
| Contribution to pension schemes | 380 | 183 |
| Total | 6,844 | 10,643 |

Emoluments of the individuals were within the following bands:

| | Number of individuals | |
|-----------------------------|------------------------|------|
| | Year ended 31 December | |
| | 2011 | 2010 |
| HKDnil - HKD1,000,000 | — | — |
| HKD1,000,001 - HKD1,500,000 | 2 | 1 |
| HKD1,500,001 - HKD2,000,000 | 3 | 2 |
| HKD2,000,001 - HKD2,500,000 | — | — |
| HKD2,500,001 - HKD3,000,000 | — | — |
| HKD3,000,001 - HKD3,500,000 | — | — |
| HKD3,500,001 - HKD4,000,000 | — | 2 |

During the relevant periods, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during both years.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

11. IMPAIRMENT (REVERSALS OF IMPAIRMENT) ON ASSETS

| | Year ended 31 December | |
|---|------------------------|-------------|
| | 2011 | 2010 |
| Loans and advances to customers | | |
| Net additions | 1,758,666 | 1,510,392 |
| Recovery of loans | (1,203,835) | (1,505,575) |
| Subtotal | 554,831 | 4,817 |
| Debt securities classified as receivables | 293,216 | — |
| Foreclosed assets | — | (4,780) |
| Other assets | — | (45,245) |
| Total | 848,047 | (45,208) |

12. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---------------------------------|------------------------|----------|
| | 2011 | 2010 |
| Income tax expense comprises: | | |
| Current income tax | | |
| — PRC Enterprise Income Tax | 1,447,184 | 952,203 |
| Deferred tax (<i>note 37</i>) | (198,290) | (27,258) |
| Total | 1,248,894 | 924,945 |

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the both years.

The tax charges for the year can be reconciled to the profit before tax per the consolidated income statements as follows:

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2011 | 2010 |
| Profit before tax | 5,496,892 | 3,986,165 |
| Tax calculated at applicable statutory tax rate of 25% | 1,374,223 | 996,541 |
| Tax effect of expenses not deductible for tax purpose | 34,638 | 47,913 |
| Tax effect of income not taxable for tax purpose (<i>note</i>) | (159,967) | (119,509) |
| Income tax expense | 1,248,894 | 924,945 |

Note: the income not taxable for tax purpose mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

13. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

| | Year ended 31 December | |
|--|------------------------|-----------|
| | 2011 | 2010 |
| Earnings: | | |
| Profit for the year attributable to equity holders of the Bank | 4,246,460 | 3,064,176 |
| Numbers of shares | | |
| Weighted average number of shares in issue (<i>thousand</i>) | 9,296,712 | 6,846,575 |
| Basic earnings per share (<i>RMB yuan</i>) | 0.46 | 0.45 |

There were no potential ordinary shares outstanding during the current and prior year. Accordingly, no diluted earnings per share was presented.

14. DIVIDENDS

| | NOTES | Year ended 31 December | |
|--|-------|------------------------|---------|
| | | 2011 | 2010 |
| Dividends recognised as distribution during the year | | | |
| 2010 special dividend | | | |
| — RMB 4.36 cents/RMB 6 cents per share | (1) | — | 403,600 |
| 2009 Final | | | |
| — RMB 6 cents per share | (2) | — | 360,000 |
| Total | | — | 763,600 |

The final dividend of RMB0.14 per share (tax inclusive) in respect of the year 2011 has been proposed by the directors and is subject to approval by the shareholders in the general meeting.

Notes:

- (1) A special dividend in total of RMB403.6 million in respect of the period from 1 January 2010 to the date immediately preceding the listing date was proposed by the directors of the Bank on 12 November 2010 and approved by the shareholders subsequently at the extraordinary general meeting on 26 November 2010.
- (2) Dividend for shareholders who registered as members of the Bank on 31 December 2009 is RMB 6 cents per share while dividend for those shareholders who subscribed the new shares issued by the Bank on 30 March 2010 is RMB 4.36 cents per share.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

| | NOTES | THE GROUP | |
|--|-------|-------------------|-------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Cash | | 2,660,974 | 2,269,413 |
| Mandatory reserve deposits with central bank | (1) | 45,875,372 | 33,195,245 |
| Surplus reserve deposits with central bank | (2) | 1,537,730 | 1,790,907 |
| Other deposits with central bank | (3) | 588,692 | 66,068 |
| Total | | 50,662,768 | 37,321,633 |

| | NOTES | THE BANK | |
|--|-------|-------------------|-------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Cash | | 2,657,999 | 2,267,616 |
| Mandatory reserve deposits with central bank | (1) | 45,818,314 | 33,175,869 |
| Surplus reserve deposits with central bank | (2) | 1,520,883 | 1,790,702 |
| Other deposits with central bank | (3) | 588,692 | 66,068 |
| Total | | 50,585,888 | 37,300,255 |

Notes:

- (1) The Group places mandatory reserve deposits with the People's Bank of China (the "PBOC"). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group's daily operations.

As at 31 December 2011, mandatory reserve deposits with the PBOC were calculated at 19% (31 December 2010:16.5%) of eligible RMB deposits for the Bank, while for the subsidiaries at 15% or 13% (31 December 2010:12.5%); and 5% of foreign currency deposits from customers for both years. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits are maintained with the PBOC mainly for the purpose of clearing.

- (3) This mainly represents the required fiscal deposits placed with the PBOC, which are non-interest bearing.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | THE GROUP | |
|----------------|-------------------|-------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Deposits with: | | |
| Domestic banks | 11,392,054 | 17,050,646 |
| Overseas banks | 52,904 | 169,591 |
| Total | <u>11,444,958</u> | <u>17,220,237</u> |

| | THE BANK | |
|----------------|-------------------|-------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Deposits with: | | |
| Domestic banks | 11,266,615 | 16,809,044 |
| Overseas banks | 52,904 | 169,591 |
| Total | <u>11,319,519</u> | <u>16,978,635</u> |

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | THE GROUP AND THE BANK | |
|---------------------------------------|------------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Placements with: | | |
| Domestic banks | 2,820,955 | — |
| Other domestic financial institutions | 8,639,761 | 2,000,000 |
| Total | <u>11,460,716</u> | <u>2,000,000</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL ASSETS HELD FOR TRADING

| | THE GROUP AND THE BANK | |
|---------------------------------|------------------------|----------------|
| | At 31 December | |
| | 2011 | 2010 |
| Debt securities issued by: | | |
| Corporations | 400,880 | — |
| Government | — | 482,159 |
| Total | <u>400,880</u> | <u>482,159</u> |
| Analysed as: | | |
| Listed outside Hong Kong (note) | 400,880 | 482,159 |
| Total | <u>400,880</u> | <u>482,159</u> |

Note: Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

19. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | THE GROUP | |
|--|-------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Unlisted debt instruments issued by financial institutions | <u>13,033,648</u> | <u>8,046,043</u> |

| | THE BANK | |
|--|-------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Unlisted debt instruments issued by financial institutions | <u>13,018,648</u> | <u>8,046,043</u> |

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | THE GROUP AND THE BANK | |
|------------------------------|------------------------|-------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Analysed by collateral type: | | |
| Bills | 37,156,805 | 36,658,018 |
| Bonds | 5,140,000 | 500,000 |
| Total | <u>42,296,805</u> | <u>37,158,018</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers

| | THE GROUP | |
|---------------------------------|---------------------|--------------------|
| | At 31 December 2011 | 2010 |
| Gross loans and advances | 144,097,177 | 121,024,559 |
| Individually assessed | (407,790) | (496,983) |
| Collectively assessed | (4,867,557) | (3,413,552) |
| Allowance for impairment losses | (5,275,347) | (3,910,535) |
| Loans and advances to customers | <u>138,821,830</u> | <u>117,114,024</u> |

| | THE BANK | |
|---------------------------------|---------------------|--------------------|
| | At 31 December 2011 | 2010 |
| Gross loans and advances | 143,491,392 | 120,841,054 |
| Individually assessed | (407,790) | (496,983) |
| Collectively assessed | (4,861,261) | (3,411,717) |
| Allowance for impairment losses | (5,269,051) | (3,908,700) |
| Loans and advances to customers | <u>138,222,341</u> | <u>116,932,354</u> |

Analysis of loans and advances to customers by collective and individual assessments

THE GROUP

| | Loans and advances for which allowance is collectively assessed ⁽¹⁾ | Identified impaired loans and advances ⁽²⁾ | | Subtotal | Total | Identified impaired loans and advances as a % of gross total loans and advances |
|--------------------------------------|--|---|--|------------------|--------------------|---|
| | | For which allowance is collectively assessed | For which allowance is individually assessed | | | |
| At 31 December 2011 | | | | | | |
| Gross loans and advances | 142,208,468 | 966,883 | 921,826 | 1,888,709 | 144,097,177 | 1.31 |
| Allowance for impairment losses | (4,092,682) | (774,875) | (407,790) | (1,182,665) | (5,275,347) | |
| Loans and advances to customers, net | <u>138,115,786</u> | <u>192,008</u> | <u>514,036</u> | <u>706,044</u> | <u>138,821,830</u> | |
| At 31 December 2010 | | | | | | |
| Gross loans and advances | 117,701,656 | 2,047,734 | 1,275,169 | 3,322,903 | 121,024,559 | 2.75 |
| Allowance for impairment losses | (1,730,072) | (1,683,480) | (496,983) | (2,180,463) | (3,910,535) | |
| Loans and advances to customers, net | <u>115,971,584</u> | <u>364,254</u> | <u>778,186</u> | <u>1,142,440</u> | <u>117,114,024</u> | |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of loans and advances to customers by collective and individual assessments (Continued)

THE BANK

| | Loans and advances for which allowance is collectively assessed ⁽¹⁾ | Identified impaired loans and advances ⁽²⁾ | | Subtotal | Total | Identified impaired loans and advances as a % of gross total loans and advances |
|--------------------------------------|--|---|--|------------------|--------------------|---|
| | | For which allowance is collectively assessed | For which allowance is individually assessed | | | |
| At 31 December 2011 | | | | | | |
| Gross loans and advances | 141,602,683 | 966,883 | 921,826 | 1,888,709 | 143,491,392 | 1.32 |
| Allowance for impairment losses | (4,086,386) | (774,875) | (407,790) | (1,182,665) | (5,269,051) | |
| Loans and advances to customers, net | <u>137,516,297</u> | <u>192,008</u> | <u>514,036</u> | <u>706,044</u> | <u>138,222,341</u> | |
| At 31 December 2010 | | | | | | |
| Gross loans and advances | 117,518,151 | 2,047,734 | 1,275,169 | 3,322,903 | 120,841,054 | 2.75 |
| Allowance for impairment losses | (1,728,237) | (1,683,480) | (496,983) | (2,180,463) | (3,908,700) | |
| Loans and advances to customers, net | <u>115,789,914</u> | <u>364,254</u> | <u>778,186</u> | <u>1,142,440</u> | <u>116,932,354</u> | |

Notes:

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements of allowance for impairment losses on loans and advances to customers

THE GROUP

| | Individually assessed allowance | Collectively assessed allowance | Total |
|------------------------------------|---------------------------------------|---------------------------------------|-------------|
| As at 1 January 2010 | 363,202 | 2,152,817 | 2,516,019 |
| Net additions | 166,649 | 1,343,743 | 1,510,392 |
| Written off | (24,696) | (61,861) | (86,557) |
| Unwinding of discount on allowance | (8,172) | (21,147) | (29,319) |
| As at 31 December 2010 | 496,983 | 3,413,552 | 3,910,535 |
| Charge for the year | 110,060 | 2,738,545 | 2,848,605 |
| Reverse for the year | (109,522) | (980,417) | (1,089,939) |
| Written off | (62,438) | (279,998) | (342,436) |
| Unwinding of discount on allowance | (27,293) | (24,125) | (51,418) |
| At 31 December 2011 | 407,790 | 4,867,557 | 5,275,347 |

THE BANK

| | Individually assessed allowance | Collectively assessed allowance | Total |
|------------------------------------|---------------------------------------|---------------------------------------|-------------|
| As at 1 January 2010 | 363,202 | 2,152,817 | 2,516,019 |
| Net additions | 166,649 | 1,341,908 | 1,508,557 |
| Written off | (24,696) | (61,861) | (86,557) |
| Unwinding of discount on allowance | (8,172) | (21,147) | (29,319) |
| As at 31 December 2010 | 496,983 | 3,411,717 | 3,908,700 |
| Charge for the year | 110,060 | 2,734,084 | 2,844,144 |
| Reverse for the year | (109,522) | (980,417) | (1,089,939) |
| Written off | (62,438) | (279,998) | (342,436) |
| Unwinding of discount on allowance | (27,293) | (24,125) | (51,418) |
| At 31 December 2011 | 407,790 | 4,861,261 | 5,269,051 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | NOTES | THE GROUP AND THE BANK | |
|----------------------------|-------|------------------------|-----------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Debt securities issued by: | | | |
| Financial institutions | | 99,572 | 100,204 |
| Corporations | | 1,464,478 | 1,281,308 |
| Subtotal | | 1,564,050 | 1,381,512 |
| Equity instruments | | | |
| — at fair value | | 24,434 | 33,660 |
| — at cost | (1) | 29,265 | 29,265 |
| Subtotal | | 53,699 | 62,925 |
| Total | | 1,617,749 | 1,444,437 |
| Analysed as: | | | |
| Listed outside Hong Kong | (2) | 1,588,484 | 1,415,172 |
| Unlisted | | 29,265 | 29,265 |
| Total | | 1,617,749 | 1,444,437 |

Notes:

- (1) The unlisted equity securities are measured at cost because their fair value cannot be reliably measured.
- (2) All available-for-sale debt securities are traded on the China Domestic Interbank Bond Market and are included in "Listed outside Hong Kong".

23. HELD-TO-MATURITY INVESTMENTS

| | THE GROUP AND THE BANK | |
|-------------------------------------|------------------------|------------|
| | At 31 December | |
| | 2011 | 2010 |
| Debt securities issued by: | | |
| Government | 8,228,223 | 11,347,316 |
| Public sector and quasi-governments | 15,644,879 | 14,437,210 |
| Financial institutions | 1,583,144 | 2,350,836 |
| Corporations | 14,780,176 | 8,573,498 |
| Total | 40,236,422 | 36,708,860 |

All held-to-maturity investments are traded on the China Domestic Interbank Bond Market.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

24. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

| | THE GROUP AND THE BANK | |
|---|------------------------|-------------------|
| | At 31 December 2011 | 2010 |
| Certificate treasury bonds | 1,034,934 | 1,109,007 |
| Financial institution bonds | 760,600 | 818,667 |
| Debt securities issued by public sector and quasi-governments | 47,473 | 47,234 |
| Debt instruments issued by financial institutions (note) | 25,503,489 | 19,244,957 |
| Less: Collectively assessed allowance for impairment losses | (293,216) | — |
| Total | 27,053,280 | 21,219,865 |

Note: The debt instruments issued by financial institutions are non-callable before maturity with fixed interest rate and not quoted in active market.

25. INVESTMENT IN SUBSIDIARIES

| | THE BANK | |
|-----------------|------------------------|--------|
| | At 31 December 2011 | 2010 |
| Investment cost | 163,200 | 91,800 |

At 31 December 2011, details of the Bank's subsidiary are set out below.

| Name of entity | Date of incorporation | Place of incorporation | Registered and paid-in capital | Proportion of equity interest % | Proportion of voting power on the board of directors % | Principal activities |
|---|-----------------------|------------------------|--------------------------------|---------------------------------|--|----------------------|
| Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. | 23 April 2010 | Jiangsu | RMB200,000,000 | 51.00 | 51.00 | Banking |
| Sichuan Dazhu Longyuan County Bank Co., Ltd. | 12 November 2010 | Sichuan | RMB60,000,000 | 51.00 | 51.00 | Banking |
| Yunnan Dali Haidong Village and Township Bank Co., Ltd. | 15 December 2010 | Yunnan | RMB60,000,000 | 51.00 | 51.00 | Banking |

In December 2011, the registered capital of Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. was raised by RMB140 million, including RMB71.4 million contribution from the Bank.

The Bank's holding of the equity interests in other subsidiaries remains unchanged during the current year and since their establishment.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

26. PROPERTY AND EQUIPMENT

THE GROUP

| | Buildings | Electronic equipment | Motor vehicles | Furniture and fixtures | Construction in progress | Total |
|---------------------------------|-----------|----------------------|----------------|------------------------|--------------------------|-----------|
| COST | | | | | | |
| As at 1 January 2010 | 1,962,822 | 205,240 | 57,791 | 94,522 | 207,972 | 2,528,347 |
| Additions | 98,779 | 106,362 | 15,674 | 71,259 | 423,877 | 715,951 |
| Transfers | 243,781 | 30,062 | 954 | 379 | (275,176) | — |
| Transfers to other assets | — | — | — | — | (43,995) | (43,995) |
| Disposals | (261,365) | (2,961) | (5,625) | (3,901) | — | (273,852) |
| As at 31 December 2010 | 2,044,017 | 338,703 | 68,794 | 162,259 | 312,678 | 2,926,451 |
| Additions | 71,356 | 140,461 | 19,771 | 68,861 | 421,188 | 721,637 |
| Transfers | 289,815 | 11,952 | 456 | 2,346 | (304,569) | — |
| Transfers to other assets | — | — | — | — | (31,132) | (31,132) |
| Disposals | (23,881) | (15,955) | (6,450) | (6,652) | — | (52,938) |
| As at 31 December 2011 | 2,381,307 | 475,161 | 82,571 | 226,814 | 398,165 | 3,564,018 |
| ACCUMULATED DEPRECIATION | | | | | | |
| As at 1 January 2010 | (300,581) | (56,800) | (23,682) | (30,080) | — | (411,143) |
| Provided for the year | (151,248) | (66,116) | (17,776) | (26,093) | — | (261,233) |
| Eliminated on disposals | 77,082 | 2,469 | 4,791 | 2,902 | — | 87,244 |
| As at 31 December 2010 | (374,747) | (120,447) | (36,667) | (53,271) | — | (585,132) |
| Provided for the year | (165,825) | (82,777) | (12,425) | (33,824) | — | (294,851) |
| Eliminated on disposals | 4,294 | 11,747 | 5,382 | 5,662 | — | 27,085 |
| As at 31 December 2011 | (536,278) | (191,477) | (43,710) | (81,433) | — | (852,898) |
| CARRYING VALUES | | | | | | |
| As at 31 December 2011 | 1,845,029 | 283,684 | 38,861 | 145,381 | 398,165 | 2,711,120 |
| As at 31 December 2010 | 1,669,270 | 218,256 | 32,127 | 108,988 | 312,678 | 2,341,319 |

The carrying amounts of buildings are located on land use rights with the following leases terms:

| | THE GROUP | |
|--|---------------------|-----------|
| | At 31 December 2011 | 2010 |
| Held in the PRC | | |
| on long-term lease (over 50 years) | 25,926 | 22,537 |
| on medium-term lease (10-50 years) | 1,546,209 | 1,584,568 |
| on short-term lease (less than 10 years) | 272,894 | 62,165 |
| Total | 1,845,029 | 1,669,270 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

26. PROPERTY AND EQUIPMENT (Continued)

THE BANK

| | Buildings | Electronic equipment | Motor vehicles | Furniture and fixtures | Construction in progress | Total |
|---------------------------------|-----------|----------------------|----------------|------------------------|--------------------------|-----------|
| COST | | | | | | |
| As at 1 January 2010 | 1,962,822 | 205,240 | 57,791 | 94,522 | 207,972 | 2,528,347 |
| Additions | 81,594 | 105,253 | 15,201 | 70,218 | 422,486 | 694,752 |
| Transfers | 243,781 | 30,062 | 954 | 379 | (275,176) | — |
| Transfers to other assets | — | — | — | — | (43,995) | (43,995) |
| Disposals | (261,365) | (2,961) | (5,625) | (3,901) | — | (273,852) |
| As at 31 December 2010 | 2,026,832 | 337,594 | 68,321 | 161,218 | 311,287 | 2,905,252 |
| Additions | 69,292 | 139,815 | 19,003 | 67,932 | 421,188 | 717,230 |
| Transfers | 289,815 | 11,952 | 456 | 2,346 | (304,569) | — |
| Transfers to other assets | — | — | — | — | (29,741) | (29,741) |
| Disposals | (23,881) | (15,955) | (6,449) | (6,652) | — | (52,937) |
| As at 31 December 2011 | 2,362,058 | 473,406 | 81,331 | 224,844 | 398,165 | 3,539,804 |
| ACCUMULATED DEPRECIATION | | | | | | |
| As at 1 January 2010 | (300,581) | (56,800) | (23,682) | (30,080) | — | (411,143) |
| Provided for the year | (151,248) | (66,050) | (17,715) | (25,996) | — | (261,009) |
| Eliminated on disposals | 77,082 | 2,469 | 4,791 | 2,902 | — | 87,244 |
| As at 31 December 2010 | (374,747) | (120,381) | (36,606) | (53,174) | — | (584,908) |
| Provided for the year | (164,583) | (82,359) | (12,227) | (33,452) | — | (292,621) |
| Eliminated on disposals | 4,294 | 11,747 | 5,382 | 5,662 | — | 27,085 |
| As at 31 December 2011 | (535,036) | (190,993) | (43,451) | (80,964) | — | (850,444) |
| CARRYING VALUES | | | | | | |
| As at 31 December 2011 | 1,827,022 | 282,413 | 37,880 | 143,880 | 398,165 | 2,689,360 |
| As at 31 December 2010 | 1,652,085 | 217,213 | 31,715 | 108,044 | 311,287 | 2,320,344 |

The carrying amounts of buildings are located on land use rights with the following leases terms:

| | THE BANK | |
|--|---------------------|-----------|
| | At 31 December 2011 | 2010 |
| Held in the PRC | | |
| on long-term lease (over 50 years) | 25,926 | 22,537 |
| on medium-term lease (10-50 years) | 1,528,202 | 1,567,383 |
| on short-term lease (less than 10 years) | 272,894 | 62,165 |
| Total | 1,827,022 | 1,652,085 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

27. GOODWILL

| | THE GROUP AND THE BANK | |
|-------------------------|------------------------|---------|
| | At 31 December | |
| | 2011 | 2010 |
| Cost and carrying value | 440,129 | 440,129 |

Particulars regarding impairment testing on goodwill are disclosed in Note 28.

28. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purpose of impairment testing, goodwill set out in Note 27 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2011 and 31 December 2010 allocated to these units are as follows:

| | THE GROUP AND THE BANK | |
|------------------------------|------------------------|---------|
| | At 31 December | |
| | 2011 | 2010 |
| Corporate banking (Unit A) | 234,934 | 234,934 |
| Personal banking (Unit B) | 108,019 | 108,019 |
| Treasury operations (Unit C) | 97,176 | 97,176 |
| Total | 440,129 | 440,129 |

During the year ended 31 December 2011 and 31 December 2010, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 9% as at 31 December 2011 and 31 December 2010. The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

29. OTHER ASSETS

| | NOTES | THE GROUP | |
|---------------------|-------|------------------------|------------------|
| | | At 31 December 2011 | 2010 |
| Interest receivable | (1) | 2,255,380 | 1,562,539 |
| Land use rights | (2) | 452,733 | 464,513 |
| Foreclosed assets | (3) | 182,129 | 263,313 |
| Intangible assets | (4) | 39,982 | 41,108 |
| Subsidy receivable | (5) | — | 214,793 |
| Others | | 191,820 | 195,074 |
| Total | | 3,122,044 | 2,741,340 |

| | NOTES | THE BANK | |
|---------------------|-------|------------------------|------------------|
| | | At 31 December 2011 | 2010 |
| Interest receivable | (1) | 2,253,584 | 1,562,143 |
| Land use rights | (2) | 452,733 | 464,513 |
| Foreclosed assets | (3) | 182,129 | 263,313 |
| Intangible assets | (4) | 39,859 | 40,952 |
| Subsidy receivable | (5) | — | 214,793 |
| Others | | 188,479 | 193,268 |
| Total | | 3,116,784 | 2,738,982 |

Notes:

- (1) Interest receivable
Analysed by type

| | THE GROUP | |
|---|------------------------|------------------|
| | At 31 December 2011 | 2010 |
| Financial assets held under resale agreements | 882,005 | 335,823 |
| Held-to-maturity investments | 670,764 | 624,537 |
| Loans and advances to customers | 297,321 | 313,485 |
| Debt securities classified as receivables | 208,211 | 184,011 |
| Deposits with banks and other financial institutions | 91,052 | 54,729 |
| Placements with banks and other financial institutions | 52,589 | 2,444 |
| Available-for-sale financial assets | 30,222 | 26,325 |
| Balances with central bank | 23,216 | 16,502 |
| Financial assets designated as at fair value through profit or loss | — | 4,683 |
| Total | 2,255,380 | 1,562,539 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

29. OTHER ASSETS (Continued)

Notes: (Continued)

(1) Interest receivable (Continued)

Analysed by type (Continued)

| | THE BANK | |
|---|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Financial assets held under resale agreements | 882,005 | 335,823 |
| Held-to-maturity investments | 670,764 | 624,537 |
| Loans and advances to customers | 295,952 | 313,137 |
| Debt securities classified as receivables | 208,211 | 184,011 |
| Deposits with banks and other financial institutions | 90,625 | 54,690 |
| Placements with banks and other financial institutions | 52,589 | 2,444 |
| Available-for-sale financial assets | 30,222 | 26,325 |
| Balances with central bank | 23,216 | 16,493 |
| Financial assets designated as at fair value through profit or loss | — | 4,683 |
| Total | 2,253,584 | 1,562,143 |

As at 31 December 2011 and 31 December 2010, all interest receivable is due within 1 year.

(2) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

| | THE GROUP AND THE BANK | |
|--|------------------------|----------------|
| | At 31 December | |
| | 2011 | 2010 |
| Held in the PRC | | |
| on long-term lease (over 50 years) | 20,614 | 21,471 |
| on medium-term lease (10-50 years) | 424,841 | 434,122 |
| on short-term lease (less than 10 years) | 7,278 | 8,920 |
| Total | 452,733 | 464,513 |

(3) Foreclosed assets

Analysed by type

| | THE GROUP AND THE BANK | |
|---------------------------------|------------------------|----------------|
| | At 31 December | |
| | 2011 | 2010 |
| Land use rights and buildings | 204,748 | 288,230 |
| Others | 968 | 1,626 |
| Subtotal | 205,716 | 289,856 |
| Allowance for impairment losses | (23,587) | (26,543) |
| Total | 182,129 | 263,313 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

29. OTHER ASSETS (Continued)

Notes: (Continued)

(4) Intangible assets

Intangible assets include computer software, core deposits and customer relationship which are amortised over 5, 3 and 3 years respectively.

- (5) To recoup certain loan losses incurred by the 6 rural credit unions located at Three Gorges areas during Three Gorges migration, the PBOC granted in 2007 a special loan of RMB743 million to Chongqing Yufu Assets Management Company Limited (the "Chongqing Yufu") which is owned by Chongqing Municipal Government (one of the shareholder of the Bank after its incorporation on 27 June 2008). This special loan bears interest at 2.25% per annum with a maturity of 13 years. Pursuant to (i) a trust agreement entered between the 6 rural credit unions and Chongqing International Trust Co., Ltd. (the "CITCO"), an asset management company and (ii) two sets of asset management agreements entered into by the 6 rural credit unions, Chongqing Yufu and CITCO, Chongqing Yufu was required to pay an amount to the 6 rural credit unions which equals to the difference between the benchmark interest rate as quoted by the PBOC for commercial loans with terms over 5 years and the 2.25% (after adjusting for commission fee to CITCO as stipulated in the trust agreement) of this special loan. In June 2007, the 6 rural credit unions recognised it as subsidy income and subsidy receivable of RMB312 million. The receivable was fully collected by the Bank in March 2011.

30. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

| | THE GROUP | |
|---|-------------------|-------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Deposits from domestic banks | 22,307,695 | 11,134,353 |
| Deposits from other domestic financial institutions | 2,799,410 | 577,413 |
| Total | 25,107,105 | 11,711,766 |

| | THE BANK | |
|---|-------------------|-------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Deposits from domestic banks | 22,324,630 | 11,101,445 |
| Deposits from other domestic financial institutions | 2,799,410 | 577,413 |
| Total | 25,124,040 | 11,678,858 |

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rate.

31. PLACEMENTS FROM BANKS

| | THE GROUP AND THE BANK | |
|--------------------------------|------------------------|----------|
| | At 31 December | |
| | 2011 | 2010 |
| Placements from domestic banks | 2,149,818 | — |
| Total | 2,149,818 | — |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

32. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | THE GROUP AND THE BANK | |
|--|------------------------|---------|
| | At 31 December | |
| | 2011 | 2010 |
| Principal guaranteed wealth management products (Note) | 365,625 | 444,806 |
| Total | 365,625 | 444,806 |

Note: The Group designates the amounts received through the principal protected guaranteed return wealth management products sold to their customers as financial liabilities at FVTPL. As at 31 December 2011, the fair value of these products issued by the Group approximates the contractual amount payable upon maturity to the holders of these products.

There were no significant changes in the Group's or Bank's credit risk and therefore there were no significant gain or losses attributed to changes in credit risk for those financial liabilities designated at fair value through profit or loss during the years ended 31 December 2011 and 2010.

33. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | THE GROUP | |
|------------------------------|----------------|------------|
| | At 31 December | |
| | 2011 | 2010 |
| Analysed by collateral type: | | |
| Bonds | 22,968,997 | 25,477,580 |
| Bills | 9,790,724 | 10,285,107 |
| Total (note 48) | 32,759,721 | 35,762,687 |

| | THE BANK | |
|------------------------------|----------------|------------|
| | At 31 December | |
| | 2011 | 2010 |
| Analysed by collateral type: | | |
| Bonds | 22,968,997 | 25,477,580 |
| Bills | 9,697,593 | 10,285,107 |
| Total (note 48) | 32,666,590 | 35,762,687 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

34. DUE TO CUSTOMERS

| | NOTE | THE GROUP | |
|--|------|--------------------|--------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Demand deposits | | | |
| Corporate customers | | 49,798,636 | 45,290,684 |
| Individual customers | | 49,949,474 | 43,946,001 |
| Time deposits | | | |
| Corporate customers | | 13,953,210 | 10,228,871 |
| Individual customers | | 129,263,711 | 101,200,496 |
| Pledged deposits | (1) | 3,132,788 | 4,846,676 |
| Others (including outward remittance and remittance outstanding) | | 43,555 | 50,294 |
| Total | | 246,141,374 | 205,563,022 |

| | NOTE | THE BANK | |
|--|------|--------------------|--------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Demand deposits | | | |
| Corporate customers | | 49,664,028 | 45,205,780 |
| Individual customers | | 49,903,194 | 43,930,813 |
| Time deposits | | | |
| Corporate customers | | 13,872,736 | 10,102,414 |
| Individual customers | | 129,227,375 | 101,172,753 |
| Pledged deposits | (1) | 3,022,448 | 4,842,138 |
| Others (including outward remittance and remittance outstanding) | | 43,055 | 50,294 |
| Total | | 245,732,836 | 205,304,192 |

Note:

- (1) Analysed by products for which deposit is required:

| | THE GROUP | |
|-----------------------|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Acceptances | 1,894,765 | 3,614,373 |
| Loans and receivables | 1,132,739 | 237,373 |
| Letters of guarantee | 5,885 | 880,498 |
| Letters of credit | 53,272 | 70,026 |
| Others | 46,127 | 44,406 |
| Total | 3,132,788 | 4,846,676 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

34. DUE TO CUSTOMERS (Continued)

Note: (Continued)

(1) Analysed by products for which deposit is required: (Continued)

| | THE BANK | |
|-----------------------|----------------|-----------|
| | At 31 December | |
| | 2011 | 2010 |
| Acceptances | 1,858,573 | 3,614,373 |
| Loans and receivables | 1,058,591 | 232,835 |
| Letter of guarantee | 5,885 | 880,498 |
| Letters of credit | 53,272 | 70,026 |
| Others | 46,127 | 44,406 |
| Total | 3,022,448 | 4,842,138 |

35. ACCRUED STAFF COSTS

| | NOTES | THE GROUP | |
|---|-------|----------------|-----------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Salaries, bonuses and allowances | | 916,907 | 827,464 |
| Social insurance | | — | 1,671 |
| Housing funds | | — | 86 |
| Supplementary retirement benefits | (1) | 864,560 | 796,260 |
| Early retirement benefits | (2) | 545,000 | 433,270 |
| Labor union fees and staff education expenses | | 71,583 | 107,414 |
| Total | | 2,398,050 | 2,166,165 |

| | NOTES | THE BANK | |
|---|-------|----------------|-----------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Salaries, bonuses and allowances | | 911,957 | 826,958 |
| Social insurance | | — | 1,673 |
| Housing funds | | — | 86 |
| Supplementary retirement benefits | (1) | 864,560 | 796,260 |
| Early retirement benefits | (2) | 545,000 | 433,270 |
| Labor union fees and staff education expenses | | 71,309 | 107,357 |
| Total | | 2,392,826 | 2,165,604 |

The Group's obligation in respect of the supplementary retirement benefits and early retirement benefits at the end of the reporting period was calculated using the projected unit credit method by Towers Watson, an external independent actuary.

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35. ACCRUED STAFF COSTS (Continued)

Notes:

- (1) Supplementary retirement benefits

Supplementary retirement benefits include supplementary pension and medical benefits.

The movements of supplementary retirement benefits recognised are as follows:

| | THE GROUP AND THE BANK |
|--|---------------------------|
| As at 1 January 2010 | 731,780 |
| Amounts recognised in the consolidated income statement | |
| — Interest cost | 26,140 |
| — Present value of benefit obligation for participants entering the plan during the year | 40,370 |
| — Past service cost | 53,560 |
| Benefits paid | (55,590) |
| As at 31 December 2010 | <u>796,260</u> |
| Amounts recognised in the consolidated income statement | |
| — Interest cost | 29,050 |
| — Present value of benefit obligation for participants entering the plan during the year | 42,990 |
| — Past service cost | 55,120 |
| Benefits paid | (58,860) |
| As at 31 December 2011 | <u>864,560</u> |

The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | THE GROUP AND THE BANK | |
|--|---|-------|
| | At 31 December 2011 | 2010 |
| Discount rate | 3.50% | 4.00% |
| Annual average medical expenses inflation rate | 7.00% | 7.00% |
| Expected increase rate of cost of living for beneficiary | 4.50% | 4.50% |
| Mortality rate | China Insurance Industry Experience Mortality Table 2000-2003 | |

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(Amounts in thousands of Renminbi, unless otherwise stated)

35. ACCRUED STAFF COSTS (Continued)

Notes: (Continued)

(2) Early retirement benefits

The movements of the early retirement benefits recognised are as follows:

| | THE GROUP AND THE BANK |
|--|---------------------------|
| As at 1 January 2010 | 328,540 |
| Amounts recognised in the consolidated income statement | |
| — Interest cost | 8,870 |
| — Present value of benefit obligation for participants entering the plan during the year | 132,930 |
| — Past service cost | 43,510 |
| Benefits paid | (80,580) |
| As at 31 December 2010 | <u>433,270</u> |
| Amounts recognised in the consolidated income statement | |
| — Interest cost | 13,880 |
| — Present value of benefit obligation for participants entering the plan during the year | 150,430 |
| — Past service cost | 61,570 |
| Benefits paid | (114,150) |
| As at 31 December 2011 | <u>545,000</u> |

The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | THE GROUP AND THE BANK | |
|--|------------------------|-------|
| | At 31 December | |
| | 2011 | 2010 |
| Discount rate | 3.00% | 3.50% |
| Annual average medical expenses inflation rate | 7.00% | 7.00% |
| Annual subsidies inflation rate | 1.00% | 1.00% |
| Normal retirement age | | |
| — Male | 60 | 60 |
| — Female | 50 | 50 |

36. DEBT SECURITIES ISSUED

| | THE GROUP AND THE BANK | |
|---------------------------|------------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Subordinated bonds issued | <u>2,300,000</u> | <u>2,300,000</u> |

As approved by the PBOC and CBRC, the Group issued callable subordinated fixed rate bonds of RMB2,300 million on 29 December 2009.

The subordinated fixed rate bonds issued in December 2009 have a maturity of 10 years, with a fixed coupon rate of 5.5%, payable annually. The Group has an option to redeem all of the bonds at par value on 30 December 2014. If the Group does not exercise this option, the coupon rate of the bonds will increase by 3% to 8.5% per annum from 30 December 2014 for the next five years.

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37. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset.

The following are the major deferred tax assets and liabilities recognised and movements thereon:

THE GROUP AND THE BANK

| | Allowance for impairment losses | Early retirement benefits | Accrued salaries, bonuses and allowances | Provision | Fair value changes of financial instruments | Interest income/ expense | Fair value changes of net assets including debt securities investment, property and equipment and other assets relating to acquisition of Business | Total |
|--|---------------------------------------|---------------------------------|--|--------------|--|--------------------------------|--|------------------|
| As at 1 January 2010 | 943,899 | 82,135 | 167,857 | 2,939 | (21,908) | (31,569) | 120,570 | 1,263,923 |
| Credit (charge) to profit or loss | (41,693) | 26,183 | 38,883 | (1,481) | 5,161 | (12,863) | 13,068 | 27,258 |
| Credit to other comprehensive income | — | — | — | — | 16,423 | — | — | 16,423 |
| As at 31 December 2010 | <u>902,206</u> | <u>108,318</u> | <u>206,740</u> | <u>1,458</u> | <u>(324)</u> | <u>(44,432)</u> | <u>133,638</u> | <u>1,307,604</u> |
| Credit (charge) to profit or loss | 113,928 | 27,932 | 21,249 | 1,730 | (5,250) | 59,648 | (20,947) | 198,290 |
| Credit to other comprehensive income | — | — | — | — | 11,778 | — | — | 11,778 |
| As at 31 December 2011 | <u>1,016,134</u> | <u>136,250</u> | <u>227,989</u> | <u>3,188</u> | <u>6,204</u> | <u>15,216</u> | <u>112,691</u> | <u>1,517,672</u> |

Notes to the Consolidated Financial Statements

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38. OTHER LIABILITIES

| | NOTES | THE GROUP | |
|---------------------------------|-------|------------------|------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Interest payable | (1) | 2,443,659 | 2,417,937 |
| Other payables | (2) | 1,837,354 | 1,671,202 |
| Business and other tax payables | | 227,859 | 153,006 |
| Deferred income | (3) | 109,388 | 45,103 |
| Dividends payable | | 21,039 | 430,361 |
| Provision | | 12,754 | 5,833 |
| Total | | 4,652,053 | 4,723,442 |

| | NOTES | THE BANK | |
|---------------------------------|-------|------------------|------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Interest payable | (1) | 2,440,919 | 2,417,741 |
| Other payables | (2) | 1,836,085 | 1,669,778 |
| Business and other tax payables | | 227,347 | 152,909 |
| Deferred income | (3) | 107,661 | 45,103 |
| Dividends payable | | 21,039 | 430,361 |
| Provision | | 12,754 | 5,833 |
| Total | | 4,645,805 | 4,721,725 |

Notes:

(1) Interest payable

| | THE GROUP | |
|--|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Due to customers | 1,617,363 | 2,143,741 |
| Financial assets sold under repurchase agreements | 508,052 | 238,507 |
| Deposits from banks and other financial institutions | 268,722 | 35,689 |
| Placements from banks | 49,492 | — |
| Borrowings from central bank | 30 | — |
| Total | 2,443,659 | 2,417,937 |

Notes to the Consolidated Financial Statements

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38. OTHER LIABILITIES (Continued)

Notes: (Continued)

(1) Interest payable (Continued)

| | THE BANK | |
|--|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Due to customers | 1,615,124 | 2,143,666 |
| Financial assets sold under repurchase agreements | 508,052 | 238,507 |
| Deposits from banks and other financial institutions | 268,251 | 35,568 |
| Placements from banks | 49,492 | — |
| Total | 2,440,919 | 2,417,741 |

(2) Other payables

| | THE GROUP | |
|--|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Payables from providing agency services | 218,102 | 284,693 |
| Payables to National Council for Social Security Fund (“NCSSF”) of the PRC | 1,033,743 | 828,676 |
| Dormant accounts | 60,385 | 35,548 |
| Items in process of clearing and settlement | 58,608 | 83,566 |
| Others | 466,516 | 438,719 |
| Total | 1,837,354 | 1,671,202 |

| | THE BANK | |
|---|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Payables from providing agency services | 218,102 | 284,693 |
| Payables to NCSSF of the PRC | 1,033,743 | 828,676 |
| Dormant accounts | 60,385 | 35,548 |
| Items in process of clearing and settlement | 58,608 | 83,566 |
| Others | 465,247 | 437,295 |
| Total | 1,836,085 | 1,669,778 |

(3) Deferred income

Deferred income mainly represented consultancy and advisory fees, and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

| | THE GROUP | |
|-------------------------------|----------------|---------------|
| | At 31 December | |
| | 2011 | 2010 |
| Consultancy and advisory fees | 68,056 | 24,377 |
| Government grants | 38,250 | 19,625 |
| Other deferred income | 3,082 | 1,101 |
| Total | 109,388 | 45,103 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

38. OTHER LIABILITIES (Continued)

Notes: (Continued)

(3) Deferred income (Continued)

| | THE BANK | |
|-------------------------------|------------------------|--------|
| | At 31 December 2011 | 2010 |
| Consultancy and advisory fees | 68,056 | 24,377 |
| Government grants | 38,250 | 19,625 |
| Other deferred income | 1,355 | 1,101 |
| Total | 107,661 | 45,103 |

39. SHARE CAPITAL

| | NOTES | Number of shares (in thousands) | Amount |
|------------------------|-------|---------------------------------------|-----------|
| As at 1 January 2010 | | 6,000,000 | 6,000,000 |
| Shares issued | | | |
| — Private placement | (1) | 1,000,000 | 1,000,000 |
| — H shares offering | (2) | 2,000,000 | 2,000,000 |
| As at 31 December 2010 | | 9,000,000 | 9,000,000 |
| Shares issued | | | |
| — H shares offering | (3) | 300,000 | 300,000 |
| As at 31 December 2011 | | 9,300,000 | 9,300,000 |

Note:

- (1) On 30 March 2010, the Bank issued 1,000,000,000 new shares with a par value of RMB1 at a subscription price of RMB1.91 per share to three state-owned enterprises under a private placement.
- (2) In accordance with the CSRC's Approval of Overseas Public Offering for Chongqing Rural Commercial Bank Co., Ltd (Zheng Jian Xu Ke [2010] No.1634), the Bank issued 2,000,000,000 H shares with par value of RMB1 per share at offer price of HKD5.25 per share.
- (3) On 5th January 2011, the Bank issued additional 300,000,000 H shares with par value of RMB1 per share at offer price of HKD5.25 per share under the over-allotment options granted during the initial public offering were fully exercised.

40. CAPITAL RESERVE

The Bank issued shares at share premium. Share premium was recorded in the capital reserve after deducting direct issue costs which mainly included underwriting fees and professional fees.

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(Amounts in thousands of Renminbi, unless otherwise stated)

41. INVESTMENT REVALUATION RESERVE

THE GROUP AND THE BANK

| | Gross amount | Tax effect | Net effect |
|--|-----------------|----------------|-----------------|
| As at 1 January 2010 | 87,631 | (21,908) | 65,723 |
| Gain on fair value changes of available-for-sale financial assets | 40,740 | (10,185) | 30,555 |
| Reclassification adjustment to profit or loss upon disposal of available-for-sale financial assets | (106,432) | 26,608 | (79,824) |
| As at 31 December 2010 | <u>21,939</u> | <u>(5,485)</u> | <u>16,454</u> |
| Losses on fair value changes of available-for-sale financial assets | (47,111) | 11,778 | (35,333) |
| As at 31 December 2011 | <u>(25,172)</u> | <u>6,293</u> | <u>(18,879)</u> |

42. SURPLUS RESERVE

Under relevant PRC Laws, the Group is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

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

For the year ended 31 December 2011 and 31 December 2010, the Bank appropriated approximately RMB426 million and RMB312 million to the statutory surplus reserve respectively. Pursuant to the approved 2010 profit appropriation resolution by the general meeting on 19 May 2011, the Bank appropriated approximately RMB2,649 million to discretionary surplus reserve (2010: Nil).

43. GENERAL RESERVE

Pursuant to the Measures on General Provision for Bad and Doubtful Debts for Financial Institutions (Cai Jin [2005] No. 49) and Application Guidance of Financing Measures for Financial Institutions (Cai Jin [2007] No. 23) issued by the MOF in addition to the specific and collective allowances for impairment losses, the Bank is required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1% of the aggregate amount of risk assets as defined by the above measures.

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate certain amounts of their net profit as general reserve.

During the year ended 31 December 2011, the Group transferred approximately RMB16 million to general reserve pursuant to regulatory requirement in the PRC (2010: approximately RMB1,412 million).

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

44. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

| | THE BANK | |
|--------------------------------------|------------------|------------------|
| | 2011 | 2010 |
| As at 1 January | 2,649,385 | 2,069,749 |
| Profit for the year | 4,244,859 | 3,067,253 |
| Appropriation to surplus reserve | (3,075,471) | (311,595) |
| Appropriation to general reserve | (15,610) | (1,412,422) |
| Dividends recognised as distribution | — | (763,600) |
| As at 31 December | <u>3,803,163</u> | <u>2,649,385</u> |

45. CASH AND CASH EQUIVALENTS

For the purpose of statements of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

| | THE GROUP | |
|--|-------------------|-------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Cash | 2,660,974 | 2,269,413 |
| Balances with central bank | 1,537,730 | 1,790,907 |
| Deposits with banks and other financial institutions | 6,954,829 | 14,488,330 |
| Placements with banks and other financial institutions | 247,012 | — |
| Financial assets held under resale agreements | <u>6,820,090</u> | <u>12,201,804</u> |
| Total | <u>18,220,635</u> | <u>30,750,454</u> |

46. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Bank and the Group that are regularly reviewed by the Board of the directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates in Chongqing, PRC. All of its customers and non-current assets are located in the Chongqing, PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

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46. SEGMENT ANALYSIS (Continued)

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policy and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

The Group has no major customers which contribute 10 per cent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market or repurchase transactions, and debt instruments investment for its own accounts or on behalf of customers.

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(Amounts in thousands of Renminbi, unless otherwise stated)

46. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

THE GROUP

| | Corporate banking | Personal banking | Treasury operations | Segment total | Unallocated | Total |
|--|----------------------|---------------------|------------------------|------------------|-------------|------------------|
| Year ended 31 December 2011 | | | | | | |
| External interest income | 5,745,622 | 3,533,757 | 8,259,823 | 17,539,202 | — | 17,539,202 |
| External interest expense | (558,514) | (3,385,552) | (3,090,117) | (7,034,183) | — | (7,034,183) |
| Inter-segment interest (expense) income | (1,011,823) | 3,058,075 | (2,046,252) | — | — | — |
| Net interest income | 4,175,285 | 3,206,280 | 3,123,454 | 10,505,019 | — | 10,505,019 |
| Fee and commission income | 313,088 | 194,446 | 163,540 | 671,074 | — | 671,074 |
| Fee and commission expense | (8,745) | (11,889) | (15,033) | (35,667) | — | (35,667) |
| Net fee and commission income | 304,343 | 182,557 | 148,507 | 635,407 | — | 635,407 |
| Net trading gain | — | — | 23,377 | 23,377 | — | 23,377 |
| Other operating (losses) income, net | — | — | (157,366) | (157,366) | 111,939 | (45,427) |
| Operating income | 4,479,628 | 3,388,837 | 3,137,972 | 11,006,437 | 111,939 | 11,118,376 |
| Operating expense | (2,349,423) | (1,811,590) | (589,073) | (4,750,086) | (24,350) | (4,774,436) |
| Impairment on assets | (341,645) | (213,186) | (293,216) | (848,047) | — | (848,047) |
| Net gain on disposal of debt securities classified as receivables | — | — | 999 | 999 | — | 999 |
| Profit before tax | 1,788,560 | 1,364,061 | 2,256,682 | 5,409,303 | 87,589 | 5,496,892 |
| Income tax expense | — | — | — | — | — | (1,248,894) |
| Profit for the year | — | — | — | — | — | <u>4,247,998</u> |
| At 31 December 2011 | | | | | | |
| Segment assets | 90,235,576 | 48,918,501 | 200,486,156 | 339,640,233 | 5,179,788 | 344,820,021 |
| Segment liabilities | 69,253,005 | 182,788,995 | 63,731,318 | 315,773,318 | 1,035,812 | 316,809,130 |
| Supplementary information | | | | | | |
| Credit commitment | 3,165,112 | 935,100 | — | 4,100,212 | — | 4,100,212 |
| Depreciation and amortisation included in operating expenses | 167,779 | 134,152 | 21,093 | 323,024 | 24,350 | 347,374 |
| Capital expenditure | 394,044 | 315,068 | 49,540 | 758,652 | — | 758,652 |

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46. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

THE GROUP (Continued)

| | Corporate banking | Personal banking | Treasury operations | Segment total | Unallocated | Total |
|---|----------------------|---------------------|------------------------|------------------|-------------|-------------|
| Year ended 31 December 2010 | | | | | | |
| External interest income | 4,245,237 | 2,614,216 | 4,613,925 | 11,473,378 | — | 11,473,378 |
| External interest expense | (341,687) | (2,265,980) | (1,363,943) | (3,971,610) | — | (3,971,610) |
| Inter-segment interest (expense) income | (689,347) | 2,241,922 | (1,552,575) | — | — | — |
| Net interest income | 3,214,203 | 2,590,158 | 1,697,407 | 7,501,768 | — | 7,501,768 |
| Fee and commission income | 75,808 | 102,934 | 130,167 | 308,909 | — | 308,909 |
| Fee and commission expense | (5,670) | (7,711) | (9,752) | (23,133) | — | (23,133) |
| Net fee and commission income | 70,138 | 95,223 | 120,415 | 285,776 | — | 285,776 |
| Net trading losses | — | — | (46,181) | (46,181) | — | (46,181) |
| Other operating (losses) income, net | — | — | (58,694) | (58,694) | 61,920 | 3,226 |
| Operating income | 3,284,341 | 2,685,381 | 1,712,947 | 7,682,669 | 61,920 | 7,744,589 |
| Operating expense | (1,957,696) | (1,502,992) | (400,676) | (3,861,364) | (48,700) | (3,910,064) |
| Reversals of impairment (impairment) on assets | 318,117 | (272,909) | — | 45,208 | — | 45,208 |
| Net gain on disposal of available-for-sale financial assets | — | — | 105,387 | 105,387 | 1,045 | 106,432 |
| Profit before income tax | 1,644,762 | 909,480 | 1,417,658 | 3,971,900 | 14,265 | 3,986,165 |
| Income tax expense | — | — | — | — | — | (924,945) |
| Profit for the year | — | — | — | — | — | 3,061,220 |
| At 31 December 2010 | | | | | | |
| Segment assets | 74,940,916 | 41,263,458 | 164,728,469 | 280,932,843 | 4,612,825 | 285,545,668 |
| Segment liabilities | 62,520,387 | 149,058,626 | 50,615,986 | 262,194,999 | 920,280 | 263,115,279 |
| Supplementary information | | | | | | |
| Credit commitments | 5,229,578 | — | — | 5,229,578 | — | 5,229,578 |
| Depreciation and amortisation included in operating expenses | 148,490 | 116,529 | 17,405 | 282,424 | 48,700 | 331,124 |
| Capital expenditure | 388,746 | 305,071 | 45,566 | 739,383 | — | 739,383 |

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46. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

THE GROUP (Continued)

Unallocated assets mainly include property and equipment of the Group's head office, equity investments, goodwill and deferred tax assets. Unallocated liabilities mainly include tax liabilities and dividends payable.

47. RELATED PARTY TRANSACTIONS

Related parties of the Group and the Bank

The directors of the Bank consider that the following shareholders are related parties of the Group:

| Name of shareholders | Percentage of shares hold | |
|-------------------------------------|---------------------------|------|
| | At 31 December | |
| | 2011 | 2010 |
| | % | % |
| Chongqing Yufu | 6.77 | 7.09 |
| Chongqing City Investment Co., Ltd. | 6.68 | 6.78 |
| Loncin Holding Co., Ltd. | 6.13 | 6.33 |

There are several entities significantly influenced by member of key management personnel of the Group which are considered as related parties of the Group ("other related parties").

Related party transactions

During the year, the Bank and the Group entered into the following material transactions with related parties:

THE GROUP AND THE BANK

| | Interest Income | | Interest expense | |
|--------------------------|------------------------|------------|------------------------|--------|
| | Year ended 31 December | | Year ended 31 December | |
| | 2011 | 2010 | 2011 | 2010 |
| | | (Restated) | (Restated) | |
| Shareholders of the Bank | 113,788 | 88,715 | 13,624 | 12,944 |
| Other related parties | 70,071 | 17,280 | 2,880 | 385 |

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47. RELATED PARTY TRANSACTIONS (Continued)

Related party transactions (Continued)

THE GROUP AND THE BANK (Continued)

| | Operating income | | Operating expense | |
|--------------------------|-----------------------------|--------|-----------------------------|------|
| | Year ended 31 December 2011 | 2010 | Year ended 31 December 2011 | 2010 |
| Shareholders of the Bank | — | 18,458 | 8,600 | — |

At the end of each reporting period, Group had the following material outstanding balances with related parties:

| | Loans and advances to related parties | | Customer deposits from related parties | |
|--------------------------|---------------------------------------|-----------------|--|-----------------|
| | At 31 December 2011 | 2010 (Restated) | At 31 December 2011 | 2010 (Restated) |
| Shareholders of the Bank | 2,130,450 | 1,932,908 | 242,841 | 370,815 |
| Other related parties | 1,590,900 | 300,000 | 745,590 | 136,142 |

| | Interest receivable from related parties | | Interest payable to related parties | |
|--------------------------|--|-----------------|-------------------------------------|-----------------|
| | At 31 December 2011 | 2010 (Restated) | At 31 December 2011 | 2010 (Restated) |
| Shareholders of the Bank | 4,126 | 3,274 | 37 | 72 |
| Other related parties | 3,114 | 370 | 110 | 15 |

| | Subsidy receivable from related parties | | Debt securities issued to related parties | |
|-------------------------|---|---------|---|---------|
| | At 31 December 2011 | 2010 | At 31 December 2011 | 2010 |
| Shareholder of the Bank | — | 214,793 | 200,000 | 200,000 |

As at 31 December 2011, the debt instruments issued by financial institutions of RMB1,000 million (31 December 2010: RMB1,000 million) included in debt securities classified as receivables were used to finance the investments of those financial institutions in which a shareholder of the Bank has an option to acquire such investments from those financial institutions at a pre-determined price in future.

As at 31 December 2011, the debt instruments issued by financial institutions of RMB1,000 million (31 December 2010: RMB1,000 million) included in debt securities classified as receivables were used to lend trust loan to a shareholder of the Bank.

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47. RELATED PARTY TRANSACTIONS (Continued)

Transactions between the Bank and subsidiaries

The Bank enters into various transactions with its subsidiaries. Transactions are made at arm's length and in its ordinary course of business. In the opinion of the directors, no material impact to profit or loss arose from the transactions between the Bank and its subsidiaries and accordingly such transactions are not included herein.

Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year were as follows:

| | THE GROUP | |
|---------------------------------|------------------------|-------|
| | Year ended 31 December | |
| | 2011 | 2010 |
| Basic salaries and allowances | 1,128 | 1,054 |
| Bonuses | 8,912 | 7,488 |
| Contribution to pension schemes | 1,121 | 513 |
| Fees | 653 | 586 |
| Total | 11,814 | 9,641 |

48. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2011, provisions of RMB12.75 million (31 December 2010: RMB5.8 million) were made based on court judgments or the advice of counsel. The directors of the Bank believe, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or the external legal professionals is disclosed in Note 38 "Other liabilities-Provision".

Capital commitments

| | THE GROUP AND THE BANK | |
|-----------------------------------|------------------------|---------|
| | At 31 December | |
| | 2011 | 2010 |
| Contracted but not provided for | 146,778 | 170,837 |
| Authorised but not contracted for | 502,445 | 265,816 |
| Total | 649,223 | 436,653 |

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48. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit commitments

| | THE GROUP | |
|---------------------------|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Acceptances | 3,000,442 | 4,844,128 |
| Undrawn credit card limit | 935,100 | — |
| Letters of credit issued | 154,961 | 337,458 |
| Letters of guarantee | 9,709 | 47,992 |
| Total | 4,100,212 | 5,229,578 |

| | THE BANK | |
|---------------------------|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Acceptances | 2,929,481 | 4,844,128 |
| Undrawn credit card limit | 935,100 | — |
| Letters of credit issued | 154,961 | 337,458 |
| Letters of guarantee | 9,709 | 47,992 |
| Total | 4,029,251 | 5,229,578 |

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The Directors are of the opinion that such commitments are conditional and revocable.

Operating lease commitment

At the end of each reporting period, the Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

| | THE GROUP | |
|---------------|----------------|----------------|
| | At 31 December | |
| | 2011 | 2010 |
| Within 1 year | 27,043 | 21,217 |
| 1 to 2 years | 22,455 | 17,613 |
| 2 to 3 years | 20,198 | 15,657 |
| Above 3 years | 57,883 | 79,367 |
| Total | 127,579 | 133,854 |

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48. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Operating lease commitment (Continued)

| | THE BANK | |
|---------------|----------------|----------------|
| | At 31 December | |
| | 2011 | 2010 |
| Within 1 year | 26,028 | 20,467 |
| 1 to 2 years | 21,300 | 16,863 |
| 2 to 3 years | 18,945 | 14,777 |
| Above 3 years | 56,528 | 77,334 |
| Total | <u>122,801</u> | <u>129,441</u> |

The leases are negotiated for a lease term of 1 to 18 years.

Credit risk weighted amounts for credit commitments

| | THE GROUP | |
|--------------------|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Credit commitments | <u>1,739,081</u> | <u>1,404,966</u> |

| | THE BANK | |
|--------------------|------------------|------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Credit commitments | <u>1,668,619</u> | <u>1,404,966</u> |

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

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48. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets pledged

The carrying amount of assets pledged as collateral under repurchase agreement by the Group and the bank is as follows:

| | THE GROUP | |
|--------------|-------------------|-------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Bonds | 24,113,354 | 25,508,816 |
| Bills | 9,790,724 | 10,285,107 |
| Total | 33,904,078 | 35,793,923 |

| | THE BANK | |
|--------------|-------------------|-------------------|
| | At 31 December | |
| | 2011 | 2010 |
| Bonds | 24,113,354 | 25,508,816 |
| Bills | 9,697,593 | 10,285,107 |
| Total | 33,810,947 | 35,793,923 |

As at 31 December 2011 and 31 December 2010, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB32,760 million and RMB35,763 million, respectively (Note 33).

As at 31 December 2011 and 31 December 2010, the carrying amount of financial assets sold under repurchase agreements by the Bank was RMB32,667 million and RMB35,763 million, respectively (Note 33).

All repurchase agreements are due within twelve months from inception.

Collateral accepted

Bills and other documents received as collateral can be resold or re-pledged in connection with bills and other documents purchased under resale agreements. The fair value of collateral accepted by the Group and the Bank is RMB37,157 million as at 31 December 2011 (31 December 2010: RMB36,658 million). No collateral was sold or re-pledged by the Group and the bank as at 31 December 2011 and 2010.

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49. FINANCIAL RISK MANAGEMENT

Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management framework

The Group has a Risk Management Committee under the Board of Directors. Risk Management Committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the Risk Management Committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available. In addition, the Group also provides financial guarantee service to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

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49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Impairment assessment

Key factors on impairment assessment

The Group generally measures and manages the quality of credit risk-bearing assets based on the Guideline for Loan Credit Risk Classification issued by the CBRC, which requires the Group to classify loans into the following five category loan classification: normal, special mention, substandard, doubtful and loss. Loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. The main factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which relates to borrowers' repayment ability, credit record, repayment intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowances for impairment losses are assessed collectively or individually as appropriate.

The Group assesses the impairment for loans and advances to customers at the end of reporting period in accordance with the accounting policies set out in Note 3. In addition, analysis based on the contractual amounts of the loans and advances to customers at the end of reporting period are provided internally to management for the purpose of assessing financial risks. Hence, certain quantitative disclosure in financial risk management has been prepared based on the original contractual amounts of those instruments particularly, loans and advances to customers.

The five category loan classification in which the Group classifies its loans and advances to customers is set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: Only a small portion or none of principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The accounting policies regarding the Group's estimation of impairment losses on financial assets are set out in Note 3 "Impairment of financial assets".

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 48 “Contingent liabilities and commitments”.

A summary of the maximum exposure to credit risk is as follows:

| | THE GROUP | |
|--|------------------------|-------------|
| | At 31 December 2011 | 2010 |
| Financial assets | | |
| Balances with central bank | 48,001,794 | 35,052,220 |
| Deposits with banks and other financial institutions | 11,444,958 | 17,220,237 |
| Placements with banks and other financial institutions | 11,460,716 | 2,000,000 |
| Financial assets held for trading | 400,880 | 482,159 |
| Financial assets designated as at fair value through profit or loss | 13,033,648 | 8,046,043 |
| Financial assets held under resale agreements | 42,296,805 | 37,158,018 |
| Loans and advances to customers | 138,821,830 | 117,114,024 |
| Available-for-sale financial assets | 1,564,050 | 1,381,512 |
| Held-to-maturity investments | 40,236,422 | 36,708,860 |
| Debt securities classified as receivables | 27,053,280 | 21,219,865 |
| Other financial assets | 2,414,596 | 1,955,013 |
| Subtotal | 336,728,979 | 278,337,951 |
| Off-balance sheet items | | |
| Acceptances | 3,000,442 | 4,844,128 |
| Undrawn credit card limit | 935,100 | — |
| Letters of credit issued | 154,961 | 337,458 |
| Letters of guarantee | 9,709 | 47,992 |
| Subtotal | 4,100,212 | 5,229,578 |
| Total | 340,829,191 | 283,567,529 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

| | THE BANK | |
|--|------------------------|-------------|
| | At 31 December 2011 | 2010 |
| Financial assets | | |
| Balances with central bank | 47,927,889 | 35,032,639 |
| Deposits with banks and other financial institutions | 11,319,519 | 16,978,635 |
| Placements with banks and other financial institutions | 11,460,716 | 2,000,000 |
| Financial assets held for trading | 400,880 | 482,159 |
| Financial assets designated as at fair value through profit or loss | 13,018,648 | 8,046,043 |
| Financial assets held under resale agreements | 42,296,805 | 37,158,018 |
| Loans and advances to customers | 138,222,341 | 116,932,354 |
| Available-for-sale financial assets | 1,564,050 | 1,381,512 |
| Held-to-maturity investments | 40,236,422 | 36,708,860 |
| Debt securities classified as receivables | 27,053,280 | 21,219,865 |
| Other financial assets | 2,412,242 | 1,954,562 |
| Subtotal | 335,912,792 | 277,894,647 |
| Off-balance sheet items | | |
| Acceptances | 2,929,481 | 4,844,128 |
| Undrawn credit card limit | 935,100 | — |
| Letters of credit issued | 154,961 | 337,458 |
| Letters of guarantee | 9,709 | 47,992 |
| Subtotal | 4,029,251 | 5,229,578 |
| Total | 339,942,043 | 283,124,225 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level, the most typical of these is by obtaining collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

- Mortgage loans to personal customers are generally collateralised by mortgages over residential properties;
- Other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- Reverse repurchase transactions are mainly collateralised by bonds, bills, or loans and advances to customers.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

Loans and advances to customers

Under the IFRS, the restructuring of the Bank was accounted for as an acquisition of the Business from the 39 Rural Credit Unions and CRCCU by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCCU and the Bank before and after the restructuring. The following disclosures (note(1) to (5)) in relation to loans and advances to customers have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (1) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows:

THE GROUP

| | At 31 December | | | |
|---|----------------|------------|-------------|------------|
| | 2011 | | 2010 | |
| | Amount | % of total | Amount | % of total |
| Corporate loans and advances | | | | |
| Production and supply of electricity, gas and water | 5,915,762 | 6.37 | 4,819,700 | 6.06 |
| Real estate | 13,574,844 | 14.63 | 12,188,464 | 15.32 |
| Construction | 6,592,532 | 7.10 | 6,100,061 | 7.67 |
| Financial concerns | 92,688 | 0.10 | 1,663,512 | 2.09 |
| Retail and wholesale | 4,311,967 | 4.65 | 4,617,934 | 5.81 |
| Water, environment and public utilities management | 15,936,700 | 17.17 | 12,925,740 | 16.25 |
| Manufacturing | 25,476,950 | 27.45 | 22,973,987 | 28.88 |
| Leasing and commercial services | 4,332,645 | 4.67 | 1,316,517 | 1.66 |
| Transportation, logistics and postal services | 2,161,229 | 2.33 | 3,076,330 | 3.87 |
| Education | 2,924,506 | 3.15 | 2,676,889 | 3.37 |
| Others | 11,485,776 | 12.38 | 7,185,523 | 9.02 |
| Subtotal | 92,805,599 | 100.00 | 79,544,657 | 100.00 |
| Personal loans and advances | | | | |
| Mortgages | 30,835,434 | 59.83 | 24,002,994 | 56.34 |
| Loans to private business and employment assistance loans | 14,403,281 | 27.95 | 11,289,459 | 26.50 |
| Farmer loans | 2,101,465 | 4.08 | 3,163,335 | 7.43 |
| Others | 4,198,592 | 8.14 | 4,144,704 | 9.73 |
| Subtotal | 51,538,772 | 100.00 | 42,600,492 | 100.00 |
| Contractual amount of loans and advances to customers | 144,344,371 | | 122,145,149 | |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (1) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

THE BANK

| | At 31 December | | | |
|---|----------------|------------|-------------|------------|
| | 2011 | | 2010 | |
| | Amount | % of total | Amount | % of total |
| Corporate loans and advances | | | | |
| Production and supply of electricity, gas and water | 5,915,762 | 6.40 | 4,819,700 | 6.06 |
| Real estate | 13,574,844 | 14.68 | 12,188,464 | 15.33 |
| Construction | 6,568,032 | 7.10 | 6,100,061 | 7.67 |
| Financial concerns | 95,215 | 0.10 | 1,663,512 | 2.09 |
| Retail and wholesale | 4,246,117 | 4.59 | 4,617,934 | 5.81 |
| Water, environment and public utilities management | 15,931,700 | 17.23 | 12,925,740 | 16.25 |
| Manufacturing | 25,324,267 | 27.38 | 22,973,987 | 28.89 |
| Leasing and commercial services | 4,327,312 | 4.68 | 1,316,517 | 1.66 |
| Transportation, logistics and postal services | 2,156,229 | 2.33 | 3,076,330 | 3.87 |
| Education | 2,924,506 | 3.16 | 2,676,889 | 3.37 |
| Others | 11,418,318 | 12.35 | 7,166,523 | 9.00 |
| Subtotal | 92,482,302 | 100.00 | 79,525,657 | 100.00 |
| Personal loans and advances | | | | |
| Mortgages | 30,831,281 | 60.15 | 24,002,994 | 56.56 |
| Loans to private business and employment assistance loans | 14,143,276 | 27.59 | 11,124,989 | 26.22 |
| Farmer loans | 2,101,465 | 4.10 | 3,163,300 | 7.45 |
| Others | 4,180,262 | 8.16 | 4,144,704 | 9.77 |
| Subtotal | 51,256,284 | 100.00 | 42,435,987 | 100.00 |
| Contractual amount of loans and advances to customers | 143,738,586 | | 121,961,644 | |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (1) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of total gross loans and advances to customers are as follows:

THE GROUP

| | Year ended 31 December 2011 | | | | |
|--|-----------------------------|----------------------------------|----------------------------------|---|--------------------------|
| | Gross impaired loans | Individually assessed allowances | Collectively assessed allowances | Provision charge (reverse) for the year | Written off for the year |
| Real estate | 452,495 | (176,433) | (920,284) | 377,127 | 25,938 |
| Water, environment and public utilities management | 350 | (56) | (68,092) | (62,023) | 572 |
| Manufacturing | 210,684 | (107,896) | (901,238) | 218,295 | 33,537 |

THE BANK

| | Year ended 31 December 2011 | | | | |
|--|-----------------------------|----------------------------------|----------------------------------|---|--------------------------|
| | Gross impaired loans | Individually assessed allowances | Collectively assessed allowances | Provision charge (reverse) for the year | Written off for the year |
| Real estate | 452,495 | (176,433) | (920,284) | 377,127 | 25,938 |
| Water, environment and public utilities management | 350 | (56) | (68,092) | (62,023) | 572 |
| Manufacturing | 210,684 | (107,896) | (897,261) | 214,318 | 33,537 |

THE GROUP AND THE BANK

| | Year ended 31 December 2010 | | | | |
|--|-----------------------------|----------------------------------|----------------------------------|---|--------------------------|
| | Gross impaired loans | Individually assessed allowances | Collectively assessed allowances | Provision charge (reverse) for the year | Written off for the year |
| Real estate | 616,089 | (252,808) | (492,720) | (199,798) | 2,743 |
| Water, environment and public utilities management | 2,422 | (300) | (130,443) | 43,136 | — |
| Manufacturing | 311,974 | (157,213) | (667,163) | 391,922 | 12,517 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (2) The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

THE GROUP

| | At 31 December 2011 | | | Total |
|---|---------------------|-------------------|----------------------|--------------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | |
| Unsecured loans | 1,486,730 | 8,438,376 | 4,796,799 | 14,721,905 |
| Guaranteed loans | 6,893,866 | 14,485,756 | 7,291,814 | 28,671,436 |
| Collateralised and other secured loans | | | | |
| — loans secured by property and other immovable assets | 9,224,423 | 43,514,020 | 40,312,638 | 93,051,081 |
| — other pledged loans | 916,783 | 3,843,042 | 3,140,124 | 7,899,949 |
| Total | 18,521,802 | 70,281,194 | 55,541,375 | 144,344,371 |

| | At 31 December 2010 | | | Total |
|---|---------------------|-------------------|----------------------|--------------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | |
| Unsecured loans | 1,405,684 | 7,595,418 | 5,422,578 | 14,423,680 |
| Guaranteed loans | 5,976,009 | 13,539,602 | 4,655,558 | 24,171,169 |
| Collateralised and other secured loans | | | | |
| — loans secured by property and other immovable assets | 7,611,252 | 36,844,997 | 28,676,247 | 73,132,496 |
| — other pledged loans | 3,507,029 | 4,044,948 | 2,865,827 | 10,417,804 |
| Total | 18,499,974 | 62,024,965 | 41,620,210 | 122,145,149 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (2) The composition of the contractual amount of loans and advances to customers by contractual maturity and collateral type is analysed as follows: (Continued)

THE BANK

| | At 31 December 2011 | | | |
|---|---------------------|-------------------|----------------------|--------------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| Unsecured loans | 1,486,730 | 8,438,376 | 4,796,799 | 14,721,905 |
| Guaranteed loans | 6,688,543 | 14,412,046 | 7,286,314 | 28,386,903 |
| Collateralised and other secured loans | | | | |
| — loans secured by property and other immovable assets | 9,142,312 | 43,415,097 | 40,301,863 | 92,859,272 |
| — other pledged loans | 787,340 | 3,843,042 | 3,140,124 | 7,770,506 |
| Total | 18,104,925 | 70,108,561 | 55,525,100 | 143,738,586 |

| | At 31 December 2010 | | | |
|---|---------------------|-------------------|----------------------|--------------------|
| | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| Unsecured loans | 1,397,649 | 7,595,418 | 5,422,578 | 14,415,645 |
| Guaranteed loans | 5,848,109 | 13,539,602 | 4,655,558 | 24,043,269 |
| Collateralised and other secured loans | | | | |
| — loans secured by property and other immovable assets | 7,570,982 | 36,839,497 | 28,676,247 | 73,086,726 |
| — other pledged loans | 3,505,229 | 4,044,948 | 2,865,827 | 10,416,004 |
| Total | 18,321,969 | 62,019,465 | 41,620,210 | 121,961,644 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(3) Past due loans at contractual amount

THE GROUP

| | At 31 December 2011 | | | | |
|--|---------------------|----------------|---------------------|----------------|------------------|
| | Up to 90 days | 90 - 360 days | 361 days to 3 years | Over 3 years | Total |
| Unsecured loans | 392,410 | 177,867 | 295,397 | 104,983 | 970,657 |
| Guaranteed loans | 152,076 | 44,711 | 108,989 | 67,047 | 372,823 |
| Collateralised and other secured loans | | | | | |
| — loans secured by property and other immovable assets | 1,078,193 | 168,214 | 772,625 | 235,747 | 2,254,779 |
| — other pledged loans | 10,339 | 2,035 | 48,505 | 30,380 | 91,259 |
| Total | 1,633,018 | 392,827 | 1,225,516 | 438,157 | 3,689,518 |

| | At 31 December 2010 | | | | |
|--|---------------------|----------------|---------------------|----------------|------------------|
| | Up to 90 days | 90 - 360 days | 361 days to 3 years | Over 3 years | Total |
| Unsecured loans | 654,029 | 293,703 | 536,408 | 159,886 | 1,644,026 |
| Guaranteed loans | 134,588 | 67,720 | 202,535 | 64,280 | 469,123 |
| Collateralised and other secured loans | | | | | |
| — loans secured by property and other immovable assets | 665,260 | 577,634 | 541,942 | 485,397 | 2,270,233 |
| — other pledged loans | 107,686 | 13,773 | 45,088 | 23,708 | 190,255 |
| Total | 1,561,563 | 952,830 | 1,325,973 | 733,271 | 4,573,637 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(3) Past due loans at contractual amount (Continued)

THE BANK

| | At 31 December 2011 | | | | |
|--|---------------------|----------------|---------------------|----------------|------------------|
| | Up to 90 days | 90 - 360 days | 361 days to 3 years | Over 3 years | Total |
| Unsecured loans | 387,410 | 177,867 | 295,397 | 104,983 | 965,657 |
| Guaranteed loans | 152,076 | 44,711 | 108,989 | 67,047 | 372,823 |
| Collateralised and other secured loans | | | | | |
| — loans secured by property and other immovable assets | 1,078,193 | 168,214 | 772,625 | 235,747 | 2,254,779 |
| — other pledged loans | 10,339 | 2,035 | 48,505 | 30,380 | 91,259 |
| Total | 1,628,018 | 392,827 | 1,225,516 | 438,157 | 3,684,518 |

| | At 31 December 2010 | | | | |
|--|---------------------|----------------|---------------------|----------------|------------------|
| | Up to 90 days | 90 - 360 days | 361 days to 3 years | Over 3 years | Total |
| Unsecured loans | 654,029 | 293,703 | 536,408 | 159,886 | 1,644,026 |
| Guaranteed loans | 134,588 | 67,720 | 202,535 | 64,280 | 469,123 |
| Collateralised and other secured loans | | | | | |
| — loans secured by property and other immovable assets | 665,260 | 577,634 | 541,942 | 485,397 | 2,270,233 |
| — other pledged loans | 107,686 | 13,773 | 45,088 | 23,708 | 190,255 |
| Total | 1,561,563 | 952,830 | 1,325,973 | 733,271 | 4,573,637 |

Note: Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount

| | NOTES | THE GROUP | |
|----------------------------------|-------|--------------------|--------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Neither past due nor impaired | (i) | 140,576,336 | 117,315,814 |
| Past due but not impaired | (ii) | 1,686,456 | 1,918,059 |
| Impaired | (iii) | 2,081,579 | 2,911,276 |
| Subtotal | | 144,344,371 | 122,145,149 |
| Allowances for impairment losses | | (5,522,541) | (5,031,125) |
| Loans and advances to customers | | <u>138,821,830</u> | <u>117,114,024</u> |
| | | | |
| | NOTES | THE BANK | |
| | | At 31 December | |
| | | 2011 | 2010 |
| Neither past due nor impaired | (i) | 139,975,551 | 117,132,309 |
| Past due but not impaired | (ii) | 1,681,456 | 1,918,059 |
| Impaired | (iii) | 2,081,579 | 2,911,276 |
| Subtotal | | 143,738,586 | 121,961,644 |
| Allowances for impairment losses | | (5,516,245) | (5,029,290) |
| Loans and advances to customers | | <u>138,222,341</u> | <u>116,932,354</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(i) Loans and advances neither past due nor impaired

THE GROUP

| | At 31 December 2011 | | |
|------------------------------|---------------------|------------------|--------------------|
| | Normal | Special mention | Total |
| Corporate loans and advances | 85,824,489 | 5,641,173 | 91,465,662 |
| Personal loans and advances | 48,783,189 | 327,485 | 49,110,674 |
| Total | <u>134,607,678</u> | <u>5,968,658</u> | <u>140,576,336</u> |

| | At 31 December 2010 | | |
|------------------------------|---------------------|-------------------|--------------------|
| | Normal | Special mention | Total |
| Corporate loans and advances | 65,810,287 | 12,075,396 | 77,885,683 |
| Personal loans and advances | 38,712,539 | 717,592 | 39,430,131 |
| Total | <u>104,522,826</u> | <u>12,792,988</u> | <u>117,315,814</u> |

THE BANK

| | At 31 December 2011 | | |
|------------------------------|---------------------|------------------|--------------------|
| | Normal | Special mention | Total |
| Corporate loans and advances | 85,501,192 | 5,641,173 | 91,142,365 |
| Personal loans and advances | 48,511,301 | 321,885 | 48,833,186 |
| Total | <u>134,012,493</u> | <u>5,963,058</u> | <u>139,975,551</u> |

| | At 31 December 2010 | | |
|------------------------------|---------------------|-------------------|--------------------|
| | Normal | Special mention | Total |
| Corporate loans and advances | 65,791,288 | 12,075,396 | 77,866,684 |
| Personal loans and advances | 38,548,033 | 717,592 | 39,265,625 |
| Total | <u>104,339,321</u> | <u>12,792,988</u> | <u>117,132,309</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(ii) Loans and advances past due but not impaired

THE GROUP

| | At 31 December 2011 | | | | | Fair value of collateral |
|------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|-------------------|------------------|--------------------------|
| | Up to 30 days (including 30 days) | 30 - 60 days (including 60 days) | 60 - 90 days (including 90 days) | More than 90 days | Total | |
| Corporate loans and advances | 260,296 | 12,500 | 11,800 | 14,552 | 299,148 | 379,150 |
| Personal loans and advances | 1,079,550 | 165,427 | 69,682 | 72,649 | 1,387,308 | 1,090,414 |
| Total | 1,339,846 | 177,927 | 81,482 | 87,201 | 1,686,456 | 1,469,564 |

| | At 31 December 2010 | | | | | Fair value of collateral |
|------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|-------------------|------------------|--------------------------|
| | Up to 30 days (including 30 days) | 30 - 60 days (including 60 days) | 60 - 90 days (including 90 days) | More than 90 days | Total | |
| Corporate loans and advances | 115,000 | 26,229 | — | 31,567 | 172,796 | 287,115 |
| Personal loans and advances | 1,204,690 | 112,665 | 52,025 | 375,883 | 1,745,263 | 1,082,570 |
| Total | 1,319,690 | 138,894 | 52,025 | 407,450 | 1,918,059 | 1,369,685 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(ii) Loans and advances past due but not impaired (Continued)

THE BANK

| | At 31 December 2011 | | | | | Fair value of collateral |
|------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|-------------------|------------------|--------------------------|
| | Up to 30 days (including 30 days) | 30 - 60 days (including 60 days) | 60 - 90 days (including 90 days) | More than 90 days | Total | |
| Corporate loans and advances | 260,296 | 12,500 | 11,800 | 14,552 | 299,148 | 379,150 |
| Personal loans and advances | 1,074,550 | 165,427 | 69,682 | 72,649 | 1,382,308 | 1,090,414 |
| Total | 1,334,846 | 177,927 | 81,482 | 87,201 | 1,681,456 | 1,469,564 |

| | At 31 December 2010 | | | | | Fair value of collateral |
|------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|-------------------|------------------|--------------------------|
| | Up to 30 days (including 30 days) | 30 - 60 days (including 60 days) | 60 - 90 days (including 90 days) | More than 90 days | Total | |
| Corporate loans and advances | 115,000 | 26,229 | — | 31,567 | 172,796 | 287,115 |
| Personal loans and advances | 1,204,690 | 112,665 | 52,025 | 375,883 | 1,745,263 | 1,082,570 |
| Total | 1,319,690 | 138,894 | 52,025 | 407,450 | 1,918,059 | 1,369,685 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(iii) Impaired loans and advances

THE GROUP AND THE BANK

| | At 31 December 2011 | | |
|-----------------------|---------------------|---------------------------------|----------------|
| | Gross amount | Allowance for impairment losses | Carrying value |
| Individually assessed | 989,253 | (475,217) | 514,036 |
| Collectively assessed | 1,092,326 | (900,318) | 192,008 |
| Total | <u>2,081,579</u> | <u>(1,375,535)</u> | <u>706,044</u> |

| | At 31 December 2010 | | |
|-----------------------|---------------------|---------------------------------|------------------|
| | Gross amount | Allowance for impairment losses | Carrying value |
| Individually assessed | 1,402,483 | (624,297) | 778,186 |
| Collectively assessed | 1,508,793 | (1,144,539) | 364,254 |
| Total | <u>2,911,276</u> | <u>(1,768,836)</u> | <u>1,142,440</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(4) Credit quality of loans and advances to customers at contractual amount (Continued)

(iii) Impaired loans and advances (Continued)

THE GROUP AND THE BANK (Continued)

Including:

| | At 31 December | |
|------------------------------------|----------------|-----------|
| | 2011 | 2010 |
| Individually assessed and impaired | 989,253 | 1,402,483 |
| Individually assessed and impaired | 0.69% | 1.15% |
| Fair value of collateral | 485,059 | 1,644,496 |

(5) Rescheduled loans and advances

Rescheduled loans and advances arise from rescheduling and deferral of repayment terms. Rescheduled loans and advances are under continuous monitoring. Contractual amount of rescheduled loans and advances as at 31 December 2011 were RMB294 million (31 December 2010: RMB456 million), of which loans and advances overdue for more than 90 days were RMB37 million (31 December 2010: RMB79 million).

(6) Assets foreclosed under credit enhancement arrangement

Details of such assets are disclosed in Note 29(3). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities

(1) Credit quality of debt securities

| | NOTE | THE GROUP | |
|--|------|-------------------|-------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Neither past due nor impaired | | 82,581,496 | 67,838,439 |
| Impaired | | — | — |
| Subtotal | | 82,581,496 | 67,838,439 |
| Less: Collectively assessed allowance for impairment losses | | (293,216) | — |
| Debt securities, net | (i) | <u>82,288,280</u> | <u>67,838,439</u> |

| | NOTE | THE BANK | |
|--|------|-------------------|-------------------|
| | | At 31 December | |
| | | 2011 | 2010 |
| Neither past due nor impaired | | 82,566,496 | 67,838,439 |
| Impaired | | — | — |
| Subtotal | | 82,566,496 | 67,838,439 |
| Less: Collectively assessed allowance for impairment losses | | (293,216) | — |
| Debt securities, net | (i) | <u>82,273,280</u> | <u>67,838,439</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(1) Credit quality of debt securities (Continued)

(i) Debt securities neither past due nor impaired

THE GROUP

| | At 31 December 2011 | | | | | Total |
|---|-----------------------------------|---|-------------------------------------|------------------------------|---|-------------------|
| | Financial assets held for trading | Financial assets designated as at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Debt securities classified as receivables | |
| Government bonds | — | — | — | 8,228,223 | — | 8,228,223 |
| Public sector, quasi-government bonds | — | — | — | 15,644,879 | 47,473 | 15,692,352 |
| Financial institution bonds | — | — | 99,572 | 1,583,144 | 760,600 | 2,443,316 |
| Corporate bonds | 400,880 | — | 1,464,478 | 14,780,176 | — | 16,645,534 |
| Certificate treasury bonds | — | — | — | — | 1,034,934 | 1,034,934 |
| Debt instruments issued by financial institutions | — | 13,033,648 | — | — | 25,210,273 | 38,243,921 |
| Total | 400,880 | 13,033,648 | 1,564,050 | 40,236,422 | 27,053,280 | 82,288,280 |

THE BANK

| | At 31 December 2011 | | | | | Total |
|---|-----------------------------------|---|-------------------------------------|------------------------------|---|-------------------|
| | Financial assets held for trading | Financial assets designated as at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Debt securities classified as receivables | |
| Government bonds | — | — | — | 8,228,223 | — | 8,228,223 |
| Public sector, quasi-government bonds | — | — | — | 15,644,879 | 47,473 | 15,692,352 |
| Financial institution bonds | — | — | 99,572 | 1,583,144 | 760,600 | 2,443,316 |
| Corporate bonds | 400,880 | — | 1,464,478 | 14,780,176 | — | 16,645,534 |
| Certificate treasury bonds | — | — | — | — | 1,034,934 | 1,034,934 |
| Debt instruments issued by financial institutions | — | 13,018,648 | — | — | 25,210,273 | 38,228,921 |
| Total | 400,880 | 13,018,648 | 1,564,050 | 40,236,422 | 27,053,280 | 82,273,280 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(1) Credit quality of debt securities (Continued)

(i) Debt securities neither past due nor impaired (Continued)

THE GROUP AND THE BANK

| | At 31 December 2010 | | | | | Total |
|---|-----------------------------------|---|-------------------------------------|------------------------------|---|-------------------|
| | Financial assets held for trading | Financial assets designated as at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Debt securities classified as receivables | |
| Government bonds & PBOC Bills | 482,159 | — | — | 11,347,316 | — | 11,829,475 |
| Public sector, quasi-government bonds | — | — | — | 14,437,210 | 47,234 | 14,484,444 |
| Financial institution bonds | — | — | 100,204 | 2,350,836 | 818,667 | 3,269,707 |
| Corporate bonds | — | — | 1,281,308 | 8,573,498 | — | 9,854,806 |
| Certificate treasury bonds | — | — | — | — | 1,109,007 | 1,109,007 |
| Debt instruments issued by financial institutions | — | 8,046,043 | — | — | 19,244,957 | 27,291,000 |
| Total | 482,159 | 8,046,043 | 1,381,512 | 36,708,860 | 21,219,865 | 67,838,439 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic

The Group relied on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

THE GROUP

| | At 31 December 2011 | | | |
|--|---------------------|------------------|-------------------|-------------------|
| | AAA | AA | Unrated | Total |
| Financial assets held for trading | | | | |
| Corporate bonds | — | 400,880 | — | 400,880 |
| Subtotal | — | 400,880 | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | | | | |
| Debt instruments issued by financial institutions | — | — | 13,033,648 | 13,033,648 |
| Subtotal | — | — | 13,033,648 | 13,033,648 |
| Available-for-sale financial assets | | | | |
| Financial institution bonds | 99,572 | — | — | 99,572 |
| Corporate bonds | 352,178 | 1,112,300 | — | 1,464,478 |
| Subtotal | 451,750 | 1,112,300 | — | 1,564,050 |
| Held-to-maturity investments | | | | |
| Government bonds | — | — | 8,228,223 | 8,228,223 |
| Public sector, quasi-government bonds | — | — | 15,644,879 | 15,644,879 |
| Financial institution bonds | 1,203,144 | 380,000 | — | 1,583,144 |
| Corporate bonds | 12,364,169 | 2,416,007 | — | 14,780,176 |
| Subtotal | 13,567,313 | 2,796,007 | 23,873,102 | 40,236,422 |
| Debt securities classifies as receivables | | | | |
| Public sector, quasi-government bonds | — | — | 47,473 | 47,473 |
| Financial institution bonds | 237,517 | 523,083 | — | 760,600 |
| Certificate treasury bonds | — | — | 1,034,934 | 1,034,934 |
| Debt instruments issued by financial institutions | — | — | 25,210,273 | 25,210,273 |
| Subtotal | 237,517 | 523,083 | 26,292,680 | 27,053,280 |
| Total | 14,256,580 | 4,832,270 | 63,199,430 | 82,288,280 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (Continued)

THE BANK

| | At 31 December 2011 | | | |
|--|---------------------|------------------|-------------------|-------------------|
| | AAA | AA | Unrated | Total |
| Financial assets held for trading | | | | |
| Corporate bonds | — | 400,880 | — | 400,880 |
| Subtotal | — | 400,880 | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | | | | |
| Debt instruments issued by financial institutions | — | — | 13,018,648 | 13,018,648 |
| Subtotal | — | — | 13,018,648 | 13,018,648 |
| Available-for-sale financial assets | | | | |
| Financial institution bonds | 99,572 | — | — | 99,572 |
| Corporate bonds | 352,178 | 1,112,300 | — | 1,464,478 |
| Subtotal | 451,750 | 1,112,300 | — | 1,564,050 |
| Held-to-maturity investments | | | | |
| Government bonds | — | — | 8,228,223 | 8,228,223 |
| Public sector, quasi-government bonds | — | — | 15,644,879 | 15,644,879 |
| Financial institution bonds | 1,203,144 | 380,000 | — | 1,583,144 |
| Corporate bonds | 12,364,169 | 2,416,007 | — | 14,780,176 |
| Subtotal | 13,567,313 | 2,796,007 | 23,873,102 | 40,236,422 |
| Debt securities classifies as receivables | | | | |
| Public sector, quasi-government bonds | — | — | 47,473 | 47,473 |
| Financial institution bonds | 237,517 | 523,083 | — | 760,600 |
| Certificate treasury bonds | — | — | 1,034,934 | 1,034,934 |
| Debt instruments issued by financial institutions | — | — | 25,210,273 | 25,210,273 |
| Subtotal | 237,517 | 523,083 | 26,292,680 | 27,053,280 |
| Total | 14,256,580 | 4,832,270 | 63,184,430 | 82,273,280 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (Continued)

THE GROUP AND THE BANK

| | At 31 December 2010 | | | |
|--|---------------------|------------------|-------------------|-------------------|
| | AAA | AA | Unrated | Total |
| Financial assets held for trading | | | | |
| Government bonds and PBOC Bills | — | — | 482,159 | 482,159 |
| Subtotal | — | — | 482,159 | 482,159 |
| Financial assets designated as at fair value through profit or loss | | | | |
| Debt instruments issued by financial institutions | — | — | 8,046,043 | 8,046,043 |
| Subtotal | — | — | 8,046,043 | 8,046,043 |
| Available-for-sale financial assets | | | | |
| Financial institution bonds | 100,204 | — | — | 100,204 |
| Corporate bonds | 157,343 | 1,123,965 | — | 1,281,308 |
| Subtotal | 257,547 | 1,123,965 | — | 1,381,512 |
| Held-to-maturity investments | | | | |
| Government bonds and PBOC Bills | — | — | 11,347,316 | 11,347,316 |
| Public sector, quasi-government bonds | 1,993,792 | — | 12,443,418 | 14,437,210 |
| Financial institution bonds | 1,750,944 | 499,892 | 100,000 | 2,350,836 |
| Corporate bonds | 7,298,053 | 1,275,445 | — | 8,573,498 |
| Subtotal | 11,042,789 | 1,775,337 | 23,890,734 | 36,708,860 |
| Debt securities classifies as receivables | | | | |
| Public sector, quasi-government bonds | — | — | 47,234 | 47,234 |
| Financial institution Bonds | 236,873 | 581,794 | — | 818,667 |
| Certificate treasury bonds | — | — | 1,109,007 | 1,109,007 |
| Debt instruments issued by financial institutions | — | — | 19,244,957 | 19,244,957 |
| Subtotal | 236,873 | 581,794 | 20,401,198 | 21,219,865 |
| Total | 11,537,209 | 3,481,096 | 52,820,134 | 67,838,439 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

Risk Management Department manages its liquidity risk via:

- Setting target ratio on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base; and
- Making advanced projection on future cash flows and evaluating the appropriate current assets position.

Analysis of the remaining maturity of the financial assets and liabilities

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

THE GROUP

| | At 31 December 2011 | | | | | | | Total |
|--|----------------------|------------------|----------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial assets | | | | | | | | |
| Cash and balances with central bank | 45,875,372 | 4,787,396 | — | — | — | — | — | 50,662,768 |
| Deposits with banks and other financial institutions | — | 3,287,292 | 1,494,999 | 2,172,537 | 4,290,130 | 200,000 | — | 11,444,958 |
| Placements with banks and other financial institutions | — | — | 21,261 | 411,961 | 8,587,596 | 2,439,898 | — | 11,460,716 |
| Financial assets held for trading | — | — | — | — | 400,880 | — | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | — | — | 7,354,780 | 3,386,546 | 2,277,322 | 15,000 | — | 13,033,648 |
| Financial assets held under resale agreements | — | — | 12,996,278 | 13,430,658 | 15,869,869 | — | — | 42,296,805 |
| Loans and advances to customers | 792,337 | — | 1,693,463 | 5,651,960 | 25,939,135 | 54,286,083 | 50,458,852 | 138,821,830 |
| Available-for-sale financial assets | 35,547 | — | — | — | 99,572 | 611,354 | 853,124 | 1,599,597 |
| Held-to-maturity investments | — | — | — | 757,723 | 1,290,884 | 20,339,462 | 17,848,353 | 40,236,422 |
| Debt securities classified as receivables | — | — | — | 1,499,613 | 5,214,449 | 19,531,145 | 808,073 | 27,053,280 |
| Other financial assets | 11,579 | 160,552 | 580,706 | 784,117 | 822,200 | 55,442 | — | 2,414,596 |
| Total financial assets | 46,714,835 | 8,235,240 | 24,141,487 | 28,095,115 | 64,792,037 | 97,478,384 | 69,968,402 | 339,425,500 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE GROUP (Continued)

| | At 31 December 2011 | | | | | | | Total |
|---|----------------------|--------------------|----------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial liabilities | | | | | | | | |
| Borrowings from central bank | — | — | — | — | 30,000 | — | — | 30,000 |
| Deposits from banks and other financial institutions | — | 346,013 | 1,222,005 | 10,670,117 | 10,289,064 | 2,579,906 | — | 25,107,105 |
| Placements from banks | — | — | 559,978 | 999,916 | 589,924 | — | — | 2,149,818 |
| Financial liabilities designated as at fair value through profit or loss | — | — | — | 335,625 | 30,000 | — | — | 365,625 |
| Financial assets sold under repurchase agreements | — | — | 12,631,901 | 9,226,707 | 10,901,113 | — | — | 32,759,721 |
| Due to customers | — | 115,762,124 | 11,247,386 | 26,551,460 | 68,882,105 | 23,575,046 | 123,253 | 246,141,374 |
| Debt securities issued | — | — | — | — | — | — | 2,300,000 | 2,300,000 |
| Other financial liabilities | — | 1,923,610 | 501,779 | 835,483 | 977,301 | 4,956 | 37,884 | 4,281,013 |
| Total financial liabilities | — | 118,031,747 | 26,163,049 | 48,619,308 | 91,699,507 | 26,159,908 | 2,461,137 | 313,134,656 |
| | | | | | | | | |
| Net position | 46,714,835 | (109,796,507) | (2,021,562) | (20,524,193) | (26,907,470) | 71,318,476 | 67,507,265 | 26,290,844 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE GROUP (Continued)

| | At 31 December 2010 | | | | | | | Total |
|--|----------------------|------------------|----------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial assets | | | | | | | | |
| Cash and balances with central bank | 33,195,245 | 4,126,388 | — | — | — | — | — | 37,321,633 |
| Deposits with banks and other financial institutions | — | 3,320,742 | 6,466,638 | 4,686,857 | 2,046,000 | 700,000 | — | 17,220,237 |
| Placements with banks and other financial institutions | — | — | — | — | — | 2,000,000 | — | 2,000,000 |
| Financial assets held for trading | — | — | — | — | — | — | 482,159 | 482,159 |
| Financial assets designated as at fair value through profit or loss | — | — | 3,709,863 | 1,566,087 | 2,770,093 | — | — | 8,046,043 |
| Financial assets held under resale agreements | — | — | 17,139,933 | 9,230,502 | 10,787,583 | — | — | 37,158,018 |
| Loans and advances to customers | 1,243,068 | — | 3,533,443 | 4,497,875 | 22,381,636 | 47,310,425 | 38,147,577 | 117,114,024 |
| Available-for-sale financial assets | 44,773 | — | — | — | — | 240,790 | 1,140,722 | 1,426,285 |
| Held-to-maturity investments | — | — | 1,099,930 | 1,499,677 | 1,578,421 | 9,557,821 | 22,973,011 | 36,708,860 |
| Debt securities classified as receivables | — | — | 1,945,441 | 755,939 | 5,010,553 | 12,642,030 | 865,902 | 21,219,865 |
| Other financial assets | — | 1,740,220 | — | — | 35,141 | 129,105 | 50,547 | 1,955,013 |
| Total financial assets | 34,483,086 | 9,187,350 | 33,895,248 | 22,236,937 | 44,609,427 | 72,580,171 | 63,659,918 | 280,652,137 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE GROUP (Continued)

| | At 31 December 2010 | | | | | | | Total |
|--|----------------------|--------------------|----------------------|-------------------|-------------------|-------------------|------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from banks and other financial institutions | — | 3,689,790 | 4,113,976 | 2,708,000 | 1,200,000 | — | — | 11,711,766 |
| Financial liabilities designated as at fair value through profit or loss | — | — | — | — | 444,806 | — | — | 444,806 |
| Financial assets sold under repurchase agreements | — | — | 18,104,394 | 5,734,460 | 11,923,833 | — | — | 35,762,687 |
| Due to customers | — | 101,906,481 | 8,340,783 | 21,827,979 | 59,280,490 | 14,027,539 | 179,750 | 205,563,022 |
| Debt securities issued | — | — | — | — | — | — | 2,300,000 | 2,300,000 |
| Other financial liabilities | — | 4,051,255 | — | — | — | — | 37,884 | 4,089,139 |
| Total financial liabilities | — | 109,647,526 | 30,559,153 | 30,270,439 | 72,849,129 | 14,027,539 | 2,517,634 | 259,871,420 |
| Net position | 34,483,086 | (100,460,176) | 3,336,095 | (8,033,502) | (28,239,702) | 58,552,632 | 61,142,284 | 20,780,717 |

THE BANK

| | At 31 December 2011 | | | | | | | Total |
|---|----------------------|------------------|----------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial assets | | | | | | | | |
| Cash and balances with central bank | 45,818,314 | 4,767,574 | — | — | — | — | — | 50,585,888 |
| Deposits with banks and other financial institutions | — | 3,161,853 | 1,494,999 | 2,172,537 | 4,290,130 | 200,000 | — | 11,319,519 |
| Placements with banks and other financial institutions | — | — | 21,261 | 411,961 | 8,587,596 | 2,439,898 | — | 11,460,716 |
| Financial assets held for trading | — | — | — | — | 400,880 | — | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | — | — | 7,354,780 | 3,386,546 | 2,277,322 | — | — | 13,018,648 |
| Financial assets held under resale agreements | — | — | 12,996,278 | 13,430,658 | 15,869,869 | — | — | 42,296,805 |
| Loans and advances to customers | 791,356 | — | 1,663,493 | 5,573,028 | 25,641,895 | 54,104,415 | 50,448,154 | 138,222,341 |
| Available-for-sale financial assets | 35,547 | — | — | — | 99,572 | 611,354 | 853,124 | 1,599,597 |
| Held-to-maturity investments | — | — | — | 757,723 | 1,290,884 | 20,339,462 | 17,848,353 | 40,236,422 |
| Debt securities classified as receivables | — | — | — | 1,499,613 | 5,214,449 | 19,531,145 | 808,073 | 27,053,280 |
| Other financial assets | 11,579 | 159,567 | 579,337 | 784,117 | 822,200 | 55,442 | — | 2,412,242 |
| Total financial assets | 46,656,796 | 8,088,994 | 24,110,148 | 28,016,183 | 64,494,797 | 97,281,716 | 69,957,704 | 338,606,338 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE BANK (Continued)

| | At 31 December 2011 | | | | | | | Total |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|-------------------|-------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from banks and other financial institutions | — | 392,948 | 1,222,005 | 10,670,117 | 10,259,064 | 2,579,906 | — | 25,124,040 |
| Placements from banks | — | — | 559,978 | 999,916 | 589,924 | — | — | 2,149,818 |
| Financial liabilities designated as at fair value through profit or loss | — | — | — | 335,625 | 30,000 | — | — | 365,625 |
| Financial assets sold under repurchase agreements | — | — | 12,594,251 | 9,171,226 | 10,901,113 | — | — | 32,666,590 |
| Due to customers | — | 115,443,039 | 11,244,910 | 26,510,207 | 68,838,384 | 23,573,043 | 123,253 | 245,732,836 |
| Debt securities issued | — | — | — | — | — | — | 2,300,000 | 2,300,000 |
| Other financial liabilities | — | 1,934,669 | 513,319 | 816,781 | 969,395 | 4,956 | 37,884 | 4,277,004 |
| Total financial liabilities | — | 117,770,656 | 26,134,463 | 48,503,872 | 91,587,880 | 26,157,905 | 2,461,137 | 312,615,913 |
| Net position | 46,656,796 | (109,681,662) | (2,024,315) | (20,487,689) | (27,093,083) | 71,123,811 | 67,496,567 | 25,990,425 |
| At 31 December 2010 | | | | | | | | |
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | Total |
| Non-derivative financial assets | | | | | | | | |
| Cash and balances with central bank | 33,175,869 | 4,124,386 | — | — | — | — | — | 37,300,255 |
| Deposits with banks and other financial institutions | — | 3,139,140 | 6,406,638 | 4,686,857 | 2,046,000 | 700,000 | — | 16,978,635 |
| Placements with banks and other financial institutions | — | — | — | — | — | 2,000,000 | — | 2,000,000 |
| Financial assets held for trading | — | — | — | — | — | — | 482,159 | 482,159 |
| Financial assets designated as at fair value through profit or loss | — | — | 3,709,863 | 1,566,087 | 2,770,093 | — | — | 8,046,043 |
| Financial assets held under resale agreements | — | — | 17,139,933 | 9,230,502 | 10,787,583 | — | — | 37,158,018 |
| Loans and advances to customers | 1,243,068 | — | 3,533,443 | 4,497,875 | 22,205,411 | 47,304,980 | 38,147,577 | 116,932,354 |
| Available-for-sale financial assets | 44,773 | — | — | — | — | 240,790 | 1,140,722 | 1,426,285 |
| Held-to-maturity investments | — | — | 1,099,930 | 1,499,677 | 1,578,421 | 9,557,821 | 22,973,011 | 36,708,860 |
| Debt securities classified as receivables | — | — | 1,945,441 | 755,939 | 5,010,553 | 12,642,030 | 865,902 | 21,219,865 |
| Other financial assets | — | 1,739,769 | — | — | 35,141 | 129,105 | 50,547 | 1,954,562 |
| Total financial assets | 34,463,710 | 9,003,295 | 33,835,248 | 22,236,937 | 44,433,202 | 72,574,726 | 63,659,918 | 280,207,036 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE BANK (Continued)

| | At 31 December 2010 | | | | | | | Total |
|---|----------------------|----------------------|----------------------|--------------------|---------------------|-------------------|-------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from banks and other financial institutions | — | 3,656,882 | 4,113,976 | 2,708,000 | 1,200,000 | — | — | 11,678,858 |
| Financial liabilities designated as at fair value through profit or loss | — | — | — | — | 444,806 | — | — | 444,806 |
| Financial assets sold under repurchase agreements | — | — | 18,104,394 | 5,734,460 | 11,923,833 | — | — | 35,762,687 |
| Due to customers | — | 101,681,225 | 8,340,210 | 21,827,247 | 59,248,458 | 14,027,302 | 179,750 | 205,304,192 |
| Debt securities issued | — | — | — | — | — | — | 2,300,000 | 2,300,000 |
| Other financial liabilities | — | 4,049,635 | — | — | — | — | 37,884 | 4,087,519 |
| Total financial liabilities | — | 109,387,742 | 30,558,580 | 30,269,707 | 72,817,097 | 14,027,302 | 2,517,634 | 259,578,062 |
| Net position | 34,463,710 | (100,384,447) | 3,276,668 | (8,032,770) | (28,383,895) | 58,547,424 | 61,142,284 | 20,628,974 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

THE GROUP

| | At 31 December 2011 | | | | | | | Total |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial assets | | | | | | | | |
| Cash and balances with central bank | 45,875,372 | 4,810,649 | — | — | — | — | — | 50,686,021 |
| Deposits with banks and other financial institutions | — | 3,289,024 | 1,498,946 | 2,217,944 | 4,696,913 | 213,911 | — | 11,916,738 |
| Placements with banks and other financial institutions | — | — | 21,525 | 571,471 | 9,028,252 | 2,537,187 | — | 12,158,435 |
| Financial assets held for trading | — | — | — | — | 425,998 | — | — | 425,998 |
| Financial assets designated as at fair value through profit or loss | — | — | 7,370,539 | 3,427,985 | 2,339,627 | 15,016 | — | 13,153,167 |
| Financial assets held under resale agreements | — | — | 13,245,411 | 13,833,421 | 16,099,979 | — | — | 43,178,811 |
| Loans and advances to customers | 792,337 | — | 1,989,543 | 6,894,908 | 30,315,720 | 65,523,191 | 84,967,695 | 190,483,394 |
| Available-for-sale financial assets | 35,547 | — | 705 | 17,943 | 165,899 | 924,185 | 1,041,111 | 2,185,390 |
| Held-to-maturity investments | — | — | 46,035 | 1,070,863 | 2,609,962 | 26,007,290 | 23,037,090 | 52,771,240 |
| Debt securities classified as receivables | — | — | 5,735 | 1,728,601 | 5,768,011 | 22,182,524 | 1,079,338 | 30,764,209 |
| Other financial assets | — | 159,216 | — | — | — | — | — | 159,216 |
| Total financial assets | 46,703,256 | 8,258,889 | 24,178,439 | 29,763,136 | 71,450,361 | 117,403,304 | 110,125,234 | 407,882,619 |
| Non-derivative financial liabilities | | | | | | | | |
| Borrowings from central bank | — | — | — | — | 31,005 | — | — | 31,005 |
| Deposits from banks and other financial institutions | — | 346,049 | 1,273,253 | 11,052,819 | 10,796,070 | 2,644,905 | — | 26,113,096 |
| Placements from banks | — | — | 576,242 | 1,032,183 | 609,169 | — | — | 2,217,594 |
| Financial liabilities designated as at fair value through profit or loss | — | — | — | 338,310 | 32,196 | — | — | 370,506 |
| Financial assets sold under repurchase agreements | — | — | 12,892,595 | 9,364,043 | 11,011,309 | — | — | 33,267,947 |
| Due to customers | — | 115,880,529 | 11,483,008 | 27,191,221 | 71,020,091 | 23,591,727 | 127,782 | 249,294,358 |
| Debt securities issued | — | — | — | — | 126,500 | 644,000 | 2,886,500 | 3,657,000 |
| Other financial liabilities | — | 1,799,470 | — | — | — | — | 44,764 | 1,844,234 |
| Total financial liabilities | — | 118,026,048 | 26,225,098 | 48,978,576 | 93,626,340 | 26,880,632 | 3,059,046 | 316,795,740 |
| Net position | 46,703,256 | (109,767,159) | (2,046,659) | (19,215,440) | (22,175,979) | 90,522,672 | 107,066,188 | 91,086,879 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

THE GROUP (Continued)

| | At 31 December 2010 | | | | | | | Total |
|---|----------------------|---------------------|----------------------|--------------------|---------------------|-------------------|-------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial assets | | | | | | | | |
| Cash and balances with central bank | 33,195,245 | 4,142,889 | — | — | — | — | — | 37,338,134 |
| Deposits with banks and other financial institutions | — | 3,321,736 | 6,488,621 | 4,732,934 | 2,128,869 | 744,049 | — | 17,416,209 |
| Placements with banks and other financial institutions | — | — | — | — | — | 2,132,667 | — | 2,132,667 |
| Financial assets held for trading | — | — | — | — | — | — | 646,317 | 646,317 |
| Financial assets designated as at fair value through profit or loss | — | — | 3,714,224 | 1,576,185 | 2,840,943 | — | — | 8,131,352 |
| Financial assets held under resale agreements | — | — | 17,319,769 | 9,380,857 | 11,021,791 | — | — | 37,722,417 |
| Loans and advances to customers | 2,851,884 | — | 3,749,254 | 5,208,247 | 25,425,885 | 58,418,721 | 54,206,096 | 149,860,087 |
| Available-for-sale financial assets | 44,773 | — | 705 | 17,943 | 54,805 | 518,243 | 1,375,541 | 2,012,010 |
| Held-to-maturity investments | — | — | 1,170,834 | 1,771,902 | 2,377,429 | 13,315,336 | 29,852,746 | 48,488,247 |
| Debt securities classified as receivables | — | — | 1,970,540 | 899,021 | 5,432,485 | 13,731,923 | 1,385,642 | 23,419,611 |
| Other financial assets | — | 177,681 | — | — | 35,633 | 135,034 | 55,855 | 404,203 |
| Total financial assets | 36,091,902 | 7,642,306 | 34,413,947 | 23,587,089 | 49,317,840 | 88,995,973 | 87,522,197 | 327,571,254 |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from banks and other financial institutions | — | 3,707,032 | 4,143,578 | 2,730,998 | 1,222,298 | — | — | 11,803,906 |
| Financial liabilities designated as at fair value through profit or loss | — | — | — | — | 466,652 | — | — | 466,652 |
| Financial assets sold under repurchase agreements | — | — | 18,247,301 | 5,815,358 | 12,193,647 | — | — | 36,256,306 |
| Due to customers | — | 102,118,412 | 8,559,000 | 22,416,990 | 60,950,528 | 15,554,591 | 179,780 | 209,779,301 |
| Debt securities issued | — | — | — | — | 126,500 | 575,000 | 3,082,000 | 3,783,500 |
| Other financial liabilities | — | 1,633,318 | — | — | — | — | 44,764 | 1,678,082 |
| Total financial liabilities | — | 107,458,762 | 30,949,879 | 30,963,346 | 74,959,625 | 16,129,591 | 3,306,544 | 263,767,747 |
| Net position | 36,091,902 | (99,816,456) | 3,464,068 | (7,376,257) | (25,641,785) | 72,866,382 | 84,215,653 | 63,803,507 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

THE BANK

| | At 31 December 2011 | | | | | | | Total |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial assets | | | | | | | | |
| Cash and balances with central bank | 45,818,314 | 4,790,790 | — | — | — | — | — | 50,609,104 |
| Deposits with banks and other financial institutions | — | 3,163,469 | 1,498,946 | 2,217,944 | 4,696,913 | 213,911 | — | 11,791,183 |
| Placements with banks and other financial institutions | — | — | 21,525 | 571,471 | 9,028,252 | 2,537,187 | — | 12,158,435 |
| Financial assets held for trading | — | — | — | — | 425,998 | — | — | 425,998 |
| Financial assets designated as at fair value through profit or loss | — | — | 7,370,539 | 3,427,985 | 2,339,627 | — | — | 13,138,151 |
| Financial assets held under resale agreements | — | — | 13,245,411 | 13,833,421 | 16,099,979 | — | — | 43,178,811 |
| Loans and advances to customers | 791,356 | — | 1,957,385 | 6,810,254 | 29,993,531 | 65,300,996 | 84,950,596 | 189,804,118 |
| Available-for-sale financial assets | 35,547 | — | 705 | 17,943 | 165,899 | 924,185 | 1,041,111 | 2,185,390 |
| Held-to-maturity investments | — | — | 46,035 | 1,070,863 | 2,609,962 | 26,007,290 | 23,037,090 | 52,771,240 |
| Debt securities classified as receivables | — | — | 5,735 | 1,728,601 | 5,768,011 | 22,182,524 | 1,079,338 | 30,764,209 |
| Other financial assets | — | 158,658 | — | — | — | — | — | 158,658 |
| Total financial assets | 46,645,217 | 8,112,917 | 24,146,281 | 29,678,482 | 71,128,172 | 117,166,093 | 110,108,135 | 406,985,297 |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from banks and other financial institutions | — | 392,994 | 1,273,253 | 11,052,819 | 10,765,672 | 2,644,905 | — | 26,129,643 |
| Placements from banks | — | — | 576,242 | 1,032,183 | 609,169 | — | — | 2,217,594 |
| Financial liabilities designated as at fair value through profit or loss | — | — | — | 338,310 | 32,196 | — | — | 370,506 |
| Financial assets sold under repurchase agreements | — | — | 12,855,182 | 9,308,946 | 11,011,309 | — | — | 33,175,437 |
| Due to customers | — | 115,561,409 | 11,480,507 | 27,148,783 | 70,974,929 | 23,589,428 | 127,782 | 248,882,838 |
| Debt securities issued | — | — | — | — | 126,500 | 644,000 | 2,886,500 | 3,657,000 |
| Other financial liabilities | — | 1,798,201 | — | — | — | — | 44,764 | 1,842,965 |
| Total financial liabilities | — | 117,752,604 | 26,185,184 | 48,881,041 | 93,519,775 | 26,878,333 | 3,059,046 | 316,275,983 |
| Net position | 46,645,217 | (109,639,687) | (2,038,903) | (19,202,559) | (22,391,603) | 90,287,760 | 107,049,089 | 90,709,314 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

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49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

THE BANK (Continued)

| | At 31 December 2010 | | | | | | | Total |
|---|----------------------|---------------------|----------------------|--------------------|---------------------|-------------------|-------------------|--------------------|
| | Past due/ undated | On demand | Less than 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | Over 5 years | |
| Non-derivative financial assets | | | | | | | | |
| Cash and balances with central bank | 33,175,869 | 4,140,878 | — | — | — | — | — | 37,316,747 |
| Deposits with banks and other financial institutions | — | 3,140,095 | 6,428,621 | 4,732,934 | 2,128,869 | 744,049 | — | 17,174,568 |
| Placements with banks and other financial institutions | — | — | — | — | — | 2,132,667 | — | 2,132,667 |
| Financial assets held for trading | — | — | — | — | — | — | 646,317 | 646,317 |
| Financial assets designated as at fair value through profit or loss | — | — | 3,714,224 | 1,576,185 | 2,840,943 | — | — | 8,131,352 |
| Financial assets held under resale agreements | — | — | 17,319,769 | 9,380,857 | 11,021,791 | — | — | 37,722,417 |
| Loans and advances to customers | 2,851,885 | — | 3,748,424 | 5,206,588 | 25,239,776 | 58,412,431 | 54,206,096 | 149,665,200 |
| Available-for-sale financial assets | 44,773 | — | 705 | 17,943 | 54,805 | 518,243 | 1,375,541 | 2,012,010 |
| Held-to-maturity investments | — | — | 1,170,834 | 1,771,902 | 2,377,429 | 13,315,336 | 29,852,746 | 48,488,247 |
| Debt securities classified as receivables | — | — | 1,970,540 | 899,021 | 5,432,485 | 13,731,923 | 1,385,642 | 23,419,611 |
| Other financial assets | — | 177,626 | — | — | 35,633 | 135,034 | 55,855 | 404,148 |
| Total financial assets | 36,072,527 | 7,458,599 | 34,353,117 | 23,585,430 | 49,131,731 | 88,989,683 | 87,522,197 | 327,113,284 |
| Non-derivative financial liabilities | | | | | | | | |
| Deposits from banks and other financial institutions | — | 3,659,289 | 4,143,578 | 2,730,998 | 1,222,298 | — | — | 11,756,163 |
| Financial liabilities designated as at fair value through profit or loss | — | — | — | — | 466,652 | — | — | 466,652 |
| Financial assets sold under repurchase agreements | — | — | 18,247,301 | 5,815,358 | 12,193,647 | — | — | 36,256,306 |
| Due to customers | — | 101,893,089 | 8,558,423 | 22,416,255 | 60,918,030 | 15,554,331 | 179,780 | 209,519,908 |
| Debt securities issued | — | — | — | — | 126,500 | 575,000 | 3,082,000 | 3,783,500 |
| Other financial liabilities | — | 1,631,894 | — | — | — | — | 44,764 | 1,676,658 |
| Total financial liabilities | — | 107,184,272 | 30,949,302 | 30,962,611 | 74,927,127 | 16,129,331 | 3,306,544 | 263,459,187 |
| Net position | 36,072,527 | (99,725,673) | 3,403,815 | (7,377,181) | (25,795,396) | 72,860,352 | 84,215,653 | 63,654,097 |

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, financial assets held for trading and financial assets designated as at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Off-balance sheet items

Off-balance sheet items of the Group include letters of guarantee and acceptances. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

THE GROUP

| | At 31 December 2011 | | |
|---------------------------|---------------------|---------------|------------------|
| | Up to 1 year | 1 - 5 years | Total |
| Acceptances | 3,000,442 | — | 3,000,442 |
| Undrawn credit card limit | 935,100 | — | 935,100 |
| Letters of credit issued | 109,839 | 45,122 | 154,961 |
| Letters of guarantee | 8,375 | 1,334 | 9,709 |
| Total | <u>4,053,756</u> | <u>46,456</u> | <u>4,100,212</u> |

THE BANK

| | At 31 December 2011 | | |
|---------------------------|---------------------|---------------|------------------|
| | Up to 1 year | 1 - 5 years | Total |
| Acceptances | 2,929,481 | — | 2,929,481 |
| Undrawn credit card limit | 935,100 | — | 935,100 |
| Letters of credit issued | 109,839 | 45,122 | 154,961 |
| Letters of guarantee | 8,375 | 1,334 | 9,709 |
| Total | <u>3,982,795</u> | <u>46,456</u> | <u>4,029,251</u> |

THE GROUP AND THE BANK

| | At 31 December 2010 | | |
|--------------------------|---------------------|-------------|------------------|
| | Up to 1 year | 1 - 5 years | Total |
| Acceptances | 4,844,128 | — | 4,844,128 |
| Letters of credit issued | 337,458 | — | 337,458 |
| Letters of guarantee | 47,992 | — | 47,992 |
| Total | <u>5,229,578</u> | <u>—</u> | <u>5,229,578</u> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk

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

The Group considers the market risk arising from equity prices in respect of its trading and investment portfolios is immaterial.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The exchange rate of RMB to USD has gradually risen over the past two years. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

THE GROUP

| | At 31 December 2011 | | | | Total |
|--|---------------------|--------------------------|--------------------------|---------------------------------------|--------------------|
| | RMB | USD RMB equivalent | HKD RMB equivalent | Other currencies RMB equivalent | |
| Cash and balances with central bank | 50,651,701 | 8,526 | 2,541 | — | 50,662,768 |
| Deposits with banks and other financial institutions | 10,988,036 | 299,945 | 57,894 | 99,083 | 11,444,958 |
| Placements with banks and other financial institutions | 11,460,716 | — | — | — | 11,460,716 |
| Financial assets held for trading | 400,880 | — | — | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | 13,033,648 | — | — | — | 13,033,648 |
| Financial assets held under resale agreements | 42,296,805 | — | — | — | 42,296,805 |
| Loans and advances to customers | 138,691,297 | 130,533 | — | — | 138,821,830 |
| Available-for-sale financial assets | 1,599,597 | — | — | — | 1,599,597 |
| Held-to-maturity investments | 40,236,422 | — | — | — | 40,236,422 |
| Debt securities classified as receivables | 27,053,280 | — | — | — | 27,053,280 |
| Other financial assets | 2,414,596 | — | — | — | 2,414,596 |
| Total financial assets | 338,826,978 | 439,004 | 60,435 | 99,083 | 339,425,500 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE GROUP (Continued)

| | At 31 December 2011 | | | | Total |
|---|---------------------|--------------------------|--------------------------|---------------------------------------|--------------------|
| | RMB | USD RMB equivalent | HKD RMB equivalent | Other currencies RMB equivalent | |
| Borrowings from central bank | 30,000 | — | — | — | 30,000 |
| Deposits from banks and other financial institutions | 25,107,105 | — | — | — | 25,107,105 |
| Placements from banks | 2,149,818 | — | — | — | 2,149,818 |
| Financial liabilities designated as at fair value through profit or loss | 365,625 | — | — | — | 365,625 |
| Financial assets sold under repurchase agreements | 32,759,721 | — | — | — | 32,759,721 |
| Due to customers | 245,860,901 | 134,128 | 49,780 | 96,565 | 246,141,374 |
| Debt securities issued | 2,300,000 | — | — | — | 2,300,000 |
| Other financial liabilities | 4,281,013 | — | — | — | 4,281,013 |
| Total financial liabilities | 312,854,183 | 134,128 | 49,780 | 96,565 | 313,134,656 |
| Net position | 25,972,795 | 304,876 | 10,655 | 2,518 | 26,290,844 |

| | At 31 December 2010 | | | | Total |
|--|---------------------|--------------------------|--------------------------|---------------------------------------|--------------------|
| | RMB | USD RMB equivalent | HKD RMB equivalent | Other currencies RMB equivalent | |
| Cash and balances with central bank | 37,310,342 | 9,206 | 2,085 | — | 37,321,633 |
| Deposits with banks and other financial institutions | 7,131,529 | 4,175,643 | 5,897,191 | 15,874 | 17,220,237 |
| Placements with banks and other financial institutions | 2,000,000 | — | — | — | 2,000,000 |
| Financial assets held for trading | 482,159 | — | — | — | 482,159 |
| Financial assets designated as at fair value through profit or loss | 8,046,043 | — | — | — | 8,046,043 |
| Financial assets held under resale agreements | 37,158,018 | — | — | — | 37,158,018 |
| Loans and advances to customers | 117,114,024 | — | — | — | 117,114,024 |
| Available-for-sale financial assets | 1,426,285 | — | — | — | 1,426,285 |
| Held-to-maturity investments | 36,708,860 | — | — | — | 36,708,860 |
| Debt securities classified as receivables | 21,219,865 | — | — | — | 21,219,865 |
| Other financial assets | 1,955,013 | — | — | — | 1,955,013 |
| Total financial assets | 270,552,138 | 4,184,849 | 5,899,276 | 15,874 | 280,652,137 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE GROUP (Continued)

| | At 31 December 2010 | | | | Total |
|--|---------------------|--------------------------|--------------------------|---------------------------------------|--------------------|
| | RMB | USD RMB equivalent | HKD RMB equivalent | Other currencies RMB equivalent | |
| Deposits from banks and other financial institutions | 11,634,404 | 77,362 | — | — | 11,711,766 |
| Financial liabilities designated as at fair value through profit or loss | 444,806 | — | — | — | 444,806 |
| Financial assets sold under repurchase agreements | 35,762,687 | — | — | — | 35,762,687 |
| Due to customers | 205,071,128 | 99,471 | 378,754 | 13,669 | 205,563,022 |
| Debt securities issued | 2,300,000 | — | — | — | 2,300,000 |
| Other financial liabilities | 4,089,139 | — | — | — | 4,089,139 |
| Total financial liabilities | 259,302,164 | 176,833 | 378,754 | 13,669 | 259,871,420 |
| Net position | 11,249,974 | 4,008,016 | 5,520,522 | 2,205 | 20,780,717 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE BANK

| | At 31 December 2011 | | | | Total |
|---|---------------------|--------------------------|--------------------------|---------------------------------------|--------------------|
| | RMB | USD RMB equivalent | HKD RMB equivalent | Other currencies RMB equivalent | |
| Cash and balances with central bank | 50,574,821 | 8,526 | 2,541 | — | 50,585,888 |
| Deposits with banks and other financial institutions | 10,862,597 | 299,945 | 57,894 | 99,083 | 11,319,519 |
| Placements with banks and other financial institutions | 11,460,716 | — | — | — | 11,460,716 |
| Financial assets held for trading | 400,880 | — | — | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | 13,018,648 | — | — | — | 13,018,648 |
| Financial assets held under resale agreements | 42,296,805 | — | — | — | 42,296,805 |
| Loans and advances to customers | 138,091,808 | 130,533 | — | — | 138,222,341 |
| Available-for-sale financial assets | 1,599,597 | — | — | — | 1,599,597 |
| Held-to-maturity investments | 40,236,422 | — | — | — | 40,236,422 |
| Debt securities classified as receivables | 27,053,280 | — | — | — | 27,053,280 |
| Other financial assets | 2,412,242 | — | — | — | 2,412,242 |
| Total financial assets | 338,007,816 | 439,004 | 60,435 | 99,083 | 338,606,338 |
| Deposits from banks and other financial institutions | 25,124,040 | — | — | — | 25,124,040 |
| Placements from banks | 2,149,818 | — | — | — | 2,149,818 |
| Financial liabilities designated as at fair value through profit or loss | 365,625 | — | — | — | 365,625 |
| Financial assets sold under repurchase agreements | 32,666,590 | — | — | — | 32,666,590 |
| Due to customers | 245,452,363 | 134,128 | 49,780 | 96,565 | 245,732,836 |
| Debt securities issued | 2,300,000 | — | — | — | 2,300,000 |
| Other financial liabilities | 4,277,004 | — | — | — | 4,277,004 |
| Total financial liabilities | 312,335,440 | 134,128 | 49,780 | 96,565 | 312,615,913 |
| Net position | 25,672,376 | 304,876 | 10,655 | 2,518 | 25,990,425 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE BANK (Continued)

| | At 31 December 2010 | | | | Total |
|---|---------------------|--------------------------|--------------------------|---------------------------------------|--------------------|
| | RMB | USD RMB equivalent | HKD RMB equivalent | Other currencies RMB equivalent | |
| Cash and balances with central bank | 37,288,964 | 9,206 | 2,085 | — | 37,300,255 |
| Deposits with banks and other financial institutions | 6,889,927 | 4,175,643 | 5,897,191 | 15,874 | 16,978,635 |
| Placements with banks and other financial institutions | 2,000,000 | — | — | — | 2,000,000 |
| Financial assets held for trading | 482,159 | — | — | — | 482,159 |
| Financial assets designated as at fair value through profit or loss | 8,046,043 | — | — | — | 8,046,043 |
| Financial assets held under resale agreements | 37,158,018 | — | — | — | 37,158,018 |
| Loans and advances to customers | 116,932,354 | — | — | — | 116,932,354 |
| Available-for-sale financial assets | 1,426,285 | — | — | — | 1,426,285 |
| Held-to-maturity investments | 36,708,860 | — | — | — | 36,708,860 |
| Debt securities classified as receivables | 21,219,865 | — | — | — | 21,219,865 |
| Other financial assets | 1,954,562 | — | — | — | 1,954,562 |
| Total financial assets | 270,107,037 | 4,184,849 | 5,899,276 | 15,874 | 280,207,036 |
| Deposits from banks and other financial institutions | 11,601,496 | 77,362 | — | — | 11,678,858 |
| Financial liabilities designated as at fair value through profit or loss | 444,806 | — | — | — | 444,806 |
| Financial assets sold under repurchase agreements | 35,762,687 | — | — | — | 35,762,687 |
| Due to customers | 204,812,298 | 99,471 | 378,754 | 13,669 | 205,304,192 |
| Debt securities issued | 2,300,000 | — | — | — | 2,300,000 |
| Total financial liabilities | 4,087,519 | — | — | — | 4,087,519 |
| Total financial liabilities | 259,008,806 | 176,833 | 378,754 | 13,669 | 259,578,062 |
| Net position | 11,098,231 | 4,008,016 | 5,520,522 | 2,205 | 20,628,974 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on net profit and other comprehensive income.

THE GROUP AND THE BANK

| | Year ended 31 December | | | |
|-----------------|------------------------|----------------------------|------------|----------------------------|
| | 2011 | | 2010 | |
| | Net Profit | other comprehensive income | Net Profit | other comprehensive income |
| 5% appreciation | (11,927) | — | (357,403) | — |
| 5% depreciation | 11,927 | — | (357,403) | — |

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. The interest-generating assets and interest-bearing liabilities of the Group are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Bank's and the Group's financial assets and liabilities.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE GROUP

| | At 31 December 2011 | | | | | | Total |
|--|----------------------|-------------------|--------------------|-------------------|-------------------|-------------------------|--------------------|
| | Less than 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | |
| Cash and balances with central bank | 47,778,671 | — | — | — | — | 2,884,097 | 50,662,768 |
| Deposits with banks and other financial institutions | 4,782,291 | 2,172,537 | 4,290,130 | 200,000 | — | — | 11,444,958 |
| Placements with banks and other financial institutions | 1,381,261 | 411,961 | 8,587,596 | 1,079,898 | — | — | 11,460,716 |
| Financial assets held for trading | — | — | 400,880 | — | — | — | 400,880 |
| Financial assets designated as at fair value | | | | | | | |
| through profit or loss | 7,354,780 | 3,386,546 | 2,277,322 | 15,000 | — | — | 13,033,648 |
| Financial assets held under resale agreements | 12,996,278 | 13,430,658 | 15,869,869 | — | — | — | 42,296,805 |
| Loans and advances to customers | 45,716,225 | 20,112,747 | 61,391,424 | 11,533,982 | 67,452 | — | 138,821,830 |
| Available-for-sale financial assets | — | — | 99,572 | 611,354 | 853,124 | 35,547 | 1,599,597 |
| Held-to-maturity investments | — | 757,723 | 1,290,884 | 20,339,462 | 17,848,353 | — | 40,236,422 |
| Debt securities classified as receivables | 5,411,281 | 1,499,613 | 6,407,388 | 12,926,925 | 808,073 | — | 27,053,280 |
| Other financial assets | — | — | — | — | — | 2,414,596 | 2,414,596 |
| Total financial assets | 125,420,787 | 41,771,785 | 100,615,065 | 46,706,621 | 19,577,002 | 5,334,240 | 339,425,500 |
| Borrowings from central bank | — | — | 30,000 | — | — | — | 30,000 |
| Deposits from banks and other financial institutions | 1,568,018 | 10,670,117 | 10,289,064 | 2,579,906 | — | — | 25,107,105 |
| Placements from banks | 559,978 | 999,916 | 589,924 | — | — | — | 2,149,818 |
| Financial liabilities designated as at fair value | | | | | | | |
| through profit or loss | — | 335,625 | 30,000 | — | — | — | 365,625 |
| Financial assets sold under repurchase agreements | 12,631,901 | 9,226,707 | 10,901,113 | — | — | — | 32,759,721 |
| Due to customers | 127,009,510 | 26,551,460 | 68,882,105 | 23,575,046 | 123,253 | — | 246,141,374 |
| Debt securities issued | — | — | — | — | 2,300,000 | — | 2,300,000 |
| Other financial liabilities | — | — | — | — | 37,884 | 4,243,129 | 4,281,013 |
| Total financial liabilities | 141,769,407 | 47,783,825 | 90,722,206 | 26,154,952 | 2,461,137 | 4,243,129 | 313,134,656 |
| Interest rate gap | (16,348,620) | (6,012,040) | 9,892,859 | 20,551,669 | 17,115,865 | 1,091,111 | 26,290,844 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE GROUP (Continued)

| | At 31 December 2010 | | | | | | |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|--------------------|
| | Less than 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
| Cash and balances with central bank | 35,027,398 | — | — | — | — | 2,294,235 | 37,321,633 |
| Deposits with banks and other financial institutions | 9,787,380 | 4,686,857 | 2,046,000 | 700,000 | — | — | 17,220,237 |
| Placements with banks and other financial institutions | — | — | — | 2,000,000 | — | — | 2,000,000 |
| Financial assets held for trading | — | — | — | — | 482,159 | — | 482,159 |
| Financial assets designated as at fair value through profit or loss | 3,709,863 | 1,566,087 | 2,770,093 | — | — | — | 8,046,043 |
| Financial assets held under resale agreements | 17,139,933 | 9,230,502 | 10,787,583 | — | — | — | 37,158,018 |
| Loans and advances to customers | 74,694,126 | 5,450,765 | 30,736,334 | 4,789,592 | 1,443,207 | — | 117,114,024 |
| Available-for-sale financial assets | — | — | — | 240,790 | 1,140,722 | 44,773 | 1,426,285 |
| Held-to-maturity investments | 1,099,930 | 1,499,677 | 1,578,421 | 9,557,821 | 22,973,011 | — | 36,708,860 |
| Debt securities classified as receivables | 1,945,441 | 755,939 | 5,010,553 | 12,642,030 | 865,902 | — | 21,219,865 |
| Other financial assets | — | — | — | — | — | 1,955,013 | 1,955,013 |
| Total financial assets | 143,404,071 | 23,189,827 | 52,928,984 | 29,930,233 | 26,905,001 | 4,294,021 | 280,652,137 |
| Deposits from banks and other financial institutions | 7,803,766 | 2,708,000 | 1,200,000 | — | — | — | 11,711,766 |
| Financial liabilities designated as at fair value through profit or loss | — | — | 444,806 | — | — | — | 444,806 |
| Financial assets sold under repurchase agreements | 18,104,394 | 5,734,460 | 11,923,833 | — | — | — | 35,762,687 |
| Due to customers | 110,247,264 | 21,827,979 | 59,280,490 | 14,027,539 | 179,750 | — | 205,563,022 |
| Debt securities issued | — | — | — | — | 2,300,000 | — | 2,300,000 |
| Other financial liabilities | — | — | — | — | 37,884 | 4,051,255 | 4,089,139 |
| Total financial liabilities | 136,155,424 | 30,270,439 | 72,849,129 | 14,027,539 | 2,517,634 | 4,051,255 | 259,871,420 |
| Interest rate gap | 7,248,647 | (7,080,612) | (19,920,145) | 15,902,694 | 24,387,367 | 242,766 | 20,780,717 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE BANK

| | At 31 December 2011 | | | | | | Total |
|---|----------------------|-------------------|--------------------|-------------------|-------------------|-------------------------|--------------------|
| | Less than 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | |
| Cash and balances with central bank | 47,704,766 | — | — | — | — | 2,881,122 | 50,585,888 |
| Deposits with banks and other financial institutions | 4,656,852 | 2,172,537 | 4,290,130 | 200,000 | — | — | 11,319,519 |
| Placements with banks and other financial institutions | 1,381,261 | 411,961 | 8,587,596 | 1,079,898 | — | — | 11,460,716 |
| Financial assets held for trading | — | — | 400,880 | — | — | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | 7,354,780 | 3,386,546 | 2,277,322 | — | — | — | 13,018,648 |
| Financial assets held under resale agreements | 12,996,278 | 13,430,658 | 15,869,869 | — | — | — | 42,296,805 |
| Loans and advances to customers | 45,507,744 | 19,815,612 | 61,331,549 | 11,499,984 | 67,452 | — | 138,222,341 |
| Available-for-sale financial assets | — | — | 99,572 | 611,354 | 853,124 | 35,547 | 1,599,597 |
| Held-to-maturity investments | — | 757,723 | 1,290,884 | 20,339,462 | 17,848,353 | — | 40,236,422 |
| Debt securities classified as receivables | 5,411,281 | 1,499,613 | 6,407,388 | 12,926,925 | 808,073 | — | 27,053,280 |
| Other financial assets | — | — | — | — | — | 2,412,242 | 2,412,242 |
| Total financial assets | 125,021,962 | 41,474,650 | 100,555,190 | 46,657,623 | 19,577,002 | 5,328,911 | 338,606,338 |
| Deposits from banks and other financial institutions | 1,614,953 | 10,670,117 | 10,259,064 | 2,579,906 | — | — | 25,124,040 |
| Placements from banks | 559,978 | 999,916 | 589,924 | — | — | — | 2,149,818 |
| Financial liabilities designated as at fair value through profit or loss | — | 335,625 | 30,000 | — | — | — | 365,625 |
| Financial assets sold under repurchase agreements | 12,594,251 | 9,171,226 | 10,901,113 | — | — | — | 32,666,590 |
| Due to customers | 126,687,949 | 26,510,207 | 68,838,384 | 23,573,043 | 123,253 | — | 245,732,836 |
| Debt securities issued | — | — | — | — | 2,300,000 | — | 2,300,000 |
| Other financial liabilities | — | — | — | — | 37,884 | 4,239,120 | 4,277,004 |
| Total financial liabilities | 141,457,131 | 47,687,091 | 90,618,485 | 26,152,949 | 2,461,137 | 4,239,120 | 312,615,913 |
| Interest rate gap | (16,444,169) | (6,212,441) | 9,936,705 | 20,504,674 | 17,115,865 | 1,089,791 | 25,990,425 |

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE BANK (Continued)

| | At 31 December 2010 | | | | | | |
|--|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|--------------------|
| | Less than 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
| Cash and balances with central bank | 35,007,817 | — | — | — | — | 2,292,438 | 37,300,255 |
| Deposits with banks and other financial institutions | 9,545,778 | 4,686,857 | 2,046,000 | 700,000 | — | — | 16,978,635 |
| Placements with banks and other financial institutions | — | — | — | 2,000,000 | — | — | 2,000,000 |
| Financial assets held for trading | — | — | — | — | 482,159 | — | 482,159 |
| Financial assets designated as at fair value through profit or loss | 3,709,863 | 1,566,087 | 2,770,093 | — | — | — | 8,046,043 |
| Financial assets held under resale agreements | 17,139,933 | 9,230,502 | 10,787,583 | — | — | — | 37,158,018 |
| Loans and advances to customers | 74,694,126 | 5,450,765 | 30,560,109 | 4,784,147 | 1,443,207 | — | 116,932,354 |
| Available-for-sale financial assets | — | — | — | 240,790 | 1,140,722 | 44,773 | 1,426,285 |
| Held-to-maturity investments | 1,099,930 | 1,499,677 | 1,578,421 | 9,557,821 | 22,973,011 | — | 36,708,860 |
| Debt securities classified as receivables | 1,945,441 | 755,939 | 5,010,553 | 12,642,030 | 865,902 | — | 21,219,865 |
| Other financial assets | — | — | — | — | — | 1,954,562 | 1,954,562 |
| Total financial assets | 143,142,888 | 23,189,827 | 52,752,759 | 29,924,788 | 26,905,001 | 4,291,773 | 280,207,036 |
| Deposits from banks and other financial institutions | 7,770,858 | 2,708,000 | 1,200,000 | — | — | — | 11,678,858 |
| Financial liabilities designated as at fair value through profit or loss | — | — | 444,806 | — | — | — | 444,806 |
| Financial assets sold under repurchase agreements | 18,104,394 | 5,734,460 | 11,923,833 | — | — | — | 35,762,687 |
| Due to customers | 110,021,435 | 21,827,247 | 59,248,458 | 14,027,302 | 179,750 | — | 205,304,192 |
| Debt securities issued | — | — | — | — | 2,300,000 | — | 2,300,000 |
| Other financial liabilities | — | — | — | — | 37,884 | 4,049,635 | 4,087,519 |
| Total financial liabilities | 135,896,687 | 30,269,707 | 72,817,097 | 14,027,302 | 2,517,634 | 4,049,635 | 259,578,062 |
| Interest rate gap | 7,246,201 | (7,079,880) | (20,064,338) | 15,897,486 | 24,387,367 | 242,138 | 20,628,974 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net interest income and equity, based on the Bank's and the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

THE GROUP

| | Year ended 31 December | | | |
|-------------------|------------------------|----------------------------|---------------------|----------------------------|
| | 2011 | | 2010 | |
| | Net interest income | other comprehensive income | Net interest income | other comprehensive income |
| +100 basis points | 592,509 | (71,482) | 620,051 | (79,791) |
| -100 basis points | (592,509) | 75,700 | (620,051) | 86,100 |

THE BANK

| | Year ended 31 December | | | |
|-------------------|------------------------|----------------------------|---------------------|----------------------------|
| | 2011 | | 2010 | |
| | Net interest income | other comprehensive income | Net interest income | other comprehensive income |
| +100 basis points | 589,646 | (71,482) | 618,677 | (79,791) |
| -100 basis points | (589,646) | 75,700 | (618,677) | 86,100 |

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate available-for-sale financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

Notes to the Consolidated Financial Statements

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49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Capital management

The Bank's and the Group's objectives on capital management are to:

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

The CBRC requires that the capital adequacy ratio and core capital adequacy ratio for commercial banks shall not fall below 8% and 4% respectively. For commercial banks, supplementary capital shall not exceed 100% of core capital while long-term subordinated liabilities included in the supplementary capital should not exceed 50% of the core capital. When total positions of trading accounts exceed 10% of the on and off balance sheet total assets, or RMB8.5 billion, commercial banks must provide for market risk capital. At present, the Group is fully compliant with legal and regulatory requirements.

The on-balance sheet risk-weighted assets are measured according to the nature of, and are reflecting an estimate of credit, market and other risks associated with, each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses.

The Group computes the capital adequacy ratio in accordance with Decision of China Banking Regulatory Commission on Revising the Measures for the Management of Capital Adequacy Ratios of Commercial Banks, Notice from China Banking Regulatory Commission on the Relevant Issues on Calculating the Capital Adequacy Ratio After Banks and Financial Institutions Implementing <Accounting Standards for Business Enterprises> and other related regulations promulgated by the CBRC. The calculation of capital adequacy ratio has considered the impact of proposed dividend for 2011.

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Capital management (Continued)

THE GROUP

| | NOTES | At 31 December | |
|-------------------------------------|-------|----------------|------------|
| | | 2011 | 2010 |
| Core capital adequacy ratio | (1) | 13.71% | 14.78% |
| Capital adequacy ratio | (2) | 14.90% | 16.31% |
| Component of capital base | | | |
| Core capital: | | | |
| Share capital | | 9,300,000 | 9,000,000 |
| Capital reserve | | 9,201,954 | 8,202,717 |
| Surplus reserve and general reserve | | 5,570,747 | 2,479,666 |
| Unappropriated profit | | 2,499,419 | 2,646,308 |
| Non-controlling interests | | 155,382 | 85,244 |
| Core capital | | 26,727,502 | 22,413,935 |
| Deductions: | | | |
| Goodwill | | (440,129) | (440,129) |
| Other deductible item | | (42,598) | (68,936) |
| Net core capital | | 26,244,775 | 21,904,870 |

Notes to the Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

49. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Capital management (Continued)

THE GROUP (Continued)

| | NOTES | At 31 December | |
|--|-------|----------------|-------------|
| | | 2011 | 2010 |
| Fair value changes of financial assets held for trading | | 268 | — |
| Reserve of fair value changes of available-for-sale financial assets | (3) | — | 8,227 |
| Long-term subordinated bonds | | 2,300,000 | 2,300,000 |
| Total capital base before deductions | | 29,027,770 | 24,722,162 |
| Deductions: | | | |
| Goodwill | | (440,129) | (440,129) |
| Other deductible item | | (66,316) | (113,523) |
| Total capital base after deductions | | 28,521,325 | 24,168,510 |
| Risk-weighted assets and market risk capital adjustment | (4) | 191,473,095 | 148,206,651 |

Notes:

- (1) Core capital adequacy ratio is calculated by dividing the net amount of core capital, which is after deductions of 50% unconsolidated equity investments, by risk-weighted assets and market risk capital adjustment.
- (2) Capital adequacy ratio is calculated by dividing total capital base after deductions by risk-weighted assets and market risk capital adjustment.
- (3) The reserve arising from the cumulative net positive changes in the fair value of available-for-sale financial assets is excluded from the core capital and 50% of the balance is included in the supplementary capital.
- (4) The amount of market risk capital adjustment equals 12.5 times of the market risk capital.

Notes to the Consolidated Financial Statements

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50. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and quotes for similar instruments. Where such prices are not available, discounted cash flow analysis is adopted by using the applicable yield curve for the duration of the instruments, to the extent possible.
- The fair value of unlisted debt instruments issued by financial institutions is estimated based on the net asset value per unit reported by the issuers.

The tables below summarise the carrying amounts and fair values of those financial assets and liabilities not presented on the statements of financial position at their fair value. Financial assets and liabilities for which the carrying amounts approximates fair value, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, deposits from banks and other financial institutions, placements from banks and financial assets sold under repurchase agreements issued are not included in the tables below.

THE GROUP

| | At 31 December 2011 | | At 31 December 2010 | |
|---|---------------------|--------------------|---------------------|--------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Loans and advances to customers | 138,821,830 | 138,773,741 | 117,114,024 | 116,942,326 |
| Held-to-maturity investments | 40,236,422 | 40,586,268 | 36,708,860 | 36,753,352 |
| Debt securities classified as receivables | 27,053,280 | 27,240,730 | 21,219,865 | 21,137,637 |
| Total | 206,111,532 | 206,600,739 | 175,042,749 | 174,833,315 |
| Financial liabilities | | | | |
| Due to customers | 246,141,374 | 224,893,814 | 205,563,022 | 207,126,738 |
| Debt securities issued | 2,300,000 | 2,137,816 | 2,300,000 | 2,216,280 |
| Total | 248,441,374 | 227,031,630 | 207,863,022 | 209,343,018 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

THE BANK

| | At 31 December 2011 | | At 31 December 2010 | |
|---|---------------------|--------------------|---------------------|--------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Loans and advances to customers | 138,222,341 | 138,179,851 | 116,932,354 | 116,760,656 |
| Held-to-maturity investments | 40,236,422 | 40,586,268 | 36,708,860 | 36,753,352 |
| Debt securities classified as receivables | <u>27,053,280</u> | <u>27,240,730</u> | <u>21,219,865</u> | <u>21,137,637</u> |
| Total | <u>205,512,043</u> | <u>206,006,849</u> | <u>174,861,079</u> | <u>174,651,645</u> |
| Financial liabilities | | | | |
| Due to customers | 245,732,836 | 224,485,276 | 205,304,192 | 206,867,908 |
| Debt securities issued | <u>2,300,000</u> | <u>2,137,816</u> | <u>2,300,000</u> | <u>2,216,280</u> |
| Total | <u>248,032,836</u> | <u>226,623,092</u> | <u>207,604,192</u> | <u>209,084,188</u> |

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

THE GROUP

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|-------------------|----------|-------------------|
| At 31 December 2011 | | | | |
| Financial assets held for trading | — | 400,880 | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | — | 13,033,648 | — | 13,033,648 |
| Available-for-sale financial assets | 24,434 | 1,564,050 | — | 1,588,484 |
| Total assets | 24,434 | 14,998,578 | — | 15,023,012 |
| Financial Liabilities designated as at fair value through profit or loss | — | (365,625) | — | (365,625) |
| Total liabilities | — | (365,625) | — | (365,625) |
| At 31 December 2010 | | | | |
| Financial assets held for trading | — | 482,159 | — | 482,159 |
| Financial assets designated as at fair value through profit or loss | — | 8,046,043 | — | 8,046,043 |
| Available-for-sale financial assets | 33,660 | 1,381,512 | — | 1,415,172 |
| Total assets | 33,660 | 9,909,714 | — | 9,943,374 |
| Financial Liabilities designated as at fair value through profit or loss | — | (444,806) | — | (444,806) |
| Total liabilities | — | (444,806) | — | (444,806) |

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2011

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

THE BANK

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------|-------------------|----------|-------------------|
| At 31 December 2011 | | | | |
| Financial assets held for trading | — | 400,880 | — | 400,880 |
| Financial assets designated as at fair value through profit or loss | — | 13,018,648 | — | 13,018,648 |
| Available-for-sale financial assets | 24,434 | 1,564,050 | — | 1,588,484 |
| Total assets | 24,434 | 14,983,578 | — | 15,008,012 |
| Financial Liabilities designated as at fair value through profit or loss | — | (365,625) | — | (365,625) |
| Total liabilities | — | (365,625) | — | (365,625) |
| At 31 December 2010 | | | | |
| Financial assets held for trading | — | 482,159 | — | 482,159 |
| Financial assets designated as at fair value through profit or loss | — | 8,046,043 | — | 8,046,043 |
| Available-for-sale financial assets | 33,660 | 1,381,512 | — | 1,415,172 |
| Total assets | 33,660 | 9,909,714 | — | 9,943,374 |
| Financial Liabilities designated as at fair value through profit or loss | — | (444,806) | — | (444,806) |
| Total liabilities | — | (444,806) | — | (444,806) |

There were no significant transfers between Level 1 and 2 during each year.

51. EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount)

The following financial information was disclosed on basis of the contractual amount of loans for the purpose of providing the information for the management to evaluate financial risks. (Please refer to page 238 for the basis of preparation of loans and advances to customers shown as contractual amount)

(1) Distributions of loans and advances to customers by corporate and by retail customers are set out as follows:

THE GROUP

| | At 31 December | |
|---|----------------|-----------|
| | 2011 | 2010 |
| Corporate loans and advances | | |
| — Loans | 92,422.0 | 76,612.8 |
| — Discounted bills | 252.2 | 2,929.4 |
| — Trade financing | 131.4 | 2.5 |
| Subtotal | 92,805.6 | 79,544.7 |
| Retail loans and advances | | |
| — Residential and commercial mortgage loans | 30,835.4 | 24,003.0 |
| — Personal loans for business purposes | 14,403.3 | 11,289.5 |
| — Loans to farmers | 2,101.5 | 3,163.3 |
| — Others | 4,198.6 | 4,144.6 |
| Subtotal | 51,538.8 | 42,600.4 |
| Total loans and advances to customers | 144,344.4 | 122,145.1 |
| Allowance for impairment losses | (5,522.6) | (5,031.1) |
| Include: Individually assessed | (475.2) | (624.3) |
| Collectively assessed | (5,047.4) | (4,406.8) |
| Loans and advances to customers, net | 138,821.8 | 117,114.0 |

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(1) Distributions of loans and advances to customers by corporate and by retail customers are set out as follows: (Continued)

THE BANK

| | At 31 December | |
|---|----------------|-----------|
| | 2011 | 2010 |
| Corporate loans and advances | | |
| — Loans | 92,211.9 | 76,593.9 |
| — Discounted bills | 139.0 | 2,929.4 |
| — Trade financing | 131.4 | 2.5 |
| Subtotal | 92,482.3 | 79,525.8 |
| Retail loans and advances | | |
| — Residential and commercial mortgage loans | 30,831.3 | 24,003.0 |
| — Personal loans for business purposes | 14,143.3 | 11,125.0 |
| — Loans to farmers | 2,101.5 | 3,163.3 |
| — Others | 4,180.2 | 4,144.6 |
| Subtotal | 51,256.3 | 42,435.9 |
| Total loans and advances to customers | 143,738.6 | 121,961.7 |
| Allowance for impairment losses | (5,516.3) | (5,029.3) |
| Include: Individually assessed | (475.2) | (624.3) |
| Collectively assessed | (5,041.1) | (4,405.0) |
| Loans and advances to customers, net | 138,222.3 | 116,932.4 |

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(2) Analysis of loans and advances to customers by collective and individual assessments

THE GROUP

| | Loans and advances for which allowance is collectively assessed ⁽¹⁾ | Identified impaired loans and advances ⁽²⁾ | | Subtotal | Total | Identified impaired loans and advances as a % of gross total loans and advances |
|--------------------------------------|--|---|--|----------------|------------------|---|
| | | For which allowance is collectively assessed | For which allowance is individually assessed | | | |
| At 31 December 2011 | | | | | | |
| Gross loans and advances | 142,262.8 | 1,092.4 | 989.2 | 2,081.6 | 144,344.4 | 1.44 |
| Allowance for impairment losses | (4,147.0) | (900.4) | (475.2) | (1,375.6) | (5,522.6) | |
| Loans and advances to customers, net | <u>138,115.8</u> | <u>192.0</u> | <u>514.0</u> | <u>706.0</u> | <u>138,821.8</u> | |
| At 31 December 2010 | | | | | | |
| Gross loans and advances | 119,233.8 | 1,508.8 | 1,402.5 | 2,911.3 | 122,145.1 | 2.38 |
| Allowance for impairment losses | (3,262.3) | (1,144.5) | (624.3) | (1,768.8) | (5,031.1) | |
| Loans and advances to customers, net | <u>115,971.5</u> | <u>364.3</u> | <u>778.2</u> | <u>1,142.5</u> | <u>117,114.0</u> | |

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(2) Analysis of loans and advances to customers by collective and individual assessments (Continued)

THE BANK

| | Loans and advances for which allowance is collectively assessed ⁽¹⁾ | Identified impaired loans and advances ⁽²⁾ | | Subtotal | Total | Identified impaired loans and advances as a % of gross total loans and advances |
|--------------------------------------|--|---|--|----------------|------------------|---|
| | | For which allowance is collectively assessed | For which allowance is individually assessed | | | |
| At 31 December 2011 | | | | | | |
| Gross loans and advances | 141,657.0 | 1,092.4 | 989.2 | 2,081.6 | 143,738.6 | 1.45 |
| Allowance for impairment losses | (4,140.7) | (900.4) | (475.2) | (1,375.6) | (5,516.3) | |
| Loans and advances to customers, net | <u>137,516.3</u> | <u>192.0</u> | <u>514.0</u> | <u>706.0</u> | <u>138,222.3</u> | |
| At 31 December 2010 | | | | | | |
| Gross loans and advances | 119,050.4 | 1,508.8 | 1,402.5 | 2,911.3 | 121,961.7 | 2.39 |
| Allowance for impairment losses | (3,260.5) | (1,144.5) | (624.3) | (1,768.8) | (5,029.3) | |
| Loans and advances to customers, net | <u>115,789.9</u> | <u>364.3</u> | <u>778.2</u> | <u>1,142.5</u> | <u>116,932.4</u> | |

Notes: (1) Loan and advances for which allowance is collectively assessed consist of loans and advances which have not been specially identified as impaired.

(2) Identified impaired loans and advances for which objective evidence of impairment exists and which have been identified as bearing an impairment loss and assessed either individually or collectively.

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(3) Movement of allowance for impairment losses on loans and advances to customers

THE GROUP

| | Individually assessed allowance | Collectively assessed allowance | Total |
|---|---------------------------------------|---------------------------------------|----------------|
| As at 1 January 2010 | 946.9 | 4,058.5 | 5,005.4 |
| Net (reversals)/additions | (422.8) | 427.6 | 4.8 |
| Written off | (40.9) | (373.2) | (414.1) |
| Recovery of loans and advances written off in previous years | 224.7 | 350.3 | 575.0 |
| Unwinding of discount on allowance | (83.6) | (56.4) | (140.0) |
| As at 31 December 2010 | <u>624.3</u> | <u>4,406.8</u> | <u>5,031.1</u> |
| Charge for the year | (111.0) | 1,260.7 | 1,370.7 |
| Reverse for the year | (319.7) | (496.2) | (815.9) |
| Written off | (83.8) | (368.1) | (451.9) |
| Recovery of loans and advances written off in previous years | 211.4 | 280.1 | 491.5 |
| Unwinding of discount on allowance | (67.0) | (35.9) | (102.9) |
| As at 31 December 2011 | <u>475.2</u> | <u>5,047.4</u> | <u>5,522.6</u> |

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(3) Movement of allowance for impairment losses on loans and advances to customers (Continued)

THE BANK

| | Individually assessed allowance | Collectively assessed allowance | Total |
|---|---------------------------------------|---------------------------------------|----------------|
| As at 1 January 2010 | 946.9 | 4,058.5 | 5,005.4 |
| Net (reversals)/additions | (422.8) | 425.8 | 3.0 |
| Written off | (40.9) | (373.2) | (414.1) |
| Recovery of loans and advances written off in previous years | 224.7 | 350.3 | 575.0 |
| Unwinding of discount on allowance | (83.6) | (56.4) | (140.0) |
| As at 31 December 2010 | <u>624.3</u> | <u>4,405.0</u> | <u>5,029.3</u> |
| Charge for the year | (110.0) | 1,256.2 | 1,366.2 |
| Reverse for the year | (319.7) | (496.2) | (815.9) |
| Written off | (83.8) | (368.1) | (451.9) |
| Recovery of loans and advances written off in previous years | 211.4 | 280.1 | 491.5 |
| Unwinding of discount on allowance | (67.0) | (35.9) | (102.9) |
| As at 31 December 2011 | <u>475.2</u> | <u>5,041.1</u> | <u>5,516.3</u> |

Liquidity ratios

| (Expressed in percentage) | At 31 December | |
|--|----------------|---------------|
| | 2011 | 2010 |
| RMB current assets to RMB current liabilities | <u>28.38</u> | <u>26.45</u> |
| Foreign currency current assets to foreign currency current liabilities | <u>208.58</u> | <u>946.03</u> |

Core liabilities ratios

| (Expressed in percentage) | At 31 December | |
|---------------------------|----------------|--------------|
| | 2011 | 2010 |
| Core liabilities ratios | <u>57.49</u> | <u>56.10</u> |

The above liquidity ratios and core liabilities ratios are calculated in accordance with the formula promulgated by CBRC.

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Currency concentrations

THE GROUP AND THE BANK

| | Equivalent in Renminbi | | | Total |
|---------------------|------------------------|-------------------|------------|----------------|
| | US Dollars | Hong Kong Dollars | Others | |
| At 31 December 2011 | | | | |
| Spot assets | 439.0 | 60.4 | 99.1 | 598.5 |
| Spot liabilities | (134.1) | (49.8) | (96.6) | (280.5) |
| Net position | <u>304.9</u> | <u>10.6</u> | <u>2.5</u> | <u>318.0</u> |
| At 31 December 2010 | | | | |
| Spot assets | 4,184.8 | 5,899.3 | 15.9 | 10,100.0 |
| Spot liabilities | (176.8) | (378.8) | (13.7) | (569.3) |
| Net position | <u>4,008.0</u> | <u>5,520.5</u> | <u>2.2</u> | <u>9,530.7</u> |

Overdue assets

Total loans and advances to customers which have been overdue are set out as follows:

THE GROUP

| | At 31 December | |
|----------------------------|-----------------------|-----------------------|
| | 2011 | 2010 |
| Below 3 months (inclusive) | 1,633.0 | 1,561.6 |
| Between 3 and 12 months | 392.8 | 952.8 |
| Over 12 months | <u>1,663.7</u> | <u>2,059.2</u> |
| Total | <u><u>3,689.5</u></u> | <u><u>4,573.6</u></u> |
| Percentage | | |
| Below 3 months | 44.26 | 34.14 |
| Between 3 and 12 months | 10.65 | 20.83 |
| Over 12 months | <u>45.09</u> | <u>45.03</u> |
| Total | <u><u>100.00</u></u> | <u><u>100.00</u></u> |

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Summary of Information on Geographical Segments

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

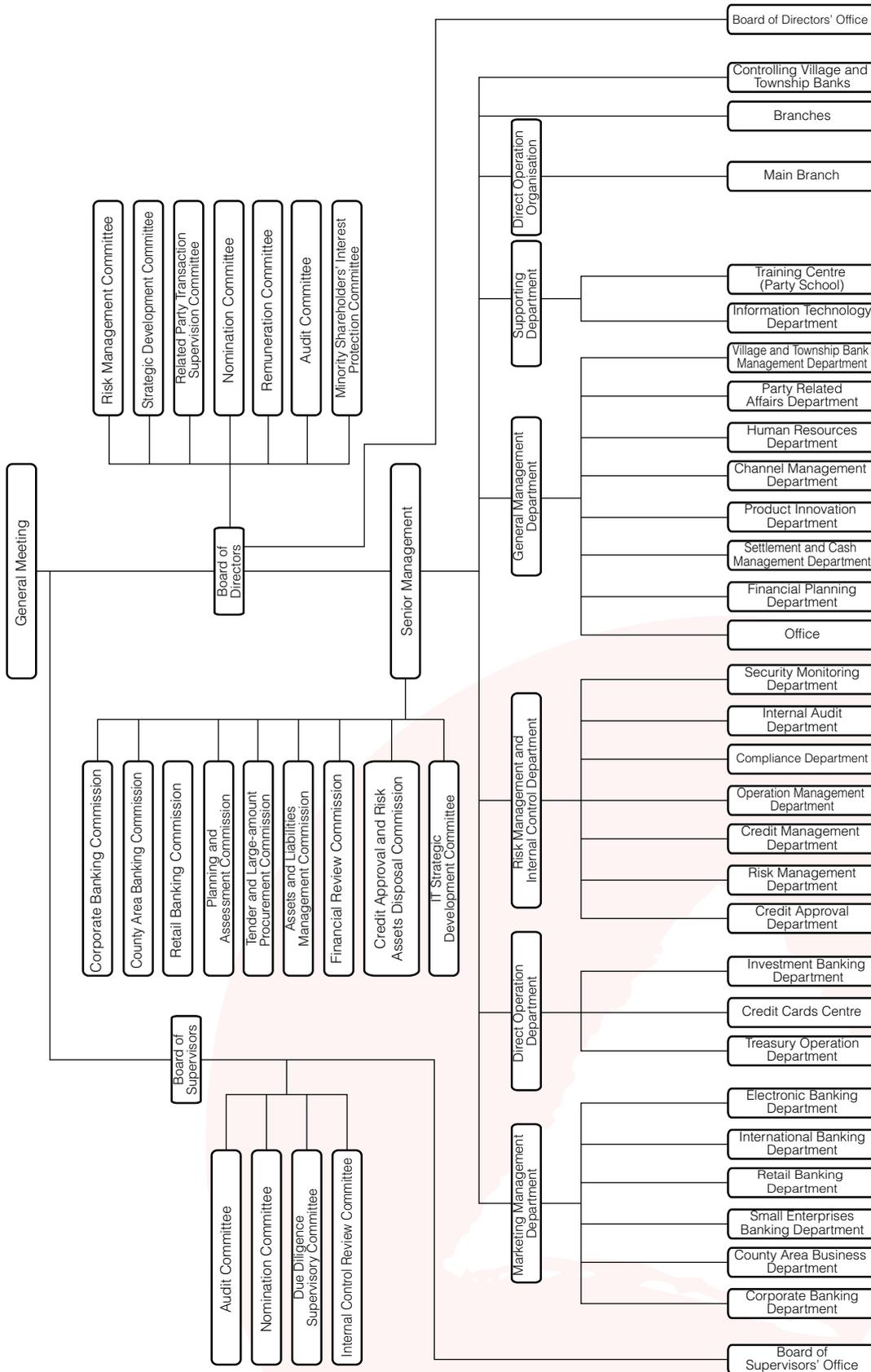
| | For the year ended 31 December | | | | | |
|---|--------------------------------|------------|----------|----------------------------|------------|---------|
| | 2011 | | | 2010 | | |
| | County Area ⁽¹⁾ | Urban Area | Total | County Area ⁽¹⁾ | Urban Area | Total |
| Net interest income | 1,921.4 | 8,583.6 | 10,505.0 | 2,002.8 | 5,499.0 | 7,501.8 |
| Net fee and commission income | 321.9 | 313.5 | 635.4 | 103.4 | 182.4 | 285.8 |
| Net trading loss and gain | — | 23.4 | 23.4 | — | (46.2) | (46.2) |
| Other operating loss and gain, net | 69.1 | (114.6) | (45.5) | 39.0 | (35.8) | 3.2 |
| Total operating income | 2,312.4 | 8,805.9 | 11,118.3 | 2,145.2 | 5,599.4 | 7,744.6 |
| Internal transfer of income and expense | 3,230.6 | (3,230.6) | — | 1,972.7 | (1,972.7) | — |
| Gain after adjustment | 5,543.0 | 5,575.3 | 11,118.3 | 4,117.9 | 3,626.7 | 7,744.6 |

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of three subsidiaries, namely Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd. (江蘇張家港華信村鎮銀行股份有限公司), Sichuan Dazhu Longyuan Village and Township Bank Co., Ltd. (四川大竹隆源村鎮銀行股份有限公司) and Yunnan Dali Haidong Village and Township Bank Co., Ltd. (雲南大理海東村鎮銀行有限責任公司).

Summary of geographical segment

| (Expressed in percentage) | At 31 December | | | | | | | | | |
|---|----------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|
| | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
| | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area | County Area | Urban Area |
| Deposits | 66.79 | 33.21 | 66.66 | 33.34 | 69.69 | 30.31 | 74.26 | 25.74 | 74.07 | 25.93 |
| Loans | 46.80 | 53.20 | 47.76 | 52.24 | 45.28 | 54.72 | 55.30 | 44.70 | 59.27 | 40.73 |
| Assets | 46.67 | 53.33 | 48.80 | 51.20 | 54.99 | 45.01 | 53.83 | 46.17 | 55.21 | 44.79 |
| Return on average total assets | 1.34 | 1.35 | 1.31 | 1.20 | 1.01 | 1.05 | 1.07 | 1.76 | 4.12 | 1.64 |
| Net fee and commission income to operating income | 5.81 | 5.62 | 2.51 | 5.03 | 2.56 | 2.15 | 1.58 | 1.18 | 0.61 | 1.87 |
| Cost-to-income ratio | 38.61 | 34.69 | 44.46 | 44.34 | 56.32 | 37.20 | 52.34 | 26.12 | 28.20 | 31.76 |
| Loan-deposit ratio | 41.09 | 93.94 | 42.57 | 93.09 | 43.02 | 119.55 | 49.43 | 115.27 | 62.62 | 122.93 |
| Non-performing loan ratio | 2.75 | 0.29 | 4.32 | 0.61 | 7.20 | 1.13 | 12.82 | 3.57 | 17.72 | 6.68 |
| Allowance to non-performing loans ratio | 208.13 | 746.14 | 137.16 | 404.25 | 107.45 | 229.32 | 80.99 | 94.30 | 64.53 | 58.66 |

Organization Chart





Branches and Subsidiaries

Branches

Yuzhong Branch

Address: No. 142 Xinhua Road,
Yuzhong District, Chongqing City,
Songqing Road, China

Postal Code: 400011

Tel: 023-63702177

Fax: 023-63716557

Jiangbei Branch

Address: 8-1, No. 7, Buxing Street,
Guanyin Bridge, Jiangbei District,
Chongqing City, China

Postal Code: 400020

Tel: 023-67721582

Fax: 023-67723755

Xiyong Branch

Address: No. 28 Xiyong Avenue,
Shapingba District,
Chongqing City, China

Postal Code: 401333

Tel: 023-65518880

Fax: 023-65518880

Nan'an Branch

Address: No. 24 Jiangnan Avenue,

Postal Code: 400060

Tel: 023-62947564

Fax: 023-62947517

Dadukou Branch

Address: 3/F, Block A1,
Tianchenhuafu District,
Dadukou District,
Chongqing City, China

Postal Code: 400084

Tel: 023-68917939

Fax: 023-68901484

Shapingba Branch

Address: No. 118 Xiaoyanggong Bridge,
Shapingba District,
Chongqing City, China

Postal Code: 400030

Tel: 023-65330998

Fax: 023-65332566

Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping,
Jiulongpo District,
Chongqing City, China

Postal Code: 400050

Tel: 023-86105779

Fax: 023-68437557

Hi-tech Branch (Secondary Branch)

Address: Block 15, Tongtian Land,
No. 98 Kecheng Road,
Jiulongpo District,
Chongqing City, China

Postal Code: 400050

Tel: 023-68198061

Fax: 023-68198791

Beibei District

Address: No. 20 Beixia West Road, Beibei
 Postal Code: 400700
 Tel: 023-68864083
 Fax: 023-68862728

Yubei Branch

Address: No. 93 Shuanglong Avenue,
 Yubei District,
 Chongqing City, China
 Postal Code: 401120
 Tel: 023-67813712
 Fax: 023-67813711

Ba'nán Branch

Address: No. 107 Baxian Avenue,
 Ba'nán District,
 Chongqing City, China
 Postal Code: 401320
 Tel: 023-66212977
 Fax: 023-66222960

Shuangqiao Branch

Address: No. 6, 1/F, Block A,
 Shidai Plaza,
 Shuangqiao District,
 Chongqing City, China
 Postal Code: 400900
 Tel: 023-43336060
 Fax: 023-43336060

Changshou Branch

Address: No. 13 Xiangyang Road,
 Fengcheng Street Office,
 Changshou District,
 Chongqing City, China
 Postal Code: 401220
 Tel: 023-40245293
 Fax: 023-40258075

Liangjiang New Zone Branch

Address: No. 21, 23, 25 Jintong Road,
 New North zone,
 Chongqing City, China
 Postal Code: 401122
 Tel: 023-88502278
 Fax: 023-88502276

New North Zone Branch (Secondary Branch)

Address: Unit 5, No. 8 Jincheng Road,
 Yubei District,
 Chongqing City, China
 Postal Code: 401147
 Tel: 023-63218501
 Fax: 023-63218535

Wansheng Branch

Address: No. 36 Wandong North Road,
 Wansheng District,
 Chongqing City, China
 Postal Code: 400800
 Tel: 023-48299505
 Fax: 023-48299504

Fuling Branch

Address: No. 55 Xinghua Middle Road,
Fuling District,
Chongqing City, China

Postal Code: 408000

Tel: 023-72229797

Fax: 023-72237722

Tongnan Branch

Address: No. 4, Xingtong Avenue,
Guilin Street Office,
Tongnan County,
Chongqing City, China

Postal Code: 402660

Tel: 023-44553817

Fax: 023-44554249

Jiangjin Branch

Address: Block E, Jinhui Garden,
Binjiang West Road,
Jijiang Street Office,
Jiangjin District,
Chongqing City, China

Postal Code: 402260

Tel: 023-47538041

Fax: 023-47522632

Dazu Branch

Address: No. 21-35 Beihuan Middle Road,
Longgang Street Office,
Dazu County,
Chongqing City, China

Postal Code: 402360

Tel: 023-43789737

Fax: 023-43722323

Hechuan Branch

Address: No. 2 Jiuchang Road,
Hechuan District,
Chongqing City, China

Postal Code: 401520

Tel: 023-42835168

Fax: 023-42841214

Yongchuan Branch

Address: No. 6 Guangchang Street,
Yongchuan District,
Chongqing City, China

Postal Code: 402160

Tel: 023-49863765

Fax: 023-49885099

Nanchuan Branch

Address: No. 28 Jinfo Avenue,
Nanchuan District,
Chongqing City, China

Postal Code: 408400

Tel: 023-71423626

Fax: 023-71429898

Qijiang Branch

Address: No. 38 Longjiao Road, Gunan Town,
Qijiang County,
Chongqing City, China

Postal Code: 401420

Tel: 023-48663010

Fax: 023-48658598

Tongliang Branch

Address: No. 102 Zhongxing Road,
Bachuan Street,
Tongliang County,
Chongqing City, China

Postal Code: 402560

Tel: 023-45689247

Fax: 023-45682975

Rongchang Branch

Address: No. 106 Haitang Avenue,
Changzhou Street Office,
Rongchang County,
Chongqing City, China

Postal Code: 402460

Tel: 023-46730454

Fax: 023-46739122

Bishan Branch

Address: No. 4 Bitong Road,
Bicheng Street Office,
Bishan County,
Chongqing City, China

Postal Code: 402760

Tel: 023-41401133

Fax: 023-41427834

Liangping Branch

Address: No. 1, Block 26,
Minghao Commercial Area,
Liangshan Town,
Liangping County,
Chongqing City, China

Postal Code: 405200

Tel: 023-53223401

Fax: 023-53223401

Fengdu Branch

Address: No. 187 2nd Shangye Road,
Sanhe Town, Fengdu County,
Chongqing City, China

Postal Code: 408200

Tel: 023-70736444

Fax: 023-70736533

Zhong County Branch

Address: No. 6 Zhoupinghuan Road,
Zhongzhou Town,
Zhong County,
Chongqing City, China

Postal Code: 404300

Tel: 023-54243943

Fax: 023-54243942

Wanzhou Branch

Address: No. 99 Taibai Road,
Wanzhou District,
Chongqing City, China

Postal Code: 404100

Tel: 023-58156268

Fax: 023-58156260

Chengkou Branch

Address: No. 30 South Street,
Gecheng Town,
Chengkou County,
Chongqing City, China

Postal Code: 405900

Tel: 023-59221503

Fax: 023-59221093

Dianjiang Branch

Address: No. 12 Renmin East Road,
Guixi Town, Dianjiang County,
Chongqing City, China

Postal Code: 408300

Tel: 023-74511543

Fax: 023-74685719

Kai County Branch

Address: No. 2 Xincheng Yangliu Road,
Hanfeng Town, Kai County,
Chongqing City, China

Postal Code: 405400

Tel: 023-52250701

Fax: 023-52250853

Yunyang Branch

Address: No. 1335 Yunjiang Avenue,
Shuangjiang Town,
Yunyang County,
Chongqing City, China

Postal Code: 404500

Tel: 023-55161488

Fax: 023-55161499

Wushan Branch

Address: No. 258 Guangdong East Road,
Wushan County,
Chongqing City, China

Postal Code: 404700

Tel: 023-57680904

Fax: 023-57680901

Qianjiang Branch

Address: No. 599 Jiefang Road,
Qianjiang District,
Chongqing City, China

Postal Code: 409000

Tel: 023-79237426

Fax: 023-79236496

Shizhu Branch

Address: No. 41 Xinkai Road, Nanbin Town,
Shizhu Tujia Autonomous County,
Chongqing City, China

Postal Code: 409100

Tel: 023-73332466

Fax: 023-73337976

Fengjie Branch

Address: No. 32 Gongping Lane,
Yong'an Town, Fengjie County,
Chongqing City, China

Postal Code: 404600

Tel: 023-56560397

Fax: 023-56560229

Wuxi Branch

Address: No. 28 Jiefang Street,
Chengxiang Town,
Wuxi County,
Chongqing City, China

Postal Code: 405800

Tel: 023-51520567

Fax: 023-51520766

Wulong Branch

Address: No. 36 Furong Middle Road,
Xiangkou Town, Wulong County,
Chongqing City, China

Postal Code: 408500

Tel: 023-77723233

Fax: 023-77722595

Xiushan Branch

Address: Shizi Street, Yuxiu Avenue,
Zhonghe Town,
Xiushan Tujia and
Miao Autonomous County,
Chongqing City, China

Postal Code: 409900

Tel: 023-76664159

Fax: 023-76671163

Youyang Branch

Address: No. 5, Taohuayuan Middle Road,
Zhongduo Town,
Youyang Tujia and
Miao Autonomous County,
Chongqing City, China

Postal Code: 409800

Tel: 023-75532959

Fax: 023-75552534

Pengshui Branch

Address: Jinshan Plaza, Shizui Street,
Hanjia Town,
Pengshui Miao and
Tujia Autonomous County,
Chongqing City, China

Postal Code: 409600

Tel: 023-78492863

Fax: 023-78849965

VILLAGE AND TOWNSHIP BANKS

**Jiangsu Zhangjiagang Huaxin Village and
Township Bank Co., Ltd.**

Address: No. 487 and 489 Chang'an Road,
Zhangjiagang City,
Jiangsu Province, China

Postal Code: 215600

Tel: 0512-58918989

Fax: 0512-58918969

**Yunnan Dali Haidong Village and
Township Bank Co., Ltd.**

Address: No. 176 Yangbi Road,
Economic Development Zone,
Dali Prefecture,
Yunnan Province, China

Postal Code: 671000

Tel: 0872-2188579

Fax: 0872-2188667

**Sichuan Dazhu Longyuan
County Bank Co., Ltd.**

Address: Block H8/9,
Huangge Commercial Plaza,
Xinhua Road East,
Zhuyang Town, Dazhu County,
Sichuan Province, China

Postal Code: 635100

Tel: 0818-6256123

Fax: 0818-6256616

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

| | |
|---|---|
| “PRC” or “China” | the People’s Republic of China |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Bank” or “our Bank” | Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) |
| “Group” | Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries |
| “Yuan” | RMB yuan |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “HKD” or “HK\$” or “HK dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “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) |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Listing Rules of Hong Kong Stock Exchange” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Listing” | the listing of H shares on the Main Board of the Hong Kong Stock Exchange |
| “Listing Date” | the date on which dealing in the H shares commenced on the Hong Kong Stock Exchange, i.e. December 16, 2010 |
| “Domestic Shares” | ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each |

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|---|---|
| “Selling Shareholders” | collectively, Chongqing Yufu Assets Management (Group) Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Transport and Travel Investment Group Limited Company (重慶交通旅遊投資集團有限公司), Chongqing Water Conservancy Investment Group Co., Ltd (重慶市水利投資(集團)有限公司), Chongqing Agriculture Investment (Group) Co., LTD.(重慶市農業投資(集團)有限公司), Chongqing Yulong Asset Management (Group) Company Limited (重慶渝隆資產經營(集團)有限公司), Chongqing Gaoke Group Co., Ltd (重慶高科集團有限公司), Southwest Aluminium (Group) Co., Ltd. (西南鋁業(集團)有限責任公司), Chongqing City South Bank Asset Management Company Limited (重慶市南岸資產經營管理有限公司), and Chongqing Jiangnan City Asset Operation Management Limited Co., Ltd (重慶市江南城市建設資產經營管理有限公司) |
| “County Area” or “County Areas” | areas in Chongqing other than the urban area or urban areas, such areas consisted of 29 districts and counties. The figures about these districts and counties referred to herein shall also include those of the three subsidiaries including Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd., Sichuan Dazhu Longyuan County Bank Co., Ltd. and Yunnan Dali Haidong Village and Township Bank Co., Ltd. |
| “Two Wings” | the “Two Wings” include the “Northeast Wing of Chongqing”, which covers towns in the Three Gorges Reservoir area with Wanzhou (萬州) as the center, and the “Southeast Wing of Chongqing”, which covers towns in the Southeast of Chongqing with Qianjiang (黔江) as the center |
| “Sannong” | a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers” |
| “Three Rights” | the abbreviation of the contracted operating right of rural land, rural residential right and forest rights |
| “Three Major Centers” | Chongqing’s unwavering efforts in promoting the development of economic hubs, financial hubs and technological innovation hubs in the upper stream of the Yangtze River |
| “Three Gaps” | refers to the abbreviation of the gaps between regions, districts and cities as well as the rich and the poor |
| “industries with high pollution, high energy consumption and excess capacity” | industries with high pollution, high energy consumption and excess capacity |

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|--|---|
| “NFC” | near field communication |
| “SD” | single wire protocol secure digital memory card |
| “FTP System” | the fund transfer pricing system |
| “Village and Township Banks” | bank institutions that are approved by CBRC (中國銀監會) to be incorporated in rural areas to provide services to local farmers or enterprises. |
| “Third Document of National Development” | “Opinions on Promoting of Coordinated Urban and Rural Development and Reform of Chongqing” (Guofa [2009] No.3) issued by the State Council on January 26, 2009 |
| “Twelfth Five-year Plan” | the “twelfth five-year plan” |
| “Five Chongqings” | On July 20, 2008, the strategic layout put forward in the 3rd general meeting of the 3rd session of Chongqing Municipal Committee of CPC (中共重慶市委三屆三次全委會), being the abbreviation of “Comfortable Chongqing”, “Accessible Chongqing”, “Green Chongqing”, “Safe Chongqing” and “Robust Chongqing” |
| “Ten Principles of People’s Well-being” | In June 2010, the 7th general meeting the 3rd session of Chongqing Municipal Committee of CPC was held to discuss and study livelihood issue as its focus, which resolved to make a stride, in two and a half year of time, in solving the top ten livelihood problems such as public housing and residence registration of migrant workers over which the general public are most concerned. These top ten livelihood issues were abbreviated as “Ten Principles of People’s Well-being” |
| “Twelve Principles of Common Wealth” | From July 20 to 21, 2011, the 9th general meeting of the third session of Chongqing Municipal Committee of CPC was convened with a theme of “Bridging Three Gaps to Achieve Common Wealth”, in which it hammered out 12 measures to this end. These 12 measures were abbreviated as the “Twelve Principles of Common Wealth” |
| “SFO” | Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong |



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