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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

RESULTS ANNOUNCEMENT FOR THE YEAR 2012

The board of directors of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) (the “**Board**”) is pleased to announce the audited annual results of the Bank and its subsidiaries (the “**Group**”) for the twelve months ended December 31, 2012. This announcement contains the full text of the annual report of the Group for the twelve months ended December 31, 2012 and the contents were prepared in accordance with the relevant disclosure requirements of the Listing Rules of the Hong Kong Stock Exchange and the International Financial Reporting Standards. The annual financial information prepared by the Group for the twelve months ended December 31, 2012 has been audited by Deloitte Touche Tohmatsu in accordance with the International Standards on Auditing. The annual results have also been reviewed by the Audit Committee of the Bank (the “**Audit Committee**”). This results announcement is also published on the websites of the Bank (www.cqrcb.com) and HKEx (www.hkexnews.hk). The annual report of the Bank for the twelve months ended December 31, 2012 will be despatched to shareholders and will also be available at the abovementioned websites in due course.

By Order of the Board

Chongqing Rural Commercial Bank Co., Ltd.*

重慶農村商業銀行股份有限公司*

Sui Jun

Executive Director and Company Secretary

March 22, 2013

As at the date of this announcement, the Executive Directors of the Bank are Mr. Liu Jianzhong, Mr. Tan Yuansheng and Mr. Sui Jun; the Non-Executive Directors are Mr. Tao Jun, Mr. Hua Yusheng, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng; and the Independent Non-Executive Directors are Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili.

* *The Bank holds a financial licence 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 licence with a registration number 5000000000001239. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

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Financial Summary

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

For the year ended 31 December,						
(Expressed in RMB million, unless otherwise stated)	Comparison between 2012 and 2011					
	2012	2011	2011	2010	2009	2008 ⁽¹⁾
Operating results			Change (%)			
Net interest income	13,092.2	10,505.0	24.63	7,501.8	5,474.5	5,183.3
Net fee and commission income	435.7	635.4	(31.43)	285.8	136.7	74.3
Operating income	13,653.3	11,118.3	22.80	7,744.6	5,676.8	5,294.3
Operating expenses	(6,074.8)	(4,774.4)	27.24	(3,910.1)	(3,190.7)	(2,472.6)
(Impairment) reversals of impairment on assets	(511.4)	(848.0)	(39.69)	45.2	(123.0)	(292.0)
Profit before tax	7,067.8	5,496.9	28.58	3,986.1	2,484.5	2,529.3
Net profit	5,377.7	4,248.0	26.59	3,061.2	1,888.3	1,995.2
Net profit attributable to equity holders of the Bank	5,361.5	4,246.5	26.26	3,064.2	1,888.3	1,995.2
Based on per share (RMB)			Change			
Net assets per share attributable to equity holders of the Bank	3.43	3.00	0.43	3.26	1.58	N/A ⁽²⁾
Basic earnings per share	0.58	0.46	0.12	0.45	0.31	N/A ⁽²⁾
Profitability indicators (%)			Change			
Return on total assets ⁽³⁾	1.24	1.23	0.01	1.07	0.94	1.19
Average return on assets ⁽⁴⁾	1.38	1.35	0.03	1.26	1.02	1.39
Return on shareholders' equity ⁽⁵⁾	16.69	15.17	1.52	13.65	19.92	25.28
Net interest spread ⁽⁶⁾	3.26	3.13	0.13	2.97	2.94	3.51
Net interest margin ⁽⁷⁾	3.50	3.36	0.14	3.07	3.06	3.68
Net fee and commission income to operating income	3.19	5.71	(2.52)	3.69	2.41	1.40
Cost-to-income ratio ⁽⁸⁾	37.70	36.64	1.06	44.40	49.23	40.84

		As at 31 December,				
		Comparison between				
(Expressed in RMB million, unless otherwise stated)		2012 and 2011				
	2012	2011	2011	2010	2009	2008
Scale indicators			Change (%)			
Total assets	433,822.5	344,820.0	25.81	285,545.7	201,360.7	167,268.1
among which: Loans and advances to customers, net	167,614.9	138,821.8	20.74	117,114.0	96,815.7	72,213.8
Total liabilities	401,593.0	316,809.1	26.76	263,115.3	191,883.4	159,376.3
among which: Due to customers	294,510.5	246,141.4	19.65	205,563.0	153,776.4	117,282.5
Share capital	9,300.0	9,300.0	—	9,000.0	6,000.0	6,000.0
Equity attributable to equity holders of the Bank	31,920.7	27,855.5	14.59	22,345.2	9,477.3	7,891.8
Non-controlling interests	308.8	155.4	98.71	85.2	—	—
Total equity	32,229.5	28,010.9	15.06	22,430.4	9,477.3	7,891.8
Assets quality indicators⁽⁹⁾ (%)			Change			
Non-performing loan ratio	0.98	1.44	(0.46)	2.38	3.88	8.68
Allowances to non-performing loans	350.60	265.24	85.36	172.81	126.85	83.43
Allowances to total loans	3.42	3.83	(0.41)	4.12	4.92	7.25
Capital adequacy indicators (%)			Change			
Core capital adequacy ratio ⁽¹⁰⁾	12.02	13.71	(1.69)	14.78	8.14	9.31
Capital adequacy ratio ⁽¹⁰⁾	12.93	14.90	(1.97)	16.31	10.23	9.32
Total equity to total assets	7.43	8.12	(0.69)	7.86	4.71	4.72
Other indicators (%)			Change			
Loan-to-deposit ratio ⁽⁹⁾	58.93	58.64	0.29	59.42	66.21	66.38

- (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 1 January 2008 to 26 June 2008 and that of the Bank from 27 June 2008 to 31 December 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 rate 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. The calculation of capital adequacy ratio has considered the impact of proposed dividend for 2012.

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 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and 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 and advances 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.

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, Patsy
Registered address and postcode	No. 10 East Yanghe Road, Jiangbei District, Chongqing, 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
Listing stock exchange, stock name and stock code	The Stock Exchange of Hong Kong Limited Stock name: CQRC Bank Stock code: 3618
Date and authority of first incorporation	27 June 2008 Administration for Industry and Commerce of Chongqing, the PRC
Registration number of corporate legal person business license	5000000000001239

Code of organisational structure	67612972-8
Financial license institution number	The Bank holds a financial license number [B0335H250000001] approved by CBRC
Taxation registration number	Yu Guo Shui Zi (渝國稅字) No. 500105676129728 Yu Di Shui Zi (渝地稅字) No. 500105676129728
Auditors	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place, 88 Queensway, Hong Kong Deloitte Touche Tohmatsu CPA LLP 30th Floor, No. 222 Yan'an East Road, Shanghai, PRC
Legal advisor as to PRC laws	Chongqing Jingsheng Law Firm Level 18, Business Tower, InterContinental Hotel, 101 Minzu Road, Yuzhong District, Chongqing City, the PRC
Legal advisor as to Hong Kong laws	Paul Hastings 21-22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong
Domestic Share Registrar	China Securities Depository and Clearing Co., Ltd. No. 17 Taipingqiao Avenue, Xicheng District, Beijing, PRC

Ranking and Awards



No. 320 World Bank by Asset Scale in 2012

No. 23 among the Domestic Banks in China in 2012



National Advanced Enterprise on Employment



No. 336 among "Top 500 Chinese Listed Companies" in 2012



No. 489 among the Top 500 Enterprises of China in 2012



Award of Outstanding Achievement of Research on Risk Management of Information Technology in the Banking Industry from 2011 to 2012 (2011-2012年度銀行業信息科技風險管理研究成果優秀獎)



No. 1 Financial Contribution Awards in 2012 (2012年度金融貢獻獎一等獎)

Chongqing Human Resources and Social Security Bureau of Chongqing Municipal Party Committee Organization Department
(中共重慶市委組織部重慶市人力資源和社會保障局)

Municipal Talent and Advanced Units



First Prize of Contribution to Trading and Proportion of UnionPay Credit Cards for 2012 (2012年度銀聯信用卡交易貢獻及佔比獎一等獎)

Award of Contribution to Cross-bank ATM Transactions for 2012 (2012年度ATM跨行交易貢獻獎一等獎)

First Prize of Outstanding Risk Management in 2012 (2012年度風險管理優勝獎一等獎)

Second Prize of Contribution to Trading and Proportion of UnionPay Debit Cards for 2012 (2012年度銀聯借記卡交易貢獻及佔比獎二等獎)

Second Prize of Outstanding Development with Dealers in 2012 (2012年度直聯商戶發展獎二等獎)

Second Prize of Standarization, Renovation and Advancement of Systems for 2012 (2012年度系統標準化改造推進獎二等獎)

Advanced enterprise of financial technology used in financial instituions among banks in Chongqing in 2012 (2012年重慶銀行業金融機構金融科技工作先進單位)



No. 13 among the Top 100 Enterprises of Chongqing in 2012 (2012年度重慶企業100強第13位)

No. 7 among Chongqing Top 100 Service Enterprises in 2012 (2012重慶服務業企業100強第7位)

No. 3 among Top 50 Enterprises with Efficiency in 2012 (2012重慶企業效益50佳第3位)

Enterprise of Best Integrity In Chongqing for 2012 (2012重慶市最佳誠信企業)



Champion in Group Category of Banking Knowledge Competition in Chongqing in 2012 (2012年度重慶市銀行業業務技能競賽團體第一名)



Top 10 Best Overall Performance (Mid-cap Enterprise) among the Top 100 Hong Kong Listed Companies Selection in 2012 (2012年度港股100強評選綜合實力(中型企業)10強)



The Best Employer in China (2012) (中國年度最佳僱主(2012))



Award of Outstanding Contribution to Charity Donation in 2012 (2012年度慈善捐贈突出貢獻獎)



(Chongqing Television)

The favorite wealth management brand in 2012- "Jiangyu Wealth - Building up your fortune" (2012年度市民最喜愛的理財品牌—江渝財富「天添金」系列)

The popular banking card in 2012- Jiangyu Xiangqing Card (2012年度市民歡迎的銀行卡—江渝鄉情卡)



(Chongqing Television Financial Channel)

The Most Socially Responsible Financial Enterprise in 2012 (2012年度最具社會責任金融企業)



The Bank with Brand Influence in 2012 (2012年度品牌影響力銀行)

2012 Growth Financial Service Products-''One Alliance'' Preferential Merchant Scheme in 2012 (2012年度成長性金融服務產品—「1聯盟」特惠商戶計劃)

Award of Mobile Banking for 2012 (2012年度手機銀行獎)



The Financial Institution with the Best Services in Private Economy for 2012 (2012年度最佳服務民營經濟金融機構)

The Bank with the Best Financial Services for Small-and Micro-sized Enterprises in 2012 (2012年度最佳小微企業金融服務銀行)

Most Unique Credit Card for 2012 -Jiangyu Card (2012年度最具特色信用卡—江渝信用卡)



The Best Bank Providing Rural Financial Services in 2012 (2012年度最佳農村金融服務銀行)

Most Favourite Wealth Management Brand Among Citizens for 2012 (2012年度最受市民喜愛理財品牌)

Best Personal Internet Banking for 2012 (2012年度最佳個人網上銀行)

Best Chinese Bank for SMEs for 2012 (2012年度最佳中小企業服務中資銀行)



Award of Special Contribution to Facilitating the Establishment of Financial Centres at the Upper Stream of Yangtze River in 2012 (2012年度助推長江上游地區金融中心建設特別貢獻獎)

Best Coordination and Development Bank of Urban-rural Services in 2012 (2012年度最佳服務城鄉統籌發展銀行)

The Bank Providing the Best “Sannong” Services in 2012 (2012年度最佳服務「三農」銀行)

Wealth Management Institute with Due Wealth Management Products Realising 100% Expected Gain in 2012 (2012年度到期理財產品100%實現預期收益理財機構)

Internet Banking with the Best Security in 2012 (2012年度最具安全性網上銀行)

Most Popular Financial Institution among Small- and Micro-sized Enterprises in 2012 (2012年度最受小微企業歡迎金融機構)

Best Corporate Internet Banking in 2012 (2012年度最佳企業網上銀行)

Most Convenient Bank Card in 2012-Jiangyu Xiangqing Card (2012年度最佳便民惠民銀行卡—江渝鄉情卡)

Most Stable Wealth Management Institution in 2012 (2012年度最穩健理財機構)

Most User-friendly Internet Banking in 2012 (2012年度最佳易用性網上銀行)



Dear Shareholders,

In 2012, notwithstanding the adverse impact of the global financial crisis and the European debt crisis, China's economy managed to grow steadily. As the only municipality directly supervised by the PRC central government in western China, Chongqing maintained a sound development momentum. It experienced a 13.60% growth in its GDP, which ranked the first in the west and the second in the whole country. Chongqing's several leading economic indicators in the country provided a sound external environment and significant development potential for its finance sector. As the largest local bank, Chongqing Rural Commercial Bank solidly proceeded with transformation and upgrade under the general mission of "realizing common prosperity in Chongqing through scientific development" (科學發展、富民興渝) and the strategy of "one-coordination, three-transformation and two-transition" (一統三化兩轉變) and recorded satisfactory results in its businesses.

Clear Strategies for Development. In confronting the challenges of complex economic and financial environment in the PRC and overseas, the Bank stayed committed to the goal of "developing itself into the most competitive regional commercial bank in China", grasped the keynote of "transformation and upgrade", scientifically proposed the "three-transformation" strategy of "characteristic operation, streamlining the management, development of a healthy corporate culture", made systematic arrangements in resource allocation and employee assessment and incentive mechanism and further developed the mechanism of the dissemination of strategy, so as to facilitate conscientious compliance of operational behavior across the Bank and adherence to its development strategy. In 2012, the Bank achieved breakthrough in cross-region development with the opening of its Qujing Branch. The Bank also steadily proceeded the establishment of the proposed village and township banks in Guangxi, Yunnan, Fujian in batch, a move further enhanced the regional presence of the Bank.

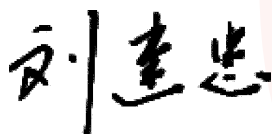
Adherence to Characteristic Operation. Having committed to the general positioning of "building its presence in the retail banking industry, strengthening corporate finance and expanding diversified operation", the Bank endeavored to build up characteristic operation and recorded rapid growth in its businesses. As at the end of 2012, the Bank recorded net profit of RMB5,378 million with total assets, due to customers and total loans and advances to customers of RMB433,823 million, RMB294,511 million and RMB173,559 million respectively, with major operating indicators ranking top among its domestic financial peers. The Bank dedicated itself to financial services for the livelihood of people, with agriculture related loans and loans to small and micro enterprises ranked the first in the city. The Bank optimised its service channels and set up 618 user-friendly service centres, spread the knowledge of finance to rural areas and entered the community at 10,000 venues. The number of mobile banking customers reached a record high of 600,000 and the amount of transactions reached a record high of RMB130.0 billion. Its e-banking, credit cards, wealth management and international business witnessed rapid growth with notable increase in market competitiveness. It also leveraged its strength on capital to bolster the development of pillar industries, advantageous industries and major projects in the locality, which provided an underpinning to the opening up and the development of Chongqing.

Endeavor in Refined Management. The Bank optimised the tiered decision-making mechanism of “Shareholders’ General Meeting, Board of Directors, Board of Supervisors and Senior Management” and the special committees thereof, standardised the management of information disclosure and strengthened investor relations, resulting in a continuous improvement in corporate governance. It implemented projects under new capital agreements, completed a comprehensive risk management gap analysis and initiated reviews by experts and subsequent assessment of its mechanisms. Efforts were made to refine the mechanisms governing motivation and pricing differentiation was in place at regional, product and investment levels. Priorities were given to low-risk businesses, Sannong, small and micro enterprises and other arenas. Technology was much emphasized to support its operations and centralised authorisation, credit management and assets and liabilities management systems went online. Centralised financial management, subsequent supervisions and the construction of integrated large-scale preliminary project groups were facilitated. In line with the direction of “resources integration, cost reduction, efficiency enhancement and market orientation”, it commenced reforms on management modes, thus enhanced the levels of professionalism, integration and streamlined operation.

Cultivate the Corporate Culture. Adhering to the concept that culture guides the development, the Bank speeded up in establishing a system of its corporate culture and core values and took the initiative in fostering a good corporate culture. The Bank further developed the dissemination of culture by convening a theme conference of corporate culture, launching a three-year plan, establishing a “platform for culture, arena for contest, stage for talent” and adopting the methods of typical guidance, theme activity, dissemination and interaction. It also established a protection system for critical illness of employees, proceeded with “Six Categories of Small Projects”, inspired team spirit through the power of culture and united people through a good corporate culture. The Bank fulfilled the corporate responsibility and issued its first social responsibility report, winning the award of “The Most Socially Responsible Financial Enterprise in 2012” (2012年度最具社會責任金融企業).

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.

In 2013, the Bank will strictly adhere to the path of reform, innovation, transformation and upgrade, adhere and implement the strategy of “three-transformation”, endeavor to realize “establishing on market positioning, facilitating profound change of business structure; persisting the direction of reform, facilitating profound change of management model; highlighting pragmatism and innovation, facilitating profound change in work style”, so as to accelerate development, closely control risk, creating more fruitful results, return to our shareholders and the society.



LIU Jianzhong
Chairman

22 March 2013



President's Statement

Dear Shareholders,

In 2012, the management of the Bank fully implemented the decisions of the Board. Adhering to the macro-economy policies and the requirement of financial regulations, the Bank, based on the strategy of “three-transformation”, advanced the transformation of operation and management and improved the scale, quality as well as efficiency. All the targets specified by the Board had been met.

Year in Review 2012

Fast Growth in Deposits and Loans. In 2012, the total assets of the Bank (corporate information, defined as the same hereinafter) was RMB433,823 million, representing an increase of RMB89,003 million or 25.81%. The deposits amounted to RMB294,511 million, representing an increase of RMB48,369 million or 19.65%, ranking the first among the banks in Chongqing in terms of the aggregate amount and growth of the deposits. Retail deposits maintained a steady increase, representing 26.00% of the total increase achieved by the banks in Chongqing, whilst corporate deposits saw an encouraging growth with breakthroughs in the capital from IPO and debt issuance. Total loans and advances reached RMB173,559 million, representing an increase of RMB29,215 million or 20.24%. Besides consolidating the personal loans and loans for middle-, small- and micro-sized enterprises, the base of quality customers continued to expand.

Continuous Improvement in Assets Quality. The Bank insisted in prudent classification and grant of loans. On the other hand, it promoted refined management of credit risks. Through imposing more stringent approval standards and reinforcing the monitoring of key industries, the risk of loans was controlled effectively. The balance of non-performing loans decreased by RMB387 million with the non-performing loans ratio decreased to 0.98%, a “double dip” in five consecutive years since the Bank’s establishment. Allowance to non-performing loans reached 350.60%, and the risk mitigation level is higher than most of the rural commercial banks in the country.

Stable Enhancement in General Efficiency. The Bank recorded a net profit of RMB5,378 million, a year-on-year increase of 26.59%. It recorded average return on assets of 1.38%, ranking at the forefront among the rural commercial banks in the country. For the development of principal activities, a balance was struck across the three major sectors namely corporate banking, personal banking and treasury operations and the Bank took the initiative to tackle the impact of the liberalisation of interest rate and financial disintermediation. Adhering to the principle of credit lending “in small amount and in a diversified manner”, the Bank allocated the resources rationally and improved the pricing mechanism of the interest rates, thus achieved a net interest margin of 3.50%, a relatively higher figure among the Chinese listed banks.

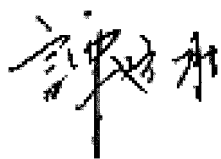
Strengthened Management at the Fundamental Level. The Bank added and amended more than 150 internal control systems, as well as over 50 systems including centralised online authorization, centralised reconciliation, audit information and issue tracking. It carried out a comprehensive evaluation on its internal control and offered more assistance in improving such control. It had also conducted cases prevention, maintained stability through visits, carried out reputational risk management and engaged in the pilot project of the new capital accord, so as to improve the refined management and risk aversion techniques. The Bank reinforced the management of information disclosure and investor relations in order to preserve its market profile. Greater efforts had been made in branding and the establishment of a good corporate culture.

Improvement in Services. Through aligning different markets with different clients, the Bank coordinated the development across the organisation and took the first step in characteristic operation. The Bank facilitated the “Three Major Projects” (三大工程) in rural financial services which greatly benefited the people and farmers. It ranked the first in Chongqing in terms of the amount of loans granted to small and micro enterprises. The Bank transformed retail channels and more than half of the branches have been renovated since its establishment. The Bank became more competitive in the market of emerging business as it recorded more rapid year-on-year growth in mobile banking, internet banking, credit cards, wealth management and international business. The Bank also made a breakthrough in its “going out” strategy. While the establishment of its new rural branches in other regions expedited, Qujing Branch was opened successfully and became the first cross-regional branch among the domestic rural commercial banks.

Such success would not be possible without 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 2013

In 2013, the management will implement the development strategy and operational plan specified by the Board. Adhering to the theme of transformation and upgrade, the Bank will maintain the general positioning of “building its presence in the retail banking industry, strengthening corporate finance and expanding diversified operation”. On the other hand, it will reinforce the work in “characteristic operation, streamlined management and the development of a good corporate culture”. It will expedite reforms and developments so as to take its operation and management to the next level.



TAN Yuansheng

Executive Director and President

22 March 2013



Management Discussion and Analysis

Financial Review

As the global financial crisis was still very much alive in 2012, sluggish global economy recovery led to discrepancy in macro-economic policies across countries. The United States implemented the four rounds of quantitative easing monetary policies with a view to stimulating demand and lowering the unemployment rate, but yet to confront the “fiscal cliff”. The economic recovery was weak in Europe and the imbalance between revenues and expenditures in governments deteriorated, leaving those countries under the shadow of the debt crisis. Since the outbreak of the financial crisis, emerging markets have experienced rapid growth in the global economy and became emerging powers which engineered the growth of the global economy. These powers, however, were not completely insulated from the global economic contraction.

Confronted with the slow recovery of the global economy and a growing downward pressure in the domestic economy, China persisted in the approach of “pursuing progress while ensuring stability” and alleviated the inflation pressure through a series of measures including steady growth and restructuring. The GDP for 2012 increased by 7.80% over the same period of last year. Under the impact of the weak international demand and monetary stimulus of major countries, the central bank reduced deposit reserve ratios and interest rates twice in 2012. The total assets of financial institutes in the domestic banking industry throughout the year amounted to RMB131.27 trillion, representing a year-on-year increase of 17.70% and the total liabilities amounted to RMB122.63 trillion, representing a year-on-year increase of 17.50%. At the end of December, the balance of broad money (M2) amounted to RMB97.42 trillion, representing an increase of 13.80% as compared with the end of the previous year, whilst, the growth rate was 0.20 percentage point higher than of those of the end of the previous year. The balance of narrow money (M1) amounted to RMB30.87 trillion, representing an increase of 6.50% and a decrease of 1.40 percentage points. At the end of December, the balance of RMB loan amounted to RMB62.99 trillion and the balance of RMB deposits amounted to RMB91.74 trillion. New RMB-denominated loans for the year amounted to RMB8.20 trillion, representing an increase of RMB732.00 billion over the previous year. New RMB-denominated deposits amounted to RMB10.81 trillion, representing an increase of RMB1.17 trillion over the previous year.

In 2012, Chongqing acquired general stability and sustainable and healthy development for both its economy and the society. In 2012, the GRP of Chongqing reached RMB1,145.9 billion, representing a year-on-year increase of 13.60% which granted the city first ranking in western China and second across the country. The total exports reached US\$38.571 billion, representing an increase of 94.50% and the total import reached US\$14.633 billion, representing an increase of 56.10%. The utilisation of foreign investment of the city surged beyond US\$10 billion for two consecutive years.

I. Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,		Change in amount	Change (%)
	2012	2011		
Net interest income	13,092.2	10,505.0	2,587.2	24.63
Net fee and commission income	435.7	635.4	(199.7)	(31.43)
Net trading gain	13.0	23.4	(10.4)	(44.44)
Other operating income (losses), net	112.4	(45.5)	157.9	(347.03)
Operating income	13,653.3	11,118.3	2,535.0	22.80
Operating expenses	(6,074.8)	(4,774.4)	(1,300.4)	27.24
Impairment on assets	(511.4)	(848.0)	336.6	(39.69)
Net gain on disposal of available-for-sale financial assets	0.7	—	0.7	100.00
Net gain on disposal of debt securities classified as receivables	—	1.0	(1.0)	(100.00)
Profit before tax	7,067.8	5,496.9	1,570.9	28.58
Income tax expense	(1,690.1)	(1,248.9)	(441.2)	35.33
Net Profit	5,377.7	4,248.0	1,129.7	26.59

In 2012, the profit before tax of the Group amounted to RMB7,068 million, representing an increase of 28.58% as compared to the previous year; net profit amounted to RMB5,378 million, representing an increase of 26.59% as compared to the previous year. The increase in profit before tax and net profit exceeded 25.00% as compared to the previous year, primarily attributable to the increase in net interest margin and the stable growth of interest-earning assets, which had driven the net interest income to increase by RMB2,587 million or 24.63% as compared with the same period of last year.

(I) Net Interest Income

In 2012, the net interest income of the Group amounted to RMB13,092 million, representing an increase of RMB2,587 million or 24.63% as compared to the previous year and accounting for 95.89% of the 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 (%)
	2012	2011		
Interest income	22,331.6	17,539.2	4,792.4	27.32
Interest expense	(9,239.4)	(7,034.2)	(2,205.2)	31.35
Net interest income	13,092.2	10,505.0	2,587.2	24.63

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

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,					
	2012			2011		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	160,845.3	12,127.0	7.54	136,635.1	9,460.5	6.92
Debt securities investments	87,166.9	4,929.8	5.66	73,754.3	3,754.7	5.09
Balances with central bank	51,866.8	828.2	1.60	43,858.6	696.6	1.59
Due from banks and other financial institutions	74,387.5	4,446.6	5.98	58,314.7	3,627.4	6.22
Total interest-earning assets	374,266.5	22,331.6	5.97	312,562.7	17,539.2	5.61
Liabilities						
Due to customers	270,476.2	5,623.2	2.08	225,806.8	3,944.1	1.75
Due to banks and other financial institutions	68,401.3	3,489.7	5.10	56,040.2	2,963.6	5.29
Subordinated bonds	2,300.0	126.5	5.50	2,300.0	126.5	5.50
Total interest-bearing liabilities	341,177.5	9,239.4	2.71	284,147.0	7,034.2	2.48
Net interest income		13,092.2			10,505.0	
Net interest spread			3.26			3.13
Net interest margin			3.50			3.36

Under the influence of interest rate hike in 2011, and owing to the continuous strengthening of our bargaining power over loans, the average yield on overall interest-earning assets increased by 36 basis points to 5.97% as compared to the previous year.

Under the influence of the lagging effect of the rise in interest rates in 2011, the average cost rate for due to customers saw an increase over the previous year, resulting in an increase of 23 basis points in average cost rate of overall interest-bearing liabilities to 2.71% as compared to the previous year.

Due to the interest rate hikes and mismatched re-pricing of loans and deposits, the average yield of interest-earning assets increased by 36 basis points over the previous year, the average cost rate for interest-bearing liabilities increased by 23 basis points over the previous year, resulting in a rise of 13 basis points in net interest spread to 3.26% as compared to the previous year, whereas the net interest margin was driven up by 14 basis points to 3.50%.

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	1,825.4	841.1	2,666.5
Debt securities investments	759.2	415.9	1,175.1
Balances with central bank	128.1	3.5	131.6
Due from banks and other financial institutions	961.2	(142.0)	819.2
Changes in interest income	<u>3,673.9</u>	<u>1,118.5</u>	<u>4,792.4</u>
Liabilities			
Due to customers	929.1	750.0	1,679.1
Due to banks and other financial institutions	630.4	(104.3)	526.1
Changes in interest expense	<u>1,559.5</u>	<u>645.7</u>	<u>2,205.2</u>

1. Interest Income

In 2012, the interest income of the Group amounted to RMB22,332 million, representing an increase of RMB4,792 million or 27.32% 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,					
	2012			2011		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	101,346.4	7,536.5	7.44	88,757.3	5,564.5	6.27
Retail loans	54,909.1	4,311.8	7.85	44,283.4	3,533.8	7.98
Discounted bills	4,589.8	278.7	6.07	3,594.4	362.2	10.08
Total loans and advances to customers	160,845.3	12,127.0	7.54	136,635.1	9,460.5	6.92

Interest income from loans and advances to customers increased by RMB2,667 million or 28.19% to RMB12,127 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.

(2) Interest Income from Debt Securities Investments

In 2012, the Group's interest income from debt securities investments increased by RMB1,175 million or 31.30% to RMB4,930 million as compared to the previous year, primarily attributable to the increase in average balance and average yield of debt securities investment over the previous year.

(3) Interest Income from Balances with Central Bank

In 2012, the Group's interest income from balances with central bank increased by RMB132 million or 18.89% to RMB828 million as compared to the previous year, primarily attributable to a 18.26% increase in average balance of balances with central bank as compared to the previous year following an increase in due to customers.

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

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

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,					
	2012			2011		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	36,377.6	2,067.0	5.68	16,348.0	714.4	4.37
Financial assets held under resale agreements	38,009.9	2,379.6	6.26	41,966.7	2,913.0	6.94
Total due from banks and other financial institutions	74,387.5	4,446.6	5.98	58,314.7	3,627.4	6.22

In 2012, the interest income from deposits and placements with banks and other financial institutions of the Group increased by RMB1,353 million or 189.33% to RMB2,067 million as compared to the previous year, primarily attributable to the increase in the average balances and the average yield of deposits and placements with banks and other financial institutions as compared to the previous year.

In 2012, the interest income from financial assets held under resale agreements decreased by RMB533 million or 18.31% year-on-year to RMB2,380 million, primarily attributable to a year-on-year decrease of 9.43% in the average balances as the Group decreased bonds and bills held under resale agreements to adjust the utilisation structure of short-term fund and the average yield decreased by 0.68 percentage point year-on-year as affected by the low market interest rate.

2. Interest Expense

In 2012, the Group's interest expense increased by RMB2,205 million or 31.35% to RMB9,239 million as compared to the previous year.

(1) Interest Expense on Due to Customers

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

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,					
	2012			2011		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	50,562.1	260.5	0.52	46,676.3	252.8	0.54
Time	17,501.9	390.1	2.23	14,956.3	309.5	2.07
Subtotal	<u>68,064.0</u>	<u>650.6</u>	<u>0.96</u>	<u>61,632.6</u>	<u>562.3</u>	<u>0.91</u>
Retail deposits						
Demand	55,979.6	238.5	0.43	46,759.9	224.1	0.48
Time	146,432.6	4,734.1	3.23	117,353.2	3,157.7	2.69
Subtotal	<u>202,412.2</u>	<u>4,972.6</u>	<u>2.46</u>	<u>164,113.1</u>	<u>3,381.8</u>	<u>2.06</u>
Total due to customers	<u><u>270,476.2</u></u>	<u><u>5,623.2</u></u>	<u><u>2.08</u></u>	<u><u>225,806.8</u></u>	<u><u>3,944.1</u></u>	<u><u>1.75</u></u>

In 2012, the interest expense on due to customers of the Group increased by RMB1,679 million or 42.57% to RMB5,623 million as compared to the previous year, primarily due to an increase of 33 basis points in the average cost rate of due to customers to 2.08% as a result of the growth in due to customers and the lagging effect of interest rate hikes in 2011.

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

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

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,					
	2012			2011		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Deposits and placements from banks and other financial institutions and borrowings from central bank	29,777.5	1,645.7	5.53	18,134.9	1,007.9	5.56
Financial assets sold under repurchase agreements	38,623.8	1,844.0	4.77	37,905.3	1,955.7	5.16
Total due to banks and other financial institutions	68,401.3	3,489.7	5.10	56,040.2	2,963.6	5.29

In 2012, the interest expense on deposits and placements from banks and other financial institutions and borrowings from central bank of the Group increased by RMB638 million or 63.28% year-on-year to RMB1,646 million, primarily due to the increase in average balance of deposits and placements from banks and other financial institutions and borrowings from the central bank as compared to the previous year.

In 2012, the interest expense on financial assets sold under repurchase agreements of the Group decreased by RMB112 million or 5.71% to RMB1,844 million as compared to the previous year, primarily due to a decrease of 39 basis points in the average cost rate of financial assets sold under repurchase agreements as compared to the previous year.

3. Net Interest Spread and Net Interest Margin

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

In 2012, the net interest spread of the Group increased by 13 basis points to 3.26% as compared to the previous year, the increase of which reflected a higher growth rate in the average yield of interest-earning assets over the previous year than that in the average cost rate of interest-bearing liabilities over the previous year.

In 2012, the net interest income of the Group increased by RMB2,587 million or 24.63% to RMB13,092 million as compared to the previous year. The average balance of interest-earning assets increased by 19.74%. 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 14 basis points from the previous year to 3.50% in 2012.

(II) Non-interest Income

1. Net Fee and Commission Income

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,		Change in amount	Change (%)
	2012	2011		
Fee and commission income	488.4	671.1	(182.7)	(27.22)
Settlement and clearing fees	41.1	35.3	5.8	16.43
Agency commissions	125.9	106.4	19.5	18.33
Bank card fees	114.5	73.6	40.9	55.57
Custodian and other fiduciary service fees	14.5	9.3	5.2	55.91
Consultancy and advisory fees	181.7	437.0	(255.3)	(58.42)
Others	10.7	9.5	1.2	12.63
Fee and commission expense	(52.7)	(35.7)	(17.0)	47.62
Net fee and commission income	435.7	635.4	(199.7)	(31.43)

In 2012, the net fee and commission income of the Group decreased by RMB200 million or 31.43% to RMB436 million as compared to the previous year, and its proportion to operating income decreased by 2.52 percentage points to 3.19%, primarily attributable to a year-on-year decrease in consultancy and advisory fees.

Settlement and clearing fees increased by RMB6 million or 16.43% to RMB41 million as compared to the previous year, primarily attributable to an increase in the settlement.

Agency commissions increased by RMB20 million or 18.33% to RMB126 million as compared to the previous year, primarily attributable to the continuous growth in agency business.

Bank card fees increased by RMB41 million or 55.57% to RMB115 million as compared to the previous year, primarily attributable to sustained stable growth in amount of settled transaction and inter-bank transactions through self-service facilities (自助設備跨行交易額) following the continuous increase in resources invested and significant improvement in card quality.

Custodian and other fiduciary service fees increased by RMB5 million or 55.91% to RMB15 million as compared to the previous year.

Consultancy and advisory fees decreased by RMB255 million or 58.42% to RMB182 million as compared to the previous year.

Other fee and commission income recorded RMB11 million, basically remained 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 2012, the Group's net trading gain was RMB13 million, primarily due to restructuring of debt securities investment portfolio.

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

In 2012, other operating income (losses) of the Group, net, increased by RMB158 million to RMB112 million as compared to the previous year.

The increase was primarily due to the exchange losses on foreign exchange settlement of H share proceeds affected by exchange rate fluctuations in the previous year. There was no similar transaction during the year.

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 (%)
	2012	2011		
Net gain on disposal of available-for-sale financial assets	0.7	—	0.7	100.00

(III) Operating expenses

In 2012, the operating expenses of the Group increased by RMB1,300 million, or 27.24% to RMB6,075 million as compared to the previous year.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December,		Change in amount	Change (%)
	2012	2011		
Staff costs	3,719.4	2,861.9	857.5	29.96
Business tax and surcharges	928.1	701.0	227.1	32.40
Depreciation and amortisation	374.3	347.4	26.9	7.74
Others	1,053.0	864.1	188.9	21.86
Total operating expenses	6,074.8	4,774.4	1,300.4	27.24

1. Staff Costs

Staff costs are the largest component of operating expenses of the Group, accounting for 61.23% and 59.94% of its total operating expenses for the years ended 31 December, 2012 and 2011 respectively.

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December,		Change in amount	Change (%)
	2012	2011		
Salaries, bonuses and allowances	2,598.5	1,891.1	707.4	37.41
Staff welfare, social insurance and housing funds	804.7	554.6	250.1	45.10
Others	316.2	416.2	(100.0)	(24.03)
Total staff costs	3,719.4	2,861.9	857.5	29.96

In 2012, staff costs of the Group increased by RMB858 million or 29.96% to RMB3,719 million as compared to the previous year, primarily due to compensation adjustment coupled with the growth of salaries and bonuses. Salaries, bonuses and allowances increased by RMB707 million as compared to the previous year.

2. *Business Tax and Surcharges*

Business tax and surcharges mainly relate to revenue generated from our provision of financial products and services with respect to lending (interest income), transfer of securities and other financial services. Business tax and surcharges increased by RMB227 million or 32.40% to RMB928 million in 2012 as compared to the previous year.

3. *Depreciation and Amortisation*

Depreciation and amortisation for 2012 increased by RMB27 million or 7.74% to RMB374 million over the previous year as the growth of our property and equipment remained stable during the year.

4. *Others*

For the year ended 31 December, 2012, other general and administrative expenses increased by 21.86% to RMB1,053 million as compared to RMB864 million in 2011, primarily due to greater business expansion.

(IV) Impairment on Assets

Impairment on assets consists primarily of provisions charged on loans and other assets. Provisions charged for impairment losses recorded RMB511 million for the year ended 31 December, 2012, a decrease of RMB337 million or 39.69% as compared to the previous year. The decrease in impairment losses was primarily due to the continual improvement in asset quality.

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

(Expressed in RMB million, unless otherwise stated)	For the year ended 31 December,		Change in amount	Change (%)
	2012	2011		
Loans and advances to customers	271.1	554.8	(283.7)	(51.14)
Other assets	240.3	293.2	(52.9)	(18.04)
Total	511.4	848.0	(336.6)	(39.69)

In 2012, provision for impairment on loans and advances to customers recorded RMB271 million as compared to RMB555 million for the year 2011. The decrease in provisions for impairment on loans over the previous year was primarily due to the continuous improvement in asset quality.

In 2012, provision for impairment on other assets recorded RMB240 million as compared to RMB293 million for the year 2011. This was mainly attributable to the provision of allowances for impairment on wealth management products and bonds invested or purchased by the Group, which was made based on the principle of prudent operation.

(V) Income Tax Expense

The applicable income tax rate of the Group was 25%. The effective tax rates of the Group in 2012 and 2011 were 23.91% and 22.72% respectively.

The following table sets forth the profit before tax and income tax expense for the years ended 31 December, 2012 and 2011.

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,		Change in amount	Change (%)
	2012	2011		
Profit before tax	7,067.8	5,496.9	1,570.9	28.58
Tax calculated at applicable statutory tax rate of 25%	1,766.9	1,374.2	392.7	28.58
Add/(less) the tax effect of the following items:				
Non-deductible expenses	62.4	34.7	27.7	79.83
Non-taxable income	(139.2)	(160.0)	20.8	(13.00)
Income tax expense	1,690.1	1,248.9	441.2	35.33

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 31 December,			
	2012		2011	
	Amount	% of Total (%)	Amount	% of Total (%)
Loans and advances to customers, gross ⁽¹⁾	173,559.3	40.01	144,344.4	41.86
Allowances for impairment on loans and advances to customers ⁽¹⁾	(5,944.4)	(1.37)	(5,522.6)	(1.60)
Loans and advances to customers, net	167,614.9	38.64	138,821.8	40.26
Investment securities ⁽²⁾	82,987.2	19.13	68,907.5	19.98
Investments in associates	100.0	0.02	—	—
Cash and balances with the central bank	58,964.1	13.59	50,662.8	14.69
Deposits with banks and other financial institutions	12,263.1	2.83	11,445.0	3.32
Placements with banks and other financial institutions	29,748.9	6.86	11,460.7	3.32
Financial assets held under resale agreements	51,765.1	11.93	42,296.8	12.27
Financial assets held for trading	3,774.3	0.87	400.9	0.12
Financial assets designated as at fair value through profit or loss	18,112.6	4.18	13,033.6	3.78
Goodwill	440.1	0.10	440.1	0.13
Other assets ⁽³⁾	8,052.2	1.85	7,350.8	2.13
Total assets	433,822.5	100.00	344,820.0	100.00

Notes:

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

As at 31 December, 2012, the Group's total assets amounted to RMB433,823 million, representing an increase of RMB89,003 million, or 25.81% as compared to the end of the previous year, among which:

The amount of gross loans and advances to customers increased by RMB29,215 million, or 20.24%, 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 RMB14,080 million, or 20.43% as compared to the end of the previous year, primarily due to increased holdings of public sector, quasi-government bonds and corporate bonds with high ratings;

Cash and balances with the central bank increased by RMB8,301 million, or 16.39% as compared to the end of the previous year, primarily due to the rise of statutory deposit reserve, following a substantial increase in due to customers;

The total amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB19,106 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 RMB9,468 million or 22.39% as compared to the end of the previous year.

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

(Expressed in RMB million, unless otherwise stated)	As at 31 December,			
	2012		2011	
	Amount	% of Total (%)	Amount	% of Total (%)
Corporate loans	106,204.8	61.19	92,553.4	64.12
Short-term loans ⁽¹⁾	22,771.2	13.12	11,310.3	7.84
Medium- and long-term loans ⁽²⁾	83,433.6	48.07	81,243.1	56.28
Retail loans	62,098.1	35.78	51,538.8	35.71
Residential mortgage and personal commercial property loans ⁽³⁾	35,184.5	20.27	30,835.4	21.36
Personal business and re-employment loans ⁽⁴⁾	18,764.9	10.81	14,403.3	9.98
Loans to farmers ⁽⁵⁾	1,569.5	0.90	2,101.5	1.46
Others ⁽⁶⁾	6,579.2	3.80	4,198.6	2.91
Discounted bills	5,256.4	3.03	252.2	0.17
Loans and advances to customers, gross	173,559.3	100.00	144,344.4	100.00

Notes:

⁽¹⁾ Short-term loans primarily consist of loans with contractual maturities of one year or less.

⁽²⁾ Medium- and long-term loans primarily consist of loans with contractual maturities over one year.

⁽³⁾ Residential mortgage and personal commercial property loans primarily consist of personal mortgage loan, second mortgage 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 consist of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.
- (6) Others primarily consist of personal commercial property mortgage loans, personal residential maximum mortgage loans, credit card loans, personal car loans, loans for personal durable goods and personal education loans.

As at 31 December, 2012, the amount of gross loans and advances to customers of the Group increased by RMB29,215 million, or 20.24% to RMB173,559 million as compared to the end of the previous year.

Corporate loans (excluding discounted bills) increased by RMB13,651 million, or 14.75% to RMB106,205 million as compared to the end of the previous year, and accounted for 61.19% of loans and advances to customers, gross, 2.93 percentage points lower 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 and focused on real economies. During the year, additional loans to the manufacturing industry, the retail and wholesale industry, as well as the water, environment and public utilities management industry amounted to RMB3,444 million, RMB2,301 million and RMB2,479 million, respectively, and aggregated to 60.24% 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 loans to the real estate industry decreased by 0.20 percentage point as compared to the end of the previous year.

Our retail loans increased by RMB10,559 million or 20.49% to RMB62,098 million as compared to the end of the previous year, which accounted for 35.78% of total loans and advances to customers with a rise of 0.07 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 RMB4,349 million, or 14.10% as compared to the end of the previous year; personal loans for business purposes grew by RMB4,362 million, or 30.28% as compared to the end of the previous year; and other loans increased by RMB2,381 million, or 56.70% 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 increased by RMB5,004 million, or 1,984.22% to RMB5,256 million as compared to the end of the previous year, largely due to the increase in the discounted bills of counter-parties with high credit ratings.

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 31 December,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Unsecured loans	16,313.5	9.40	14,721.9	10.20
Guaranteed loans	34,369.5	19.80	28,671.4	19.86
Collateralised loans	108,159.2	62.32	93,051.2	64.47
Pledged loans	14,717.1	8.48	7,899.9	5.47
Loans to customers, gross	173,559.3	100.00	144,344.4	100.00

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

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

(Expressed in RMB million, unless otherwise stated)	Allowance for impairment losses on loans and advances which is collectively assessed ⁽¹⁾	Allowance for impairment losses on identified impaired loans and advances ⁽²⁾		Total
		For which allowance is collectively assessed	For which allowance is individually assessed	
As at beginning of the year	4,147.0	900.4	475.2	5,522.6
Charge for the year	3,485.5	91.4	201.6	3,778.5
Reverse for the year	(2,808.1)	(487.7)	(211.6)	(3,507.4)
Written off	—	(121.8)	(31.8)	(153.6)
Recovery of loans and advances previously written off	—	264.9	110.1	375.0
Unwinding of discount on allowance	(17.0)	(7.8)	(45.9)	(70.7)
The balance as at 31 December, 2012	<u>4,807.4</u>	<u>639.4</u>	<u>497.6</u>	<u>5,944.4</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 2012, 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 31 December, 2012, balance of allowances for impairment losses on loans and advances to customers increased by RMB422 million to RMB5,944 million over the end of the previous year, and the allowances to non-performing loans increased by 85.36 percentage points to 350.60% 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,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Financial assets				
held for trading	3,774.3	3.60	400.9	0.49
Financial assets				
designated as at fair				
value through				
profit or loss	18,112.6	17.27	13,033.6	15.83
Available-for-sale				
financial assets	4,599.0	4.39	1,617.8	1.96
Held-to-maturity				
investments	45,773.8	43.65	40,236.4	48.87
Debt securities				
classified as receivables	32,614.4	31.09	27,053.3	32.85
Total investments	104,874.1	100.00	82,342.0	100.00

As at 31 December, 2012, total investments increased by RMB22,532 million to RMB104,874 million or 27.36% as compared to the end of the previous year. Financial assets held for trading increased by RMB3,373 million as compared to the end of the previous year, primarily due to the Group's increase in the holdings of corporate bonds with controllable risks and higher yield to adapt to the market. Available-for-sale financial assets increased by RMB2,981 million as compared to the end of previous year, primarily due to increase in holdings of corporate bonds with controllable risks and higher yield. Held-to-maturity investments increased by RMB5,537 million as compared to the end of previous year, primarily due to increased holdings of bonds issued by well-performed enterprises and public sector, quasi-government bonds. Debt securities classified as receivables increased by RMB5,561 million as compared to the end of the previous year, primarily due to increased holding of financial products with controllable risks and high-yield.

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,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Government bonds	8,696.6	8.30	9,263.2	11.26
Public sector, quasi-government bonds	21,464.2	20.48	15,692.4	19.07
Financial institution bonds	3,049.9	2.91	2,443.3	2.97
Corporate bonds	23,570.5	22.49	16,645.5	20.23
Debt instruments issued by financial institutions	48,044.0	45.82	38,243.9	46.47
Total	104,825.2	100.00	82,288.3	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,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Due to customers	294,510.5	73.34	246,141.4	77.69
Deposits and placements from banks and borrowings from the central bank	49,203.9	12.25	27,286.9	8.61
Financial assets sold under repurchase agreements	42,639.3	10.62	32,759.7	10.34
Debt securities issued	2,300.0	0.57	2,300.0	0.73
Other liabilities ⁽¹⁾	12,939.3	3.22	8,321.1	2.63
Total liabilities	401,593.0	100.00	316,809.1	100.00

Note:

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

As at 31 December, 2012, total liabilities increased by RMB84,784 million or 26.76% to RMB401,593 million as compared to the end of the previous year. Due to customers are our largest source of capital, which grew by RMB48,369 million or 19.65% 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 RMB21,917 million or 80.32% as compared to the end of the previous year. Financial assets sold under repurchase agreements increased by RMB9,880 million or 30.16% over the end of the previous year.

Due to Customers

(Expressed in RMB million, unless otherwise stated)	As at December 31,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Corporate deposits	72,480.1	24.61	63,751.8	25.90
Demand deposits	64,069.1	21.75	49,798.6	20.23
Time deposits	8,411.0	2.86	13,953.2	5.67
Retail deposits	217,409.4	73.82	179,213.2	72.81
Demand deposits	60,528.0	20.55	49,949.5	20.29
Time deposits	156,881.4	53.27	129,263.7	52.52
Pledged deposits	4,477.0	1.52	3,132.8	1.27
Other deposits	144.0	0.05	43.6	0.02
Total due to customers	294,510.5	100.00	246,141.4	100.00

As at 31 December, 2012, due to customers increased by RMB48,369 million or 19.65% to RMB294,511 million as compared to the end of the previous year. Corporate deposits increased by RMB8,728 million or 13.69% as compared to the end of the previous year. Demand deposits recorded at RMB124,597 million, representing an increase of RMB24,849 million or 24.91% as compared to the end of the previous year, 9.50 percentage points up from the growth rate in time deposits. Its proportion in total due to customers increased by 1.78 percentage points to 42.30% as compared to the end of the previous year, primarily due to proactive adjustment to deposits structure.

(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,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Share capital	9,300.0	28.86	9,300.0	33.20
Capital reserve	9,201.9	28.55	9,201.9	32.85
Investment revaluation reserve	(13.1)	(0.05)	(18.9)	(0.07)
Surplus reserve	5,797.7	17.99	3,650.9	13.03
General reserve	2,847.8	8.84	1,919.8	6.85
Retained earnings	4,786.4	14.85	3,801.8	13.59
Equity attributable to equity holders of the Bank	31,920.7	99.04	27,855.5	99.45
Non-controlling interests	308.8	0.96	155.4	0.55
Total equity	32,229.5	100.00	28,010.9	100.00

As at 31 December, 2012, paid-in capital recorded RMB9,300 million. Capital reserve reached RMB9,202 million. Surplus reserve increased by RMB2,147 million as compared to the end of the previous year, primarily resulting from the provisions made for discretionary surplus reserve and statutory surplus reserve. General reserve increased by RMB928 million as compared to the end of the previous year, as the general reserve was required to be not less than an additional reserve of 1% of balance of risk assets at the end of the previous year.

III. Loan Quality Analysis (the Group)

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

The following table sets forth, 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,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Normal	167,865.4	96.72	135,502.4	93.88
Special mention	3,998.4	2.30	6,759.9	4.68
Substandard	661.1	0.38	632.1	0.44
Doubtful	1,034.4	0.60	1,450.0	1.00
Loss	—	—	—	—
Total loans and advances to customers	<u>173,559.3</u>	<u>100.00</u>	<u>144,344.4</u>	<u>100.00</u>
Amount of non-performing loans	1,695.5		2,082.1	
Non-performing loan ratio (%)		<u>0.98</u>		<u>1.44</u>

In 2012, 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, resulting in continuous improvement in credit asset quality. As at 31 December 2012, the balance of non-performing loans dropped by RMB387 million from the previous year to RMB1,696 million; while the non-performing loan ratio was 0.98%, 0.46 percentage point down from the previous year. Besides, the proportions of substandard and doubtful loans were on a decline. The amount of special mention loans accounted for 2.30%, 2.38 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,							
	2012				2011			
	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	106,204.8	61.19	939.2	0.88	92,553.4	64.12	1,040.8	1.12
Manufacturing	28,873.9	16.64	281.5	0.97	25,429.8	17.62	210.7	0.83
Production and supply of electricity, gas and water	6,633.9	3.82	19.8	0.30	5,915.4	4.10	11.2	0.19
Real estate	15,962.1	9.20	403.6	2.53	13,574.8	9.40	452.5	3.33
Leasing and commercial services	3,094.5	1.78	20.6	0.67	4,332.7	3.00	31.7	0.73
Water, environment and public utilities management	18,415.6	10.61	0.4	0.00	15,936.7	11.04	0.4	0.00
Construction	8,807.3	5.07	15.8	0.18	6,582.7	4.56	24.0	0.36
Retail and wholesale	6,522.9	3.76	21.4	0.33	4,222.3	2.93	49.7	1.18
Others	17,894.6	10.31	176.1	0.98	16,559.0	11.47	260.6	1.57
Personal loans	62,098.1	35.78	756.3	1.22	51,538.8	35.71	1,041.3	2.02
Discounted bills	5,256.4	3.03	—	—	252.2	0.17	—	—
Total	173,559.3	100.00	1,695.5	0.98	144,344.4	100.00	2,082.1	1.44

In 2012, 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 wholesale and retail industry and the real estate industry continued to trend downwards, evidenced by the decrease of RMB28 million and RMB49 million in non-performing loans compared to the end of the previous year, and the decrease of 0.85 percentage point and 0.80 percentage point in non-performing loan ratios as compared to the previous year, respectively.

2. Concentration of borrowers

In 2012, the Group's total loans to its largest single borrower accounted for 6.27% of its net capital while total loans to its top ten clients accounted for 47.68% of its net capital, which were in accordance with regulatory requirements. As at 31 December, 2012, 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,		
		2012	2011	2010
Loan concentration ratio for the largest single borrower (%)	≤10%	6.27	6.95	4.94
Loan concentration ratio for a single group borrower (%)	≤15%	7.10	8.41	5.05

(2) Loans to top ten single borrowers

(Expressed in RMB million, unless otherwise stated)		As at December 31, 2012	
		Amount	Percentage of the total amount of loans (%)
Borrower A	Real estate	2,320.0	1.34
Borrower B	Water, environmental and public utility management	2,050.0	1.18
Borrower C	Water, environmental and public utility management	1,912.0	1.10
Borrower D	Water, environmental and public utility management	1,597.0	0.92
Borrower E	Manufacturing	1,360.0	0.78
Borrower F	Agricultural forestry, animal husbandry and fishery	1,352.7	0.78
Borrower G	Construction	1,316.3	0.76
Borrower H	Manufacturing	1,255.4	0.72
Borrower I	Water, environmental and public utility management	1,232.0	0.71
Borrower J	Water, environmental and public utility management	1,186.0	0.68

(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,					
	2012			2011		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans	106,204.8	939.2	0.88	92,553.4	1,040.8	1.12
Short-term loans	22,771.2	97.5	0.43	11,310.3	99.7	0.88
Medium- and long-term loans	83,433.6	841.7	1.01	81,243.1	941.1	1.16
Retail Loans	62,098.1	756.3	1.22	51,538.8	1,041.3	2.02
Residential mortgage and personal commercial property loans	35,184.5	60.5	0.17	30,835.4	60.5	0.20
Personal business and re-employment loans	18,764.9	204.2	1.09	14,403.3	422.8	2.94
Loans to farmers ⁽¹⁾	1,569.5	323.7	20.62	2,101.5	419.8	19.98
Others ⁽²⁾	6,579.2	167.9	2.55	4,198.6	138.2	3.29
Discounted bill	5,256.4	—	—	252.2	—	—
Total	173,559.3	1,695.5	0.98	144,344.4	2,082.1	1.44

⁽¹⁾ Loans to farmers primarily consist of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.

⁽²⁾ Other loans include personal commercial property mortgage loans, personal residential maximum mortgage loans, credit card loans, personal car loans, loans for personal durable goods and personal education loans.

As at 31 December, 2012, non-performing loan ratios of corporate loans decreased by 0.24 percentage point to 0.88% as compared with the end of the previous year, whereas non-performing ratios of personal loans decreased by 0.80 percentage point to 1.22% as compared with the end of the previous year.

(IV) Rescheduled loans and advances to customers

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

(Expressed in RMB million, unless otherwise stated)	As at December 31,			
	2012		2011	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Rescheduled loans and advances to customers	237.0	0.14	294.0	0.20

(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 otherwise stated)	As at December 31,			
	2012		2011	
	Amount	% of the total loans and advances (%)	Amount	% of the total loans and advances (%)
Past due within 3 months	1,323.1	0.76	1,633.0	1.14
Past due for 3 months to 1 year	207.3	0.12	392.8	0.27
Past due for over 1 year and within 3 years	661.3	0.38	1,225.5	0.85
Past due for more than 3 years	688.7	0.40	438.2	0.30
Total overdue loans and advances to customers	2,880.4	1.66	3,689.5	2.56

As at 31 December, 2012, the total overdue loans amounted to RMB2,880 million, representing a decrease of RMB809 million from the end of the previous year. Overdue loans accounted for 1.66%, representing a decrease of 0.90 percentage point from 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 Group's capital adequacy ratio.

(Expressed in RMB million, unless otherwise stated)	As at December 31,	
	2012	2011
Core capital adequacy ratio (%)	12.02	13.71
Capital adequacy ratio (%)	12.93	14.90
Components of capital base		
Core capital:		
Share capital	9,300.0	9,300.0
Capital reserve	9,201.9	9,201.9
Surplus reserve and general reserve	8,645.5	5,570.7
Unappropriated profit	3,205.4	2,499.5
Non-controlling interests	308.8	155.4
Total core capital	30,661.6	26,727.5
Deductible items:		
Goodwill	(440.1)	(440.1)
Other deductible items	(15.6)	(42.6)
Net core capital	30,205.9	26,244.8
Supplementary capital:		
Long-term subordinated bonds	2,300.0	2,300.0
Other supplementary capital	—	0.3
Total capital base before deductions	32,961.6	29,027.8
Deductions:		
Goodwill	(440.1)	(440.1)
Other deductible items	(31.3)	(66.4)
Total capital base after deductions	32,490.2	28,521.3
Risk-weighted assets and market risk capital adjustment	251,194.0	191,473.1

As at the end of the reporting period, the capital adequacy ratio of the Group decreased by 1.97 percentage points to 12.93% as compared with the beginning of the year. The core capital adequacy ratio decreased by 1.69 percentage points to 12.02% as compared with the beginning of the year. The change of capital adequacy ratio in 2012 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 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,									
	2012		2011		2010		2009		2008	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
Deposits	67.48	32.52	66.79	33.21	66.66	33.34	69.69	30.31	74.26	25.74
Loans	48.28	51.72	46.80	53.20	47.76	52.24	45.28	54.72	55.30	44.70
Assets	46.33	53.67	46.67	53.33	48.80	51.20	54.99	45.01	53.83	46.17
Loan-deposit ratio	42.16	93.74	41.09	93.94	42.57	93.09	43.02	119.55	49.43	115.27
Non-performing loan ratio	1.81	0.19	2.75	0.29	4.32	0.61	7.20	1.13	12.82	3.57
Allowance to non-performing loans ratio	271.78	1,035.58	208.13	746.14	137.16	404.25	107.45	229.32	80.99	94.30

(Expressed in percentage)	For the year ended December 31,									
	2012		2011		2010		2009		2008	
	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	1.43	1.34	1.34	1.35	1.31	1.20	1.01	1.05	1.07	1.76
Net fee and commission income to operating income	2.86	3.55	5.81	5.62	2.51	5.03	2.56	2.15	1.58	1.18
Cost-to-income ratio	40.46	34.73	38.61	34.69	44.46	44.34	56.32	37.20	52.34	26.12

County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of four subsidiaries, namely Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司), Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行股份有限責任公司), and the information of Qujing Branch (曲靖分行).

(II) Summary of Business Segment

Operating Income

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,									
	2012		2011		2010		2009		2008	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Corporate banking business	5,491.1	40.22	4,479.6	40.29	3,284.3	42.41	2,322.4	40.91	2,556.2	48.28
Personal banking business	4,269.2	31.27	3,388.8	30.48	2,685.4	34.67	1,942.2	34.21	2,164.2	40.88
Treasury operations business	3,780.4	27.69	3,138.0	28.22	1,712.9	22.12	1,359.9	23.96	538.2	10.17
Unallocated	112.6	0.82	111.9	1.01	62.0	0.80	52.3	0.92	35.7	0.67
Total operating income	13,653.3	100.00	11,118.3	100.00	7,744.6	100.00	5,676.8	100.00	5,294.3	100.00

VI. Analysis of Off-balance-sheet Items

Off-balance-sheet items of the Group mainly include contingent liabilities and commitments, such as the credit commitments, capital commitments, operating lease commitments and so on. Credit commitments, the major component of off-balance-sheet items, comprise bank acceptances, credit card commitments, issuance of letters of credit and issuance of letters of guarantee. Among which, the bank acceptances, credit card commitments and issuance of letters of credit are the major components. As at 31 December 2012, the balances of bank acceptances, credit card commitments and issuance of letters of credit were RMB4,667 million, RMB1,574 million and RMB595 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 financial assets, supplementary retirement benefit and early retirement benefit obligation, fair value of financial instruments, held-to-maturity investments, and income taxes.

Business Operation

I. Corporate Banking Business

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

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31		Changes (%)
	2012	2011	
Net interest income	5,297.7	4,175.3	26.88
Net fee and commission income	193.4	304.3	(36.44)
Operating income	5,491.1	4,479.6	22.58
Operating expenses	(3,284.2)	(2,349.4)	39.79
Impairment on assets	(214.6)	(341.6)	(37.18)
Profit before tax	1,992.3	1,788.6	11.39
	As at December 31,		Changes (%)
	2012	2011	
Segment assets	106,239.4	90,235.6	17.74

In 2012, the total profit before tax from the corporate banking business increased by 11.39% to RMB1,992 million over the previous year, accounting for 28.19% of the Group's profit before tax. The overall growth in corporate loan of the Group had driven the net interest income of the corporate banking business to increase by 26.88% over the previous year.

1. *Corporate deposits*

Corporate deposits maintained steady growth. The Group strived to capture the corporate deposit market and continued to maintain steady growth in corporate deposits. As at 31 December 2012, the balance of corporate deposits of the Group reached RMB77,101 million, including guarantee deposits and other deposits, which accounted for 26.18% of the balance of deposits of the Group whilst posting a growth of RMB10,173 million or 15.20% over the previous year.

2. *Corporate loans*

The Company adopted a prudent and moderate credit policy for corporate loans. For the loan policy, the Group persisted in operating in compliance with laws and abided by the principle of “promoting some loans while curtailing others”. The Group effectively observed the macro economic control policy of the country and expanded its corporate loan business in a prudent, steady and appropriate manner. As at 31 December 2012, the balance of corporate loans (including discounted bills) amounted to RMB111,461 million (including discounted bills), representing an increase of RMB18,656 million or 20.10% over the previous year. Meanwhile, asset quality of corporate loans continued to improve, with outstanding non-performing loans (excluding discounted bills) and non-performing loan ratio of RMB939 million and 0.88%, respectively, representing a decrease of RMB102 million and 0.24 percentage point respectively from the previous year.

The structure of credit assets was further optimised. On industry structure, in adherence to Chongqing’s industry characteristics of “undertaking large projects, operating sizable corporation, building large bases and developing pillar industries” and based on the empowerment and expansion of Chongqing’s industries, namely “6+1” pillar systems for speeding up the development of Chongqing’s industry cluster, 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 27.19%, 17.34%, 15.03%, 8.29% and 6.25% of the total amount of corporate loans of the Group (excluding discounted bills), respectively. In working on its customer profile, the Group remained committed to forging closer collaboration with quality enterprises among the top 500 enterprises in the world, top 500 enterprises of China, top 100 enterprises of Chongqing, industry leaders as well as government institutions whilst maintaining and strengthening its partnership with prime SME customers. As at 31 December 2012, the Bank had a total of 4,315 SME customers with RMB84,026 million loans outstanding with us (including discounted bills), accounting for 75.38% of the balance of loans.

3. *Corporate banking products*

The corporate banking product mix was further optimised. According to the economic situations and major industry circumstances of districts and targeted at industry characteristics, customer settlement practices, the manner of fund retention etc., the Bank which conducted research and development on related financial products to be able to fulfil customer needs and launched acquisition loan products, customs guarantees and sub-zero notes business. In the meantime, domestic factoring and inventory mortgage business researched and developed by the Bank have been submitted to the regulatory authorities for inspection while bonded sales financing, domestic credit letter and cash management are under innovation work. Such series of work will further perfect the product lines of the Bank's corporate banking business.

4. *Corporate customer managers*

Steady progress had been made in the establishment of the corporate customer manager mechanism. Since the launch of the corporate customer manager mechanism in July 2009, after setting up for more than 3 years, by ways of promoting education, training, management mechanism on the admission and exit criteria as well as assessment, the number of corporate customer managers and their overall quality achieved significant improvement. In 2012, four training sessions were provided to corporate customer managers, and the number of corporate customer managers increased by 9.09% over the previous year. The expansion and growth of the team will substantially facilitate the growth of corporate business.

5. *Establishment of corporate model branch outlets*

Creation of corporate model branch outlets has commenced. For the purposes of further grasping the keynote of corporate business transformation and upgrade, advancing the characteristics operation of corporate business, implementing streamlined management and fostering an enterprising culture of corporate business line, as well as building a "bridgehead" for business development, the Bank commenced establishment of corporate model branch outlets in 2012. Through interactive linkage between main sub-branches and branch outlets, the functions of first-level branch outlets served in corporate business were fully unleashed and the awareness of corporate business lines, particularly employees from first-level branch outlets, to corporate business development was enhanced. Guided by the idea of concept indoctrination, the Bank advocated full-marketing and incorporated sales service procedures into branch outlets. With a guarantee on innovative assessment management mechanism and an emphasis on employee team building, the Bank established full-service branch outlets, raised value of such branch outlets and achieved positive sustainable development of corporate business.

6. *Channel construction*

Channel construction continued to be enhanced. As at 31 December 2012, the Bank continued to maintain extensive cooperation with competent authorities of the Chongqing Municipal Government. On one hand, after becoming a bank partner of the centralised 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), the agency bank undertaking non-taxation business in Chongqing City (重慶市非稅業務代理銀行) as well as the agency bank “Major Overhaul Fund” of Chongqing Municipal Bureau of Land Resources and Housing Management in Chongqing City (重慶市國土房管「大修基金」代理銀行), the Bank stepped up its efforts in the cooperation of various business and newly opened 19 branches to launch centralised treasury payment business during the whole year. Launch coverage ratio reached 76.19%. On the other hand, besides developing the information system for businesses with Chongqing Administration for Industry and Commerce, the Bank continued to facilitate the establishment of the SMS platform for traffic fines in Chongqing City and broaden the scope of collaboration among various channels. The Bank was the only financial services bank to handle urban and rural social pension insurance for residents in Chongqing City. As at 31 December 2012, 11,000,000 people in the city have already been paid and distributed pension insurance through the Bank, which generated an annual cash flow of more than RMB4,500 million, and the balance of deposit was nearly RMB4,000 million.

7. *Small enterprise business*

As at 31 December, according to specifications prescribed by four ministries and commissions of the nation, small enterprise loan balance of the Bank amounted to RMB31,006 million (excluding discounted bills), representing an increase of RMB7,514 million as compared to the beginning of the year and an increase of 31.98%, higher than the average loan growth rate of 15.49 percentage points of the Bank. Higher than corresponding period of the previous year by RMB1,391 million, the increase in loans reached the regulatory requirement of “Two Minimum Thresholds” (兩個不低於). The Bank ranked top among its peers in the city in terms of the growth in small enterprise loans. Accumulated loans to micro enterprises amounted to RMB2,413 million while micro enterprise loan balance amounted to RMB2,324 million, representing an increase of RMB2,192 million as compared to the beginning of the year. All of the three indicators of the Bank, including the number of new accounts opened by micro enterprises, the amount of loans to micro enterprises and outstanding balance of such loans, ranked top among peers in the city.

For small and micro credit products, the Bank adhered to the concepts of “specific systems, exclusive products, specific procedures and special assessment”, made collation on existing solutions, improvement and innovation on loan categories and formulated corresponding operation rules. Under the prerequisite of controllable risks, targeted at small and micro enterprises at different development stages and with different capital requirements, the Bank launched six exclusive small and micro enterprise credit products under the “Easy Commercial Loans”(商易貸) series and formulated corresponding operation rules and a systematic framework of credit solutions, product solutions, operating procedures and implementation rules on small enterprise lines respectively.

For small and micro credit business procedures, with a view to propping up working efficiency and competitiveness of small and micro enterprise business, the Bank proactively formulated and optimised business procedures of those small and micro enterprises and introduced specific procedures of “investigation in parallel with review, rating in parallel with approval, whilst submitting applications for expenditure and billing simultaneously”(調查審查同時進行、評級授信同時上報、支用出帳同時申請) among small and micro enterprise businesses. Particularly focused on credit requirements of micro enterprises, the Bank launched simplistic business process (一表通) concerning Micro Enterprise Business Startup Subsidizing Loan (微型企業創業扶持貸款). Application, investigation, review and approval for Micro Enterprise Business Startup Subsidizing Loan can be completed in a business process by simply filling in the form. Capital can be credited into account on the same day which improved the processing efficiency of Micro Enterprise Business Startup Subsidizing Loan and supported the development of domestic micro enterprises.

For risk aversion and control of small and micro credit business, the Bank worked on three areas to consistently enhanced asset quality. Firstly the Bank focused on sound internal control system and established effective risk aversion mechanism. Secondly the Bank focused on risk warning and identified key risk aversion and control areas. As internal and external demands remained weak and downturn of the national economy continued, the Bank repeatedly conducted specific investigation and research on micro enterprise business, timely unveiled the risks encountered by small enterprises during operations, identified key risk aversion and control areas so as to shoot the arrow at the target. Thirdly the Bank focused on enhancement of credit specific checking and strengthened regulatory control. As at 31 December 2012, small enterprise bad loan balance of the Bank amounted to RMB744 million, representing a decrease of RMB178 million as compared to the beginning of the year. Small enterprise bad loans accounted for 2.39%, representing a decrease of 1.56 percentage points as compared to the beginning of the year.

8. *International business*

The Bank insisted in upholding the ideas of domestic market and international market, export and import, internal introduction and outward development, as well as providing support in building Chongqing into a bridgehead in inland development. In 2012, the Bank recorded international business settlement of US\$1,082 million, representing a year-on-year growth of 32.44%, thus taking a leading position among the banks of the city and ranking top among 3 local financial institutions; sale and purchase of foreign exchange handled by the Bank amounted to US\$591 million, representing a year-on-year growth of 15.43%; the total volume of trade financing for the whole year amounted to US\$407 million, representing a year-on-year growth of 36.58%. The Bank established correspondent banking relationships with 65 banks at home and abroad, raising the number of its correspondent banks to 313. It also commenced new business such as cross-border RMB settlement.

9. *Investment banking business*

The Bank achieved breakthroughs in the wealth management business. Under the precondition that the capital was utilised in compliance with the requirements of the national macro-control and regulatory policies, the Bank strived to satisfy the needs of the investors. In 2012, the Bank designed and issued 237 tranches of wealth management products in total and raised proceeds of RMB41,255 million, 342.37% higher than that for 2011. The balance of wealth management products amounted to RMB13,093 million, representing an increase of 180.24% over the end of the previous year. Two major series of wealth management products targeting at the general public, namely “Jiangyu Wealth - Building up your fortune” (「江渝財富—天添金」) and “Jiangyu Wealth - Happy life in the Ba-Yu Region” (「江渝財富—幸福巴渝」) were developed.

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 December 31,		Changes (%)
	2012	2011	
Net interest income	4,130.5	3,206.3	28.82
Net fee and commission income	138.7	182.5	(24.00)
Operating income	4,269.2	3,388.8	25.98
Operating expense	(1,825.5)	(1,811.6)	0.77
Impairment on assets	(56.5)	(213.2)	(73.50)
Profit before tax	2,387.2	1,364.0	75.01
	As at December 31,		Changes (%)
	2012	2011	
Segment assets	59,575.2	48,918.5	21.78

The retail banking business of the Group recorded a profit before tax of RMB2,387 million, up 75.01% over the previous year, representing a more remarkable contribution to the Group's profit. The steady increase of retail banking triggered a growth of 25.98% and 28.82% in operating income and net interest income of the retail banking business of the Group as compared to the previous year. In addition, the blistering growth of personal bank card, agent businesses and retail loans has propped up a relatively high 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 RMB38,196 million or 21.31% in retail deposits over the end of the previous year to RMB217,409 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 and personal loans for business purposes. With a view to becoming the largest and the best local retail bank, the Group managed to further consolidate its leading presence in retail loans business on the strength of the improvement in credit structure, the innovation of retail credit products, the adjustment on customer and product structure and the increase in the personal loans for business purposes with higher yield. Leveraging the specialised 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.

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 loans such as retail loan products for operating purpose. The retail loans of the Group increased by RMB10,559 million as compared to the end of the previous year to RMB62,098 million, among which personal residential mortgage loans increased by RMB4,349 million from the end of the previous year to RMB35,185 million. The loans to private business and employment assistance loans increased by RMB4,362 million as compared to the end of the previous year to RMB18,765 million. The stock of retail loans of the Group 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 RMB1,195 million as compared to the end of the previous year to RMB3,737 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 31 December 2012, the total number of debit cards of the Bank reached 10,803,400; the spending related thereto amounted to RMB36,309 million, representing an increase of 57.78% over the previous year. As at the 31 December 2012, the total number of credit cards issued by the Bank amounted to 65,500, representing an increase of 22,600 over the end of the previous year. Spending related to credit cards in the year amounted to RMB5,821 million, representing an increase of 389.57% over the previous year. The balance of loans of credit cards amounted to RMB1,223 million, representing an increase of RMB808 million or 195.10% over the beginning of the year. The Bank committed itself to introducing more innovative credit card business while new products that cater to the demand of segmented market were developed. It launched Jiangyu Business Card (江渝公務卡) added the function of withholding the payment for tobacco to credit cards and launched the business of telephone-POS. The Bank carried out the business plan called “1 Alliance” (1聯盟), which was jointly developed by the Bank and enterprises. The plan, relying on the the loyalty system, POS which can accumulate credits, MIS-POS and other tools, aims at forging a new marketing mode based on the business circle. The on-line system used for the marketing and management of the loyalty credits of clients supported the sustainable development of the unique credit cards.

4. *Agency Business*

The Bank has been increasing intermediary business products of retail banking and recorded stable increase in income. In 2012, the Bank's sales volume from the distribution of trust products amounted to RMB213 million and an income of RMB9,391,700 from intermediary business was recorded. The operating income from the distribution business of rare metals was RMB31,119,800 and an income of RMB724,200 from intermediary business was recorded. In 2012, the Bank launched the repurchase agency business of rare metals and became the first rural commercial bank in the PRC to commence such business. Since the commencement of the business, the amount of rare metals repurchased exceeded one million and a convenient two-way channel for the trading was created for customers who invest in gold. In the meantime, the Bank became the first one to issue products of rare metal related to Lunar New Year Animals in Chongqing. The Bank was also proactively seeking the opportunity to act as the agent of the real gold trading business of the Shanghai Gold Exchange and striving to refine the system of intermediary business products.

III. Treasury Business

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

(Expressed in RMB million, unless otherwise stated)	For the year ended December 31,		Changes (%)
	2012	2011	
Net interest income	3,664.0	3,123.4	17.31
Net fee and commission income	103.6	148.6	(30.28)
Net trading gain	13.0	23.4	(44.44)
Other operating losses, net	(0.2)	(157.4)	(99.87)
Operating income	3,780.4	3,138.0	20.47
Operating expense	(965.1)	(589.0)	63.85
Impairment on assets	(240.3)	(293.2)	(18.04)
Net gain from disposal of available-for-sale financial assets	0.7	—	100.00
Net gain from disposal of debt securities classified as receivables	—	1.0	(100.00)
Profit before tax	2,575.7	2,256.8	14.13
As at 31 December,			
	2012	2011	Changes (%)
Segment assets	262,315.7	200,486.2	30.84

Since the beginning of this year, the inter-bank yield dropped significantly with the release of liquidity. In the meantime, issue of trust, wealth management and other relevant products decrease due to the decrease in the demand of financing from business enterprises, drop in economic growth and the further opening of direct financing channel. Compared to the previous year, the investment environment this year was more complicated and the pressure on capital utilization increased. Under this situation, the Bank selectively targeted at the investment of bonds, wealth management, bills and inter-bank lending with increased investment in bonds and interbank lending and innovation in financial products, thereby maintained stable growth in profit in a capital market where the spread of the interest rates were tightening.

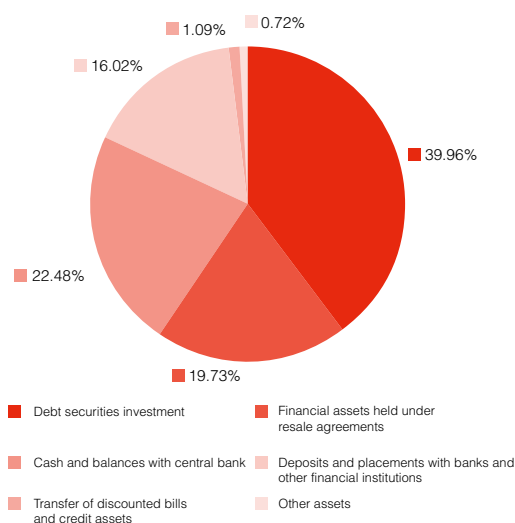
Firstly, the Bank adopted prudent operation style and multiple financing channels, effectively guarding against liquidity risk. Secondly, the Bank swiftly seized market opportunities and continued to expand the business of bills held under resale agreement so as to ensure a steady growth in earnings. Thirdly, the Bank strove to raise the efficiency of capital operation by stressing the refinement of risk management. Fourthly, the Bank improved its interbank lending business, created new investments in trust plans and purchased business of beneficial interests in trust plan held under resale agreements, thereby further broadening its capital utilization channels and increasing exchange and cooperation with peers.

The treasury businesses recorded profit before tax of RMB2,576 million, representing an increase of RMB319 million or 14.13% as compared with the end of the previous year, which contributed to 36.44% of the Group's profit and became an important source of profit.

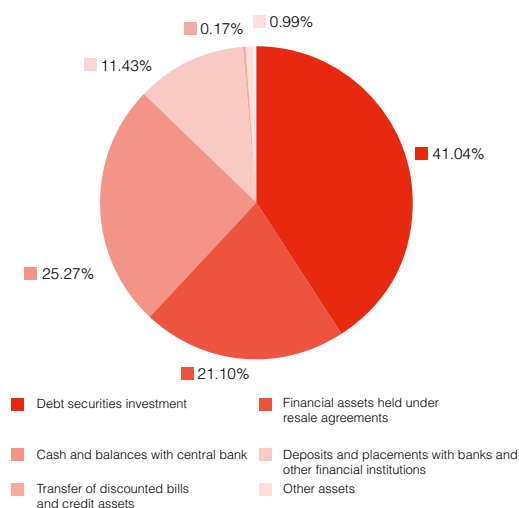
1. Segment Assets

(Expressed in RMB million, unless otherwise stated)	As at December 31,			
	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities investments	104,825.2	39.96	82,288.3	41.04
Financial assets held under resale agreements	51,765.1	19.73	42,296.8	21.10
Cash and balances with central bank	58,964.1	22.48	50,662.8	25.27
Deposits and placements with banks and other financial institutions	42,012.0	16.02	22,905.7	11.43
Transfer of discounted bills and credit assets	2,855.0	1.09	334.2	0.17
Other assets	1,894.3	0.72	1,998.4	0.99
Total assets	262,315.7	100.00	200,486.2	100.00

**Assets structure as
at 31 December 2012**



**Assets structure as
at 31 December 2011**



As at 31 December 2012, the total size of operating assets was RMB262,316 million, representing an increase of RMB61,830 million or 30.84% as compared with the end of the previous year. In particular, debt securities investment increased by RMB22,537 million or 27.39%, cash and balances with central bank increased by RMB8,301 million or 16.39%, financial assets held under resale agreements increased by RMB9,468 million or 22.39% while deposits and placements with banks and other financial institutions increased by RMB19,106 million or 83.41%. The transfer of discounted bills and credit assets increased by RMB2,521 million or 754.28%, which was mainly due to the moderate increase in the scale of discounted bills as a result of the appropriate adjustment of the lending structure by the Group.

2. Debt Securities Investments

(1) Distribution of Debt Securities Investments by Holding Purpose

(Expressed in RMB million, unless otherwise stated)	As at December 31,			
	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity debt securities	45,773.8	43.67	40,236.4	48.90
Debt securities classified as receivables	32,614.4	31.11	27,053.3	32.88
Debt securities at fair value through profit or loss	21,886.9	20.88	13,434.5	16.33
Available-for-sale debt securities	4,550.1	4.34	1,564.1	1.89
Total	104,825.2	100.00	82,288.3	100.00

In 2012, the Group has continued implementing 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 debt securities classified as receivables and at fair value through profit or loss with reference to market conditions. As at 31 December 2012, the Group saw an increase of RMB5,537 million but a decrease of 5.23 percentage points in proportion in held-to-maturity debt securities as compared with the end of the previous year; an increase of RMB5,561 million or a decrease of 1.77 percentage points in proportion in debt securities classified as receivables over the end of the previous year, as well as an increase of RMB8,452 million or 4.55 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,			
	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	19,453.9	18.56	14,256.6	17.33
AA	9,452.3	9.02	4,832.3	5.87
A	398.0	0.38	—	—
Unrated	75,521.0	72.04	63,199.4	76.80
Total	104,825.2	100.00	82,288.3	100.00

In 2012, the Group proactively leveraged on the trend of policies, further analyzed and formed judgment on the market and determined the bond investment strategy of “proactively taking position and profit at the right time”. In respect to operation, the main objective of the strategy was to obtain short- and mid-term bonds with higher coupon rate and AA and AA+ rating in the primary market and appropriately allocate bonds issued by policy banks as well as mid-term and corporate bonds with AAA rating. As at 31 December 2012, bonds with a rating above AA increased by RMB9,817 million and increased in proportion by 4.38 percentage points, while unrated bonds increased by RMB12,322 million and decreased in proportion by 4.76 percentage points. Unrated bonds are mainly government bonds, bank notes issued by the PBOC, public sector bonds, quasi-government bonds, certificate treasury bonds and debt instruments issued by financial institutions.

(3) Distribution of Debt Securities Investments by Remaining Maturity

(Expressed in RMB million, unless otherwise stated)	As at December 31,			
	2012		2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 3 months	7,948.0	7.58	12,998.7	15.80
3 to 12 months	23,175.4	22.11	9,283.1	11.28
1 to 5 years	48,245.8	46.03	40,497.0	49.21
Over 5 years	25,456.0	24.28	19,509.5	23.71
Total	104,825.2	100.00	82,288.3	100.00

As at 31 December 2012, the Group's investments in debt securities with a remaining maturity of less than 12 months increased by RMB8,842 million and increased by 2.61 percentage points in proportion from the end of the previous year. Our investments in bonds with a remaining maturity of over 5 years increased by RMB5,947 million or 0.57 percentage point 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 with higher coupon rates and relatively high investment value in accordance with the changes in the bond market and the reasonable allocation of the maturity and yield of its investment portfolio.

(4) Investment in Financial Bonds

Financial bonds refer to the marketable securities issued by policy banks, banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. As at 31 December 2012, the balance of financial bonds of the Group was RMB24,174 million, which was 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	700.00	3.59	2020-02-25	—
Debt securities issued by policy banks in 2005	650.00	3.60	2020-11-29	—
Debt securities issued by policy banks in 2010	620.00	3.14	2015-09-17	—
Debt securities issued by policy banks in 2010	600.00	4.20	2040-09-20	—
Debt securities issued by policy banks in 2012	590.00	3.97	2019-07-09	—
Debt securities issued by policy banks in 2006	570.00	3.79	2021-06-28	—
Debt securities issued by commercial banks in 2006	530.00	3.75	2016-12-19	—
Debt securities issued by policy banks in 2005	510.00	3.42	2015-08-02	—
Debt securities issued by policy banks in 2006	450.00	3.60	2026-04-11	—
Debt securities issued by policy banks in 2012	400.00	4.11	2017-04-23	—

Note: Impairment in this table refers to individually assessed impairment, not including collectively assessed impairment.

IV. Distribution Channels

1. *Physical outlets*

Operating outlets are the primary distribution channels of the Bank. As at 31 December 2012, the Bank had 1,767 branches of various kinds, including 1 headquarter, 1 branch, 1 business department, 42 sub-branches, 4 tier-2 sub-branches and 1,718 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. On December 28, 2012, the Qujing Branch of the Bank in Yunan officially opened and became the first non-local branch of a rural commercial bank in the PRC.

The Bank has strategically developed distribution channels, optimised the layout of outlets and stepped up restructuring to improve its service coverage, service capabilities and operational efficiency. In 2012, the Bank reallocated 73 existing branches and refurbished 207 existing branches. Since the establishment in June 2008, the number of annual refurbished outlet has exceeded 900, which is more than 52% of the total outlets under its administration and has resulted in a significant improvement in the overall appearance of outlets.

2. *Self-service banking*

In order to expand the scope of customer services and provide customers with more convenient services, the Bank established twenty-one 24-hour self-service centers as at 31 December 2012, and the number of ATMs and self-service inquiry terminals increased to 2,133. The proportion of machine to outlet reached 1.2:1, the first time exceeded 1:1, among which the number of ATMs increased by 422 units to 1,645 units over the end of the previous year and self-service inquiry terminals increased by 121 units to 488 units over the end of the previous year.

408 units of convenient rural financial self-service terminals have been newly launched in 2012. As at 31 December 2012, an aggregate of 618 terminals were launched and 575 convenient rural financial self-service centers had been established and commenced on-line operation while the rest ones are under construction. As such, the Bank extended its financial service coverage whilst bringing convenience and benefits to the people in the rural area. The service won widespread recognition from the local government and the general public, with both social and economic benefits well-received.

3. *E-banking*

In 2012, the Bank kept up to place high importance on channel construction in the development of e-banking business. It continued to enrich its products, strived to develop an e-banking system with comprehensive coverage and expanded in the area of convenient financial service, thereby further increased the level of customer satisfaction. Meanwhile, the Bank kept raising the brand recognition and influence of E-banking through diversified marketing activities, driving the effective growth in the sizes of customers and business. In 2012, the E-banking transaction amount amounted to RMB359,690 million, representing an increase of 222.41% over the previous year, and the financial transactions through E-banking amounted to 12,958,400, representing an increase of 748.12% over the previous year.

(1) Internet banking

Corporate internet banking

The Bank successfully launched an electronic platform for the open and transparent tender of the center of public resources, on which electronic business management can be applied to the whole process from the application of project tender to the completion of the project transaction, thereby further increased the capability in providing customised service to high-end clients. The success of the online operation of the B2B internet payment project filled the emptiness of the Bank in the area of corporate electronic business and marked the comparability of the Bank's comprehensive platform in competition with the other major commercial banks in the area of electronic banking. By the end of 2012, the number of corporate internet banking customers of the Bank increased by 118.76% over the end of the previous year to 5,598; the transaction amounts for the year exceeded RMB202,856 million, representing a growth of 122.36% over the previous year.

Personal internet banking

The Bank continued to increase the function of its products. It has newly launched self-service subscription service for its wealth management products, online sale of funds, business of regular purchase for welfare lottery and the services of Tenpay and directory, thereby further broadening payment channels and service scope. By the end of 2012, the number of personal internet banking customers reached 153,900, representing an increase of 416.44% over the end of the previous year. The transaction amount for the year amounted to RMB23,282 million, increased by 203.19% over the previous year.

The Bank continuously refined and upgraded its internet banking so as to meet the various and diversified demand for financial services and enhance customers' experience. The Bank has won the "Gold List of E-banking in China - Innovation Award of the Best Internet Banking of Regional Commercial Bank 2012" (中國電子銀行金榜獎—2012年區域性商業銀行最佳網上銀行業務創新獎) by China Financial Certification Authority.

(2) Mobile banking

In respect of mobile banking, the Bank launched cross-bank internet real-time remittance service and Chongqing PBOC Integrated Service System of Payment Information (重慶人行通) - cross-bank payment transfer business within Chongqing, thereby further enhanced the experience of customers and the convenience of remittance. In the meantime, the Bank launched self-service subscription service for its wealth management products and therefore further increased the channel of purchase for its wealth management products and met the demand of customers to buy those products wherever and whenever they want. At the end of 2012, customers of mobile banking reached 643,400, representing an increase of 313.23% over the end of the previous year. The transaction amount for the year was RMB133,552 million, representing an increase of 955.25% over the previous year. The number of financial transactions was 11,690,400, increased by 968.01% as compared to the previous year.

The mobile finance topic of the Study on the Establishment of Mobile Finance Platform by Regional Commercial Banks and the Strategy for the General Benefit of Financial Development (《區域性商業銀行手機金融平台建設暨普惠金融發展策略研究》) has won the Award of Outstanding Achievement of Research on Risk Management of Information Technology in the Banking Industry from 2011 to 2012 (2011-2012年度銀行業信息科技風險管理研究成果優秀獎) given by the CBRC.

(3) Telephone banking and SMS banking

The Bank reinforced effort in channel consolidation. The introduction of the payment function of "Baiyitong" improved payment functions through telephone banking, whilst the scope thereof was enlarged by the newly launched enquiry function on the Major Overhaul Fund. For the year ended 31 December 2012, it served customers for 9,064,300 times. Given such sound development, the growth of SMS banking is promising. As at 31 December, the accounts of SMS of the Bank had been accumulated to 3,308,800, with 1,868,400 additional customers in the year, representing an increase of 129.71% as compared with the end of the previous year, while contracts signed by high-end customers accounted for 57.16%, an increase of 17.14 percentage points as compared with the same period of the previous year.

V. Principal Subsidiaries And Associates

Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司) (the former Jiangsu Zhangjiagang Huaxin Village and Township Bank Co., Ltd., its name changed in November, 2012) was established in April, 2010 with a registered capital of RMB200 million, is owned as to 51.00% by the Bank. As at 31 December 2012, its total assets amounted to RMB659 million.

Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司) (the former Sichuan Dazhu Longyuan Village and Township Bank Co., Ltd., its name changed in December, 2012) established in November, 2010 with a registered capital of RMB60 million. Its current capital is RMB100 million with an increase of RMB40 million in September, 2012. It is owned as to 51.00% by the Bank. As at 31 December 2012, its total assets amounted to RMB253 million.

Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司) (the former Yunnan Dali Haidong Village and Township Bank Co., Ltd., its name changed in December, 2012) established in December, 2010 with a registered capital of RMB60 million. Its current capital is RMB200 million after an increase of RMB140 million in October 2012. It is owned as to 51.00% by the Bank. As at 31 December 2012, its total assets amounted to RMB509 million.

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行股份有限公司), established in December, 2012 with a registered capital of RMB100 million, is owned as to 51.00% by the Bank. As at 31 December 2012, its total assets amounted to RMB119 million.

The associate is Chongqing Auto Finance Co., Ltd. (重慶汽車金融有限公司), which was registered and incorporated in Chongqing on August 13, 2012 with a registered capital of RMB500 million and is primarily engaged in automotive finance business. As at 31 December 2012, the Group held 20.00% of equity interest at the incorporation of the associate.

VI. Information Technology

Solid progress was made in project development as well as the optimisation and upgrade of systems in order to positively accommodate business development. Firstly, the operation of 24-hour online banking was successfully completed, by which the 24-hour transactions by the customers can be fully supported. Secondly, the project of the financial IC card system successfully operated, it not only completed the establishment of the issuing and acceptance channels of the financial IC card system, but also accomplished the function of non-contact micro payment of the financial IC card system, thereby developed multi-purpose business platform of bank card for the Bank to support the application of the financial IC card system. Thirdly, the establishment of the automatic system of verifying and printing two-dimension codes for cheques and interactive PIN pads were completed, whereby the capability of the counters in preventing operating risks could be further enhanced. Fourthly, the optimisation and relocation of the integrated large-scale preliminary project groups, the optimisation of online and mobile banking and the development of second generation projects such as the PBOC payment system have completed. Fifthly, we have completed the development of the assessment system for points and performance, the development of new portal, the optimisation of the process of the credit system, the development of management systems and platforms such as unified error handling platform, centralised and unified accounting entry system and audit system so as to fulfill the needs for the transformation of outlets and refined management, thereby effectively upgraded the information management system.

Enhancement was made in the prevention of risk in information technology risk as well as the internal control and management of the safety of information with an aim to fully manage and control the safety of information. The availability of the key systems such as core business processing, online banking and credit card reached 100% for the year. No breakdown has occurred to the production server and system framework, which was a guarantee to the normal operation of the Bank's business. Meanwhile, the Bank enhanced the development and improvement in its system for the internal control of information technology by formulating and amending 21 administrative measures and operation practices of information technology and solidly proceeding with its IT governance, with an aim to support the strategic transformation and the "Industrialisation, Urbanisation and Agricultural Modernisation" of the Bank by technology. The Bank has also completed thorough inspection to the technology infrastructure and the relevant operation and management of 30 sub-branches and organized emergency drills for remote contingency plans against potential risks of its information systems so as to protect the normal operation of its network and information system. In addition, it has conducted evaluation assessment and checking on the safety and risk of its information system, and protection as well as safety testing and assessment for its key information systems. The Bank has won prizes such as the Outstanding Management and Research Result on Information Technology Risk 2012 (2012年度「信息科技風險管理研究成果優秀獎」) by the CBRC, the honour of 2012 Advanced Enterprise in Maintenance and Management of the National Rural Credit Banks Funds Payment and Clearing System (全國農信銀2012年度「支付清算系統運維管理」先進單位) and Outstanding Contribution in Multi-Channel Application (「多管道應用突出貢獻獎」).

Bolster innovation of financial products and provide customers with all-rounded financial services. Closely focused on transformation and upgrade of outlets and the “Industrialisation, Urbanisation and Agricultural Modernisation “ moves, the Bank proactively enhanced communication and collaboration among various functional departments. It mainly completed the development and testing of the self-service integrated machine for account opening and card issuance and the VTM virtual teller machine, also conducted research and verification on marketing platform for lobby managers/customer managers, as well as gave presentation to scientific innovation themes. Among which, Generalisation of Chongqing Rural Commercial Bank Mobile Banking and Mobile Finance (《重慶農村商業銀行手機銀行及手機金融普惠》) has been incorporated into the technology risk management research directory by the CBRC.

VII. Employees and Human Resources Management

1. Basic Information on Employees

As at the end of 2012, the Bank had 14,800 regular employees, 7,960 of whom held Bachelor’s degree or above, representing approximately 53.78% of all our regular employees. In addition, we had 1,139 dispatch workers, 1,915 internally retired employees and 4,042 retired employees.

2. Overview of Human Resources Management

In 2012, the Bank further optimised the organisational structure and carried out the “Three Fixes”, with employees given fixed positions, fixed responsibilities and fixed deployment. The Bank continuously refined the human resources allocation through reinforced talents introduction as well as the selection and cultivation of talents of management and techniques. More attention had been paid to employees’ education and performance evaluation to guide their career development. The completion of the human resources system and optimisation of the human resources management system yielded significantly greater efficiency in terms of human resources.

In terms of remuneration, the Bank promoted the reform on remuneration through refining the positions and ranks of technical experts and constructing a position and remuneration system which accords with the market price and is based on the position’s value. To optimise the guarantee mechanism for employees, the Bank prepared the insurance for serious disease to alleviate the employees’ pressure on seeking medical treatment of such disease, a measure that increased the employees’ cohesion, sense of belongings and happiness.

3. *Training*

The Bank is devoted to the career development of employees and has put more efforts into training employees. It integrated and optimised the training resources. Drawing on the advantages of E-learning, the Bank facilitated a training featuring multi-layers and multi-categories, which helped improve the quality of employees in every aspect. In 2012, the Bank held 1,785 training classes with an investment of RMB23.3502 million in employees' training. 101,700 employees received the training for 6.87 times per person in the year. E-learning provided training for 287,800 employees.

Financial Business in County Area

The banking business in County Area has been a long-term strategic focus, and also one of the Group's major sources of revenues. The Group provides diversified financial services for customers in County Area through 1 subsidiary bank, 31 branches located in County Area and their 1,460 distribution outlets as well as 4 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 financial innovation, kept on increasing the total financial supply in County Area, leading to the rapid growth of financial services in County Area. As at 31 December 2012, the loan balance of the banking business in County Area amounted to RMB83,790 million, representing an increase of RMB16,231 million or 24.02% over the end of the previous year; non-performing loan ratio stood at 1.81%, down 0.94 percentage point over the end of the previous year; the deposit balance amounted to RMB198,746 million, representing an increase of RMB34,346 million or 20.89% over the end of the previous year.

I. **Reform and Innovation**

1. *Organisational Structure*

During the reporting period, the Bank further improved its management structure. The Sannong Department (三農事業部), guided by Sannong Financial Service Committee (三農金融服務委員會), provided professional operation and management for banking business in County Area. The three centres of financial service centre for farmers, financial service centre of agriculture industrialisation and Sannong business management centre duly performed their functions and operated efficiently, which contributed to the fast development of the Bank's financial business in the county area.

2. *Credit Management*

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

3. *Assessment and Incentives*

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

4. *Products innovation*

During the reporting period, the Bank speeded up the innovation on characteristic credit products. Its major innovation was the introduction of the new rural housing mortgage loans in Kai County, loans for the village-based tourism in Wulong and Wansheng, and loans secured by movable assets for the dairy cow industry as well as for the orchards in Changshou, which fully met the demand of clients.

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

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

As at 31 December 2012, the corporate loan balance of the Group banking business in County Area stood at RMB41,840 million, representing 37.54% of the corporate loan balance, up RMB7,399 million or 21.48% over the end of the previous year.

III. Personal Banking Business in County Area

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

As at 31 December 2012, as the only bank in Chongqing offering the new type of pension insurance services in rural areas, the Bank carried out social pension insurance agency services for urban and rural residents in all districts/counties throughout the city, with coverage of over 11 million people. Departments of finance and social insurance of the city and district/county have opened 124 social insurance accounts with the Bank, with a capital balance of RMB3,999 million. In 2012, the number of individual pensions withheld by the Bank amounted to 6,086,200, totalling RMB994 million; the number of individual pensions paid by the Bank as an agent amounted to 38,858,100, totalling RMB3,527 million. These services provided the Bank with an extensive customer base and helped stabilise the customer resources and facilitate the development of our businesses.

The Bank made greater efforts in the construction of electronic channels in County Area and vigorously marketed the Jiangyu Card, the Jiangyu Xiangqing Card, the Farmer's Fortune Card (福農卡), credit card, personal internet banking and mobile banking. As at 31 December 2012, the Bank owned 1,149 ATMs, and 402 multi-media enquiry machines in County Area and set up 605 convenient rural financial self-service centres. The number of debit cards and credit cards issued by the Bank in County Area also increased by 1,455,500 and 18,300 over the end of the previous year, respectively to 8,536,700 and 50,500, respectively, which accounted for 79.02% of the debit cards issued by the Bank and 77.10% of the credit cards issued by the Bank, respectively. With the gradual enhancement in electronic equipment and so the increase in the number of cards, the Bank is well poised to keep expanding its customer base in County Area and increase the penetration of banking business in County Area, and build good business relationship with customers.

As at 31 December 2012, the personal loan balance of the Group's banking business in County Area stood at RMB41,950 million, representing 67.55% of the total personal loan balance of the Group, up RMB8,832 million or 26.67% 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,					
	2012			2011		
	County Area	Urban Area	Total	County Area	Urban Area	Total
Net interest income	2,189.2	10,903.0	13,092.2	1,921.4	8,583.6	10,505.0
Net fee and commission income	202.1	233.6	435.7	321.9	313.5	635.4
Net trading gain	—	13.0	13.0	—	23.4	23.4
Other operating income (losses), net	96.4	16.0	112.4	69.1	(114.6)	(45.5)
Total operating income	2,487.7	11,165.6	13,653.3	2,312.4	8,805.9	11,118.3
Internal transfer of income and expense	4,581.8	(4,581.8)	—	3,230.6	(3,230.6)	—
Gain after adjustment	7,069.5	6,583.8	13,653.3	5,543.0	5,575.3	11,118.3

For the year ended 31 December 2012, the gain as adjusted for the County Area segment was RMB7,070 million, representing a year-on-year increase of 27.54%, which was mainly attributable to rapid growth in the net interest income and in internal transfer of income.

Risk Management

The Group further improved its risk management system in 2012. 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 Group or the other party to fulfill the corresponding responsibilities in compliance with contracted provisions. The perceivable credit risks of the Group mainly lie in loan portfolio, investment portfolio, guarantees and other payment undertakings.

The Group 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.

In 2012, the Group actively adapted to the changes in the macroeconomic environment, implemented the macroeconomic control policies of the State, adhered to concept of financial service for real economies, further refined its credit policies, optimized its process of credit business, enhanced risk control in key areas such as the government financing platform and real estate, increased its efforts in risk reduction and inspection, so as to actively mitigate potential risks and continually raise its standard of credit risk control.

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 Group'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 Group 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. The Group duly adjusted the structure of its assets and liabilities, kept the balance between gain and risk, duly increased its active liabilities in accordance with relevant indicators, with an aim to flexibly develop its treasury business and improved its liquidity structure. 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. Through the year, no difficulty in making due payments and other liquidity crisis have occurred to the Bank, and its liquidity condition was safe and under control. The Bank regularly conducted stress test on its liquidity risks to examine its risk tolerance in adverse situation such as low-probability events. The results showed that the liquidity risks were still within controllable range although those would increase in stress scenario.

As at the end of 2012, other than core liabilities ratio, all main indicators reflecting the Group's liquidity conditions met regulatory requirements. The Group 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 was 53.71% at the end of 2012.

Liquidity Risk Analysis

During 2012, the economic activities in the PRC were generally stable despite of higher downward pressure. The PBOC increased macroeconomic control by reducing both deposit reserve ratio and interest rates twice and utilized operating instruments of the open market such as reverse repurchase several times. Temporary tight and loose liquidity condition appeared by rotation in the interbank market. The Group ensured the balance among liquidity, safety and efficiency by virtue of flexible asset allocation, rationalised capital investment, optimised assets and liabilities structure and proper terms for respective credit funds.

The Group appraised the liquidity risk conditions by means of liquidity gap analysis. At the end of 2012, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities

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

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

Note: Please refer to "Notes to Consolidated Financial Statements: 51. Financial Risk Management. Liquidity Risk."

As at the end of 2012, the accumulated gap of various maturities of the Group was RMB106,825 million, representing an increase of RMB15,738 million from the end of the previous year. Despite the negative gap for repayment on demand of RMB128,604 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 Group manages its interest rate risk and exchange rate risk in accordance with the requirements of the Guidelines of Market Risk Management of Commercial Banks (商業銀行市場風險管理指引), the Guidelines of Internal Control of Commercial Banks (商業銀行內部控制指引) and the Guidelines for Stress Testing of Commercial Banks (商業銀行壓力測試指引) promulgated by the CBRC and with reference to New Basel Capital Accord. The Group has also formulated a management system for market risk through regulation, monitoring and reporting measures to govern authorisation, credit extension and limit of risks.

Interest Rate Risk Analysis

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

Since 2012, a further unprecedented step in the reform of interest rates towards market mechanism was taken after the central bank's initiation of its first asymmetrical reduction of interest rates, which exceeded the cap of the floating interval of the deposit rates that was subject to control and regarded as "a piece of iron board". In adapting to the tendency of the interest rates toward market mechanism and the increased competition in the financial markets, the Bank, by properly applying the FTP pricing 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 risk gap on the contract re-pricing date or maturity date (whichever was earlier) is as follows:

(Expressed in RMB million)	As at 31 December 2012						Total
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	
Cash and balances with central bank	55,139.3	—	—	—	—	3,824.8	58,964.1
Deposits with banks and other financial institutions	8,834.4	201.3	1,040.0	2,090.0	—	97.4	12,263.1
Placements with banks and other financial institutions	2,700.0	11,469.6	10,779.4	4,799.9	—	—	29,748.9
Financial assets held for trading	54.2	261.8	82.0	2,336.8	1,039.5	—	3,774.3
Financial assets designated as at fair value through profit or loss	4,194.6	3,169.4	6,992.2	3,756.4	—	—	18,112.6
Financial assets held under resale agreements	6,053.9	4,795.7	23,833.9	17,081.6	—	—	51,765.1
Loans and advances to customers	81,332.9	32,566.8	32,348.2	20,966.0	401.0	—	167,614.9
Available-for-sale financial assets	—	—	101.2	1,982.5	2,466.5	48.8	4,599.0
Held-to-maturity investments	—	79.8	1,509.8	23,043.3	21,140.9	—	45,773.8
Debt securities classified as receivables	99.9	88.4	14,490.1	17,126.8	809.2	—	32,614.4
Other financial assets	—	—	—	—	—	2,728.2	2,728.2
Total financial assets	158,409.2	52,632.8	91,176.8	93,183.3	25,857.1	6,699.2	427,958.4
Borrowings from central bank	—	—	110.0	—	—	—	110.0
Deposits from banks and other financial institutions	8,595.6	2,952.2	20,883.4	9,633.3	—	—	42,064.5
Placements from banks	1,100.0	650.0	5,279.4	—	—	—	7,029.4
Financial liabilities designated as at fair value through profit or loss	1,638.9	1,377.3	1,520.3	539.9	—	—	5,076.4
Financial assets sold under repurchase agreements	9,429.8	11,037.4	22,172.1	—	—	—	42,639.3
Due to customers	151,319.8	31,015.0	84,783.7	27,352.5	39.5	—	294,510.5
Debt securities issued	—	—	—	—	2,300.0	—	2,300.0
Other financial liabilities	—	—	—	—	53.8	4,074.0	4,127.8
Total financial liabilities	172,084.1	47,031.9	134,748.9	37,525.7	2,393.3	4,074.0	397,857.9
Interest rate gap	(13,674.9)	5,600.9	(43,572.1)	55,657.6	23,463.8	2,625.2	30,100.5

(Expressed in RMB million)	As at 31 December, 2011						Total
	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	
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

As at the end of December, 2012, the Group's accumulated gaps for all maturities amounted to RMB30,100 million, representing an increase of RMB3,810 million from the previous year.

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:

Interest rate sensitivity analysis

In millions of RMB

	The Group As at 31 December 2012		The Group As at 31 December, 2011	
	Changes in net interest income	Changes in other comprehensive income	Changes in net interest income	Changes in other comprehensive income
Change in basis points				
+100 basis points	714.1	(224.1)	592.5	(71.5)
-100 basis points	(714.1)	240.9	(592.5)	75.7

Note: Please refer to "Notes to Financial Statements: 51. Risk Management. (5) Market Risk. (i) 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, whereas transactions in foreign currencies are mainly the Bank's business of agency sale and purchase of foreign exchange. In 2012, the exchange rate of Renminbi fluctuated seriously. In the first half of the year, the Renminbi was weak against the U.S. dollar and the expectation of depreciation has once loomed in the markets. From July onwards, the expectation on the appreciation of Renminbi gradually increased, and the progress of appreciation clearly accelerated in the mid-October. Finally, the Renminbi has appreciated by 154 basis points over the same period of the previous year and 0.25% against the U.S. dollar for the year. 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 the end of December, 2012, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	As at 31 December 2012				Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	58,950.1	13.6	0.4	—	58,964.1
Deposits with banks and other financial institutions	11,831.6	308.6	17.6	105.3	12,263.1
Placements with banks and other financial institutions	29,748.9	—	—	—	29,748.9
Financial assets held for trading	3,774.3	—	—	—	3,774.3
Financial assets designated as at fair value through profit or loss	18,112.6	—	—	—	18,112.6
Financial assets held under resale agreements	51,765.1	—	—	—	51,765.1
Loans and advances to customers	167,007.6	604.5	—	2.8	167,614.9
Available-for-sale financial assets	4,599.0	—	—	—	4,599.0
Held-to-maturity investments	45,773.8	—	—	—	45,773.8
Debt securities classified as receivables	32,614.4	—	—	—	32,614.4
Other financial assets	2,728.2	—	—	—	2,728.2
Total financial assets	426,905.6	926.7	18.0	108.1	427,958.4
Borrowings from central bank	110.0	—	—	—	110.0
Deposits from banks and other financial institutions	41,712.1	352.3	—	0.1	42,064.5
Placements from banks	7,029.4	—	—	—	7,029.4
Financial liabilities designated as at fair value through profit or loss	5,076.4	—	—	—	5,076.4
Financial assets sold under repurchase agreements	42,639.3	—	—	—	42,639.3
Due to customers	294,119.2	376.4	10.9	4.0	294,510.5
Debt securities issued	2,300.0	—	—	—	2,300.0
Other financial liabilities	4,127.6	0.2	—	—	4,127.8
Total financial liabilities	397,114.0	728.9	10.9	4.1	397,857.9
Net position	29,791.6	197.8	7.1	104.0	30,100.5

(Expressed in RMB million)	As at 31 December, 2011				
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	Total
Cash and balances with central bank	50,651.8	8.5	2.5	—	50,662.8
Deposits with 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 financial assets	1,599.6	—	—	—	1,599.6
Held-to-maturity investments	40,236.4	—	—	—	40,236.4
Debt securities 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 from 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

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 31 December, 2012 Changes in net profit	As at 31 December, 2011 Changes in net profit
Exchange rate change		
5% appreciation	(11.6)	(11.9)
5% depreciation	<u>11.6</u>	<u>11.9</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 Group mainly comprises internal and external risks. Internal risks mainly include risks arising from human error, inappropriate procedures and operation flow and IT system failure. External risks include risks arising from external contingencies.

With a view to meeting the demands of the new Basel Capital Accord and the establishment of process-based banking as well as complying with the requirement for a comprehensive risk management, the Group further strengthened its implementation of the internal control system and improved its control and management over operational risks. The remote centralized authorization system was formally put online, thereby shifted the mode of supervision from post-occurrence to in-occurrence and the gate of risk control forward. The center for centralized reconciliation and error handling was established, thereby completely separated accounting entries processing and reconciliation and facilitated the optimization and relocation of the large-scale consolidated front office project groups so as to gradually and compulsorily restrain the business operation system. The automatic system of verifying and printing two-dimension codes for notes and interactive multi-purpose PIN pads were implemented, whereby the risks on counter staff in the steps of verifying and printing as well as PIN keying. The first problem tracking system in the banking industry was also used, by which the effect on problem rectification can be enhanced and improved the management of doubtful accounts for the Bank. By applying technological means at 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.

V. Implementation of New Basel Capital Accord

The Group adheres to the philosophy of “Active Preparation, Rectifying Foundation, Stable Progress”, it implemented preliminary preparation of the new capital accord systematically in accordance with the results of gap analysis and the requirements of regulatory authorities.

VI. Anti-money Laundering

The Group implemented the newly proposed international standards of anti-money laundering (反洗錢國際標準新建議) and introduced the concept of “a risk-based approach”. It valued both the compliance management and risk management, preventing and fighting against money laundering crimes through exploring the prevention and control measures. During the reporting period, the Bank amended the management system of foreign currency business and increased the means for identifying the identification of customers. It also optimised the operational procedures of foreign currencies business and supplemented controlling measures for sectors with risks, so as to ensure the long-term and orderly operation of foreign currencies business. Through specialised training on anti-money laundering, the practitioners were more vigilant and sensitive to money laundering, the quality of the team was improved and the Bank’s management on anti-money laundering was further enhanced. A monthly activity central to the theme of “staying vigilant to the money laundering trap on the internet and raising awareness of anti-money laundering” was launched to maintain a favorable environment for anti-money laundering through advocating the whole society to combat such crimes. Given the effective identification of institutional customers through the code certificates of enterprises’ credit and institutional economic identity cards, the Bank ensured the existence of the institutional entities and prevented rendering financial businesses for false institutional customers. The Bank collected the information of clients and analysed their transactions so as to determine degree of dubious transactions and ensure the quality of reports on such transactions.

Internal Audit

As the purpose of the Group's internal audit was to achieve effective internal control, risk management and corporate governance, the Group 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 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 2012, the Bank proceeded with its internal audit work and implemented a series of supporting measures around case prevention, technical support, internal control, team qualities and effectiveness of audit. 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. The Bank constructed an audit information system to support the audit through scientific measures. It also organised and carried out audit projects including the risk investigations of cases, annual audit on the truthfulness of financial information, the specialised audit on credit business, the complete audit, and the 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 special inspection team conducted spot check on the operational risks of 100 grass-roots business outlets, whereby a comprehensive internal control appraisal of all the branches across the Bank was initiated and key assistance was offered to some branches in their internal control. A general requirement was imposed on all branches to provide key assistance to certain branch outlets 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. The board of directors, the board of supervisors and the senior management highly valued the relevant audit findings and actively promoted the rectification, system optimisation, procedures and the IT system to enhance the risk aversion and control capabilities of the branches and departments of the Bank whilst boosting operation effectiveness and results.

Outlook

Having undergone a period of rapid growth before the crisis, today's world economy has entered into a period of in-depth transformation and adjustment. The fundamental factors underpinning the national economic and social development are strong in the long term. The domestic market sees huge potentials and enormous social productivity. There are also stronger scientific innovation, abundant human resources and competitive production factors as a whole. Chongqing's "one-coordination, three-transformation and two-transition (一統三化兩轉變)" strategy brought about a favorable economic scenario in which the industry is a strong driving force, the opening-up is fruitful, consumption is strong, investment growth is stable and employment and start-ups are active. In 2013, the Bank will seize the opportunity, adhere to the theme and forge ahead on reforms and innovations as well as transformation and upgrade unswervingly. It will remain committed to the implementation of the "three-transformation" strategy. Based on its market positioning, the Bank will adhere to the prescribed direction of reforms and promote the practical and innovative attitude, in a bid to delivering profound changes in the business transformation, the management model, and the working style. Seven tasks will be prioritised, including the development of corporate finance through a series of control measures, to enhance its retail competitiveness by leveraging its products and services across the channels, to promote profit growth through diversified operation, to ensure the sustainable development through strengthened management at fundamental aspect, to guarantee the quality of loans through preventing the credit risks, to develop the business through innovation in technology information, and to consolidate the pillars of development through building the ability of the team. It will gradually work towards "being the most competitive regional commercial bank of China" and contribute to "realizing common prosperity in Chongqing through scientific development (科學發展、富民興渝)".

Corporate Social Responsibility

In 2012, the Bank continued to emphasize the sense of responsibility in its management and culture. It systematically collated its 60 years' history and extracted elements related to the sense of responsibility so as to create the slogan of "Root in the region, Service for the public" and made it the brand of responsibility for the Bank gradually. It introduced a mechanism of third party appraisal, prepared and released its first Report of Corporate Social Responsibility, thereby facilitated an uplift in the level of management in respect of social responsibility.

In 2012, the Bank continued to undertake financial services for the livelihood of the people and helped promote common prosperity. It laid a foundation with characteristic operation, proactively concerned about the livelihood of the community and strived to elevate the service standard for the agricultural industry. In addition, the Bank improved its services for small and micro-sized enterprises, helped develop the private sector and pillar industries, industries with advantages, strategic emerging industries and key projects, so as to facilitate the upgrade of economic transformation and strive to press ahead with the strategy of "one-coordination, three-transformation and two-transition" in Chongqing.

In 2012, the Bank continued to undertake low-carbon finance and promote the development of green environment. It included the development of civilised ecological environment in every aspect and the whole process of its operation and management. The bank also conscientiously carried out macroeconomic control, promoted low-carbon credit allocation, electronic business processing, scrupulous operation services and whole-staff-participation in environmental protection for public welfare, thereby facilitated green governance, guided resources of the community and economy and promoted harmonious development between business enterprises and the environment.

In 2012, the Bank continued to undertake harmonious finance, so as to facilitate the welfare of the community. It endeavored to return to the community for jointly developing and enjoying a harmonious community, persisting operational integrity, promoting product innovation, disseminate finance education, adhering compliance and self-discipline and protecting the legal rights of consumers in the financial sector. In addition, the Bank also established harmonious labor relationship and ardently participated in charitable activities for the community, thereby acquiring customers, market share and development through the norms of civilization.

Looking ahead, the Bank will further strengthen its sense of social responsibility, adhere to its mission of "Excellent services to customers, Maximum returns to shareholders, Real success for our people, Great contribution to community", press ahead with the strategy of "three-transformation", focus on the profound change of its business structure, work style, model of management, enhance the sense of responsibility in management. In addition, the Bank will endeavor to advance to a new stage with new achievements in performing economic, environmental and social responsibilities, so as to accomplish co-existence, co-prosperity, mutual help and benefits between business enterprises and the community for greater contribution to boosting the "scientific development and common prosperity" in Chongqing.

(For details, please visit the official website of the Bank for its Corporate Social Responsibility Report 2012)

Changes in Share Capital and Particulars of Shareholders

MOVEMENT IN SHARES

Unit: share, %

	January 1, 2012		Increase/(Decrease) +/- during the reporting period					31 December 2012	
	Number of shares	Percentage	Private placement	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares
									Percentage
(I) Shares not subject to trading restrictions									
1. Non-overseas listed shares held by legal persons	5,227,930,059	56.21					—	—	5,227,930,059
Including: (1) Shares held by state-owned legal person shareholders ¹	2,084,033,959	22.41					—	—	2,084,033,959
(2) Shares held by private legal person shareholders	3,143,896,100	33.80					—	—	3,143,896,100
2. Non-overseas listed shares held by natural persons	1,558,733,900	16.76					—	—	1,558,733,900
Including: (1) Shares held by employee natural persons	148,440,720	1.60					(213,030)	(213,030)	148,227,690
(2) Shares held by natural persons other than employees	1,408,986,815	15.15					256,260	256,260	1,409,243,075
(3) Shares held by shareholders without affirmed ownership ²	1,306,365	0.01					(43,230)	(43,230)	1,263,135
3. Overseas listed foreign shares	2,513,336,041	27.03					—	—	2,513,336,041
(II) Total number of shares	9,300,000,000	100.00					—	—	9,300,000,000

- Note:** 1. Non-overseas listed shares of the Bank held by 13 state-owned legal person shareholders including Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司).
2. Shareholders without affirmed ownership refer to untraceable shareholders of the Bank. Share interests held by them are shares of the former rural credit cooperatives, and they have not affirmed their ownership in the shares of the Bank. (Note: during the reporting period, 43,230 shares held at the time of the former rural credit cooperatives have their ownership affirmed in the shares of the Bank, whereby leaving 1,263,135 shares held by shareholders without affirmed ownership).

PURCHASE, SALE AND REDEMPTION OF SECURITIES

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

ISSUE OF BONDS

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

PARTICULARS OF SHAREHOLDINGS

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

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

Unit: share, %

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Numbers of shares pledged	Type of share
01	Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	state-owned	629,304,418	6.77	—	non-overseas listed shares
02	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	state-owned	621,435,221	6.68	—	non-overseas listed shares
03	Loncin 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 Lai'erfu Trading Co., Ltd. (廈門萊爾富貿易有限責任公司)	private enterprise	200,000,000	2.15	180,000,000	non-overseas listed shares
07	Chongqing Emperor Science & Technology Co., Ltd. (重慶愛普科技有限公司)	private enterprise	190,000,000	2.04	170,000,000	non-overseas listed shares
08	Chongqing Tianqi Industry Management Company Limited (重慶天麒產業管理有限公司)	private enterprise	160,000,000	1.72	160,000,000	non-overseas listed shares
09	Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	private enterprise	150,000,000	1.61	—	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	1,280,000,000	

Note: As at 31 December 2012, the aforesaid shareholding percentage of non-overseas listed shares is based on the total share capital of the Bank of 9.3 billion.

Substantial Interests

As at 31 December 2012, the interests of substantial shareholders other than directors and supervisors (within the meaning of 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 shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin 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

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held ⁽¹⁾	% of the total issued H share capital of the Bank	% of the total share capital of the Bank
Capital Research and Management Company ⁽²⁾	Investment manager	221,569,000(L)	8.82	2.38
The Capital Group Companies, Inc. ⁽²⁾	Interest of controlled corporations	221,569,000(L)	8.82	2.38
Al Nehayan Mansoor Bin Zayed Bin Sultan	Interest of controlled corporations	147,995,000(L)	5.89	1.59
The Northern Trust Company	Approved lending agent	126,782,298(P)	5.04	1.36

Notes: 1. (L) - Long Position, (P) - Lending Pool

2. The Bank was acknowledged by The Capital Group that as at 31 December 2012, 221,569,000 H shares of the Bank were held by Capital Research and Management Company, whereas The Capital Group Companies, Inc. was the controlling shareholder of Capital Research and Management Company. Therefore, The Capital Group Companies, Inc. was deemed to be interested in the equity interest in the Bank held by Capital Research and Management Company.

MAJOR SHAREHOLDERS OF THE BANK

As at the end of the reporting period, Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Loncin 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 major shareholders of the Bank.

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

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

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

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

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

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

As at 31 December 2012, the interests or short positions of the directors, the chief executive and supervisors of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the 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 the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total issued share capital of the Bank
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, the chief executive or supervisors of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2012.

DIVIDENDS

Under the approval at the 2011 annual general meeting of the Bank, final dividend of 2011 had been distributed by the Bank to the shareholders of H shares and domestic shares whose names appeared on the register of members of the Bank as at 18 May 2012 after close of trading. The dividends of RMB0.14 per share (tax inclusive), totalling RMB1,302 million (tax inclusive) had been distributed in the form of cash.

Corporate Governance Report

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

The Bank has strictly complied with the code provisions of the Code on Corporate Governance Practices and the Corporate Governance Code with effect from 1 April 2012 (collectively, the “CG Code”) as set out in Appendix 14 to the 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 Listing Rules of the Hong Kong Stock Exchange in respect of management of inside information.

To the best of the directors’ knowledge, there is no reasonable information indicating that the Bank is or was in violation of the CG Code during the year ended 31 December 2012.

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

GENERAL MEETINGS

Details of the General Meetings

During the year of 2012, the Bank held one general meeting. Details are as follows:

On 7 May 2012, the Bank held the 2011 annual general meeting, at which 8 resolutions mainly regarding the 2011 work report of the board of directors, the 2011 work report of the board of supervisors, the 2011 profit appropriation plan, the 2012 financial budget proposal and the re-appointment of accounting firm for 2012 were approved. The above general meeting was held in compliance with relevant legal procedures.

During the reporting period, 15 directors of the Bank, namely executive directors Mr. Liu Jianzhong, Mr. Tan Yuansheng and Mr. Sui Jun, non-executive directors Mr. Tao Jun, Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng, independent non-executive directors Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili, all attended the 2011 annual general meeting of the Bank in person or through electronic means, and the attendance rate was 100%.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

In 2012, the board of directors strictly implemented the resolutions passed at the general meeting, earnestly implemented the resolutions regarding 2011 profit appropriation, financial budget for 2012 and re-appointment of accounting firm for 2012.

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) and Mr. Sui Jun (vice president, 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.

On 7 February 2013 Mr. Tu Minghai, the non-executive director, resigned as the non-executive director of the Bank, as well as member of the strategic development committee and member of the remuneration committee of the Board.

The list of directors (by category) is 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.

The board of directors is also responsible for the performance of the functions of corporate governance. For the year ended 31 December 2012, the board of directors performed the functions of corporate governance as set out in code provision D.3.1 in the Corporate Governance Code.

Operation of the Board of Directors

The board of directors convenes meetings on a regular basis, generally not less than 4 times a year, and holds extraordinary meetings when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings are scheduled upon consultation with directors. Board papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of the board meetings. All directors maintain communication with the secretary to the board of directors so as to ensure the compliance with board procedures and all applicable rules and regulations. Detailed minutes of the board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors 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 inspection by directors at any time. Communication and reporting mechanism has been established between the board of directors, directors and senior management. The president of the Bank reports his work to the Board 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 obtaining board consent by way of written resolutions.

In 2012, the Bank convened 20 board meetings including written resolutions in total. 42 resolutions considered and passed at such meetings included those regarding outlets organization plan, the investment plan for the establishment of the village and township banks, 2011 annual results announcement and 2012 interim results announcement. 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 2012 are set out as follows:

Members of the Board of Directors	Number of meetings which shall be attended	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate
Liu Jianzhong	20	20	0	100%
Tan Yuansheng	20	19	1	95%
Sui Jun	20	20	0	100%
Tao Jun	20	19	1	95%
Hua Yusheng	20	20	0	100%
Wang Yongshu	20	19	1	95%
Wen Honghai	20	18	2	90%
Gao Xiaodong	20	19	1	95%
Wu Xiufeng	20	19	1	95%
Sun Leland Li Hsun	20	20	0	100%
Yin Mengbo	20	19	1	95%
Wu Qing	20	19	1	95%
Chen Zhengsheng	20	20	0	100%
Liu Weili	20	19	1	95%
Resigned Director Tu Minghai	20	19	1	95%

Independent Non-executive Directors

For the year ended 31 December 2012, 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 representing at least one-third of the Board, with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive directors 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 31 December 2012.

Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgement when preparing financial reports for the year ended 31 December 2012.

Continuous Professional Development Programme for Directors

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

The training for directors shall be carried out on an on-going basis. The Bank encourages directors to participate continuous professional development for developing and updating their knowledge and skills. During the reporting period, 15 directors, namely executive directors Mr. Liu Jianzhong, Mr. Tan Yuansheng and Mr. Sui Jun, non-executive directors Mr. Tao Jun, Mr. Hua Yusheng, Mr. Tu Minghai, Mr. Wang Yongshu, Mr. Wen Honghai, Mr. Gao Xiaodong and Mr. Wu Xiufeng, independent non-executive directors Mr. Sun Leland Li Hsun, Mr. Yin Mengbo, Mr. Wu Qing, Mr. Chen Zhengsheng and Mr. Liu Weili, all received training from legal advisors engaged by the Bank on the newly amended Corporate Governance Code and the disclosure requirements of inside information that are effective from 1 January 2013. The Bank also from time to time provided information to the directors on the latest development of the Listing Rules of the Hong Kong Stock Exchange and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their contribution to the Board and satisfactorily comply with the Corporate Governance Code, as well as to enhance their sense of the Corporate Governance Code.

Board Committees

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

(I) Strategic Development Committee

At present the Strategic Development Committee of the Bank comprised 4 directors with Mr. Liu Jianzhong as the chairman and Mr. Tan Yuansheng, Mr. Tao Jun and Mr. Wu Qing being its committee members.

The primary responsibilities of the Strategic Development Committee include:

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

During the reporting period, the Strategic Development Committee convened one meeting in total at which two proposals regarding the 2012 outlets organization plan was considered. All members of the Strategic Development Committee were present at the meeting.

(II) *Risk Management Committee*

At present 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 authorised by the board of directors; and
8. to handle such other matters as authorised by the board of directors.

During the reporting period, the Risk Management Committee convened one meeting in total at which two proposals including 2011 risks management assessment report and 2011 compliance management assessment report were considered. All members of the Risk Management Committee were present at the meeting.

(III) *Related Party Transaction Supervision Committee*

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

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

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

During the reporting period, the Related Party Transaction Supervision Committee convened 9 meetings in total at which 12 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), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)股份有限公司), Chongqing Tengxiang Industrials Co., Ltd (重慶騰翔實業有限公司), Days Hotel & Suites Sun Kingdom Chongqing (重慶上幫戴斯酒店管理有限公司), Chongqing General Trading (Group) Co., Ltd (重慶商社(集團)有限公司) and Chongqing Transport and Travel Investment Group Limited Company (重慶交通旅游投資集團有限公司) were considered. All members of the Related Party Transaction Supervision Committee were present at the meeting.

(IV) *Nomination Committee*

At present the Nomination Committee of the Bank comprised 5 directors, with Mr. Yin Mengbo (independent non-executive director) as the chairman, and Mr. Liu Jianzhong (executive director), Mr. Tan Yuansheng (executive director), Mr. Wu Qing (independent non-executive director) and Mr. Chen Zhengsheng (independent non-executive director) being its committee members. Majority of the members are independent non-executive directors.

The primary responsibilities of the Nomination Committee include:

1. to assess the structure, size and composition (including skills, knowledge and experience) of the board of directors at least annually and make recommendations on any proposed changes to the board of directors to complement the Bank's corporate strategies;
2. to formulate the criteria, procedures and methods for the selection of directors and senior management of the Bank, as well as submit the same to the board of directors for consideration; to identify individuals suitably qualified to become board members and select or make recommendations to the board of directors on the selection of individuals nominated for directorship;
3. to make recommendations to the board of directors on the appointment or re-appointment of directors and succession planning for directors (particularly chairman of the board of directors and president) ; to review the qualifications and conditions for director candidates and senior management and make recommendations to the board of directors;
4. to assess the independence of independent non-executive directors;
5. to conduct appraisal for candidates of other members of senior management nominated by the president and provide opinions thereof to the board of directors;
6. to make recommendations on candidates for directors, shareholder representative supervisors and senior management of wholly-owned subsidiaries; to make recommendations on candidates for shareholder representative, directors, shareholder representative supervisors and senior management of controlled subsidiaries and investee subsidiaries;

7. to propose talents pool program to the Bank and make recommendation thereof;
8. to recruit qualified candidates from human resource markets at home and abroad and retain talented personnel of the Bank and make recommendation to the board of directors in respect thereof;
9. to discharge related duties as required under the Listing Rules of the Hong Kong Stock Exchange and relevant rules; and
10. to discharge such other duties as authorised by the board of directors.

During the reporting period, the Nomination Committee held 1 meeting in total at which 1 proposal regarding the revision of Terms of Reference For Nomination Committee was considered. All members of the Nomination Committee were present in person at the meeting.

(V) *Remuneration Committee*

At present the Remuneration Committee of the Bank comprised 4 directors, with Mr. Sun Leland Li Hsun (independent non-executive director) as the chairman and Mr. Tan Yuansheng (executive director), Mr. Yin Mengbo (independent non-executive director) and Mr. Liu Weili (independent non-executive director) being its committee members. Majority of the members are independent non-executive members.

The primary responsibilities of the Remuneration Committee include:

1. to make recommendations to the board of directors on the Bank's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. with authorization granted by the board of directors, to determine the remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of directors on the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance based remuneration;

3. to review and approve performance-based remuneration by reference to goals and objectives of the Bank resolved by the board of directors from time to time;
4. to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms; and to ensure such compensation is fair and reasonable and not excessive for the Bank if otherwise;
5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms; and to ensure that any compensation payment is reasonable and appropriate if not determined in accordance with relevant contractual terms;
6. to monitor the performance evaluation and remuneration level of responsible persons of the Bank's internal departments, branches and subsidiaries (other than person-in-charge of the internal audit department);
7. to ensure neither the directors nor any of his/her associates determine his or her own remuneration;
8. to make recommendations on entering into any service contracts by any group companies and directors thereof and proposed directors and inform shareholders (other than shareholders and their associates served as directorship with substantial interests in such service contracts (as defined under the Listing Rules of the Hong Kong Stock Exchange)) of whether such terms are fair and reasonable and whether such contract is in the interests of the Company and its shareholders as a whole and to advise shareholders on how to vote;
9. to discharge related duties as required under the Listing Rules of the Hong Kong Stock Exchange and relevant rules; and
10. to discharge such other duties as authorised by the board of directors.

During the reporting period, the Remuneration Committee convened two meetings in total at which three proposals regarding the revision of the Terms of Reference For Remuneration Committee, remuneration of the President at the headquarters and compensation schemes of directors and supervisors were considered. All the members of the Remuneration Committee were present in person at the meeting.

(VI) *Audit Committee*

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

The primary responsibilities of the Audit Committee include:

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

6. to monitor the completeness of the Bank's financial statements, annual report and account, interim report and quarterly reports, and to review important opinions regarding financial reporting set out therein. Before submitting the annual reports and accounts, interim reports and quarterly reports of the Bank to the board of directors, the Audit Committee, when reviewing such accounts and reports, shall focus particularly on:
 - (1) any changes in the accounting policies and practices, including changes in accounting standards;
 - (2) areas involving material judgment;
 - (3) areas with significant adjustments, including significant adjustments resulting from audit;
 - (4) going concern assumptions and any qualified opinions, including ongoing operating standard and any qualified opinions given by the external accounting firm;
 - (5) compliance with accounting standards; and
 - (6) compliance with the listing rules of the place where the shares of the Bank are listed and any other requirement stipulated by laws and regulations on financial reporting;
7. For the purposes of the preceding paragraph:
 - (1) the members of the Audit Committee shall keep contact with the board of directors, senior management of the Bank and certified public accountant appointed by the Bank, and shall hold meeting with the external accounting firm of the Bank at least twice a year; and
 - (2) the Audit Committee shall consider any significant or unusual items which are, or required to be, reflected in the said report and accounts, it shall give due consideration to any matters which have been put forward by the Bank's certified public accountant or accounting firm, accounting and financial reporting staff or supervision officers under the Bank;

8. to review the effectiveness of the Bank's financial controls, internal control and risk management systems;
9. to discuss the internal control system with senior management so as to ensure that the senior management has performed his/her duties to set up an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Bank's accounting and financial function;
10. to consider major investigation findings on internal control matters as delegated by the board of directors or on its own initiative and senior management's response to these findings;
11. to ensure co-ordination between the internal and external accounting firms, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness;
12. to review the financial and accounting policies and practices of the Bank and its Group;
13. to review the opinion letter to the senior management issued by the external accounting firm, any material queries raised by the external accounting firm in respect of accounting records, financial accounts or control systems and the feedbacks of senior management thereof;
14. to ensure that the board of directors will respond in a timely manner to the issues raised in the opinion letter to the senior management issued by the external accounting firm;
15. to review and carry out arrangements by which employees of the Bank can use to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that clear work measures and requirements are in place for fair and independent investigation of these matters and for appropriate action; and to assess the acting of the key representative body for overseeing the Bank's relations with the external accounting firm;
16. to serve as a focal point for communication between other directors, the external accounting firm and the internal auditors or any person responsible for internal audit function as regards their duties relating to external and internal financial and other reporting, internal audits or any person responsible for internal audit function and such other matters assigned by the board of directors to committees;

17. to report to the board of directors on matters set out herein;
18. to study other topics prescribed by the board of directors; and
19. to discharge related duties as required under the Listing Rules of the Hong Kong Stock Exchange and relevant rules; and
20. to discharge other duties as authorised by the board of directors.

During the reporting period, the Audit Committee held four meetings in total, at which eight proposals regarding the revision of the Terms of Reference For Audit Committee, 2011 annual report and results announcement, 2011 internal audit assessment report, 2012 interim report and results announcement, 2012 first quarterly report and third quarterly report as well as the appointment of accounting firm for 2012 were considered. Consecutively, in accordance with the requirement of the newly revised code provision of the CG Code, the Bank convened two meetings of the Audit Committee with auditors. All members of the Audit Committee were present in person at the meetings.

(VII) Minority Shareholders' Interest Protection Committee

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

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

1. to ensure that the information of the Bank is disclosed in a timely, accurate and complete manner and contains no false representation, misleading statement or material omission;
2. to safeguard the voting right and enquiry right of the minority shareholders at the general meetings;
3. to safeguard the minority shareholders' right to inspect the articles of association, register of members, minutes of the general meetings, minutes of board meetings, minutes of the meetings of the board of supervisors and the financial and accounting reports of the Bank;

4. to assist shareholders in bringing a lawsuit in accordance with the laws and regulations, administrative rules and the articles of association of the Bank;
5. to pay close attention to the related transactions of the Bank involving the interests of minority shareholders;
6. to recommend that the board of directors file a suit against the controlling shareholders for their conducts prejudicial to the interests of the Bank;
7. to discuss and put forth measures for safeguarding minority shareholders' interests;
8. to monitor the Bank's support for "Sannong";
9. to make decisions on special issues as authorised by the board of directors; and
10. to handle such other matters as authorised by the board of directors.

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 2012, the board of supervisors of the Bank held nine meetings at which 15 proposals including the 2011 work report of the board of supervisors, report on concentrated supervision and inspection for 2011, various types of special investigation reports and regular quarterly reports were mainly considered and approved.

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

Members of the Board of Supervisors	Number of meetings attended / Number of meetings which shall be attended during their tenure of office	Attendance rate
Yang Mingping	9/9	100%
Zeng Jianwu	9/9	100%
Zuo Ruilan	9/9	100%
Dong Yunling	9/9	100%
Chen Huiming	9/9	100%
Zhang Xinyu	9/9	100%
Shi Bentong	9/9	100%
Zheng Yi	9/9	100%
Zhu Yuzhou	9/9	100%

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

Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors, supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the 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 31 December 2012.

External Auditors Remuneration

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report” on pages 148 to 149.

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu have been providing audit services to the Bank for 4 years. The fees paid by the Bank to Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu for the audit of financial statements for the year ended 31 December 2012 were RMB2.22 million. Other fees were RMB1.4 million which mainly included the service fee for the review of financial statement.

Internal Control

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

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

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

For the year ended 31 December 2012, the board of directors have assessed the effectiveness of the internal control system of the Bank. The assessment covered all the major control of the Group, including financial control, operation control and compliance control as well as the functions of risk management. The board of directors believe that, the staff in charge of the Bank's accounting and financial reporting functions are equipped with sufficient resources, qualifications and experience, their training and budget are also sufficient. No major issues should be concerned with during the year.

Company Secretary

Ms. Cheng Pik Yuk, Patsy, joint secretary of the Bank, is engaged from external service provider. And Mr. Sui Jun, executive director, vice chairman and secretary to the board of the Bank, is the chief contact person for external company secretary. They have complied with the requirements of Rule 3.29 of the Listing Rules of the Hong Kong Stock Exchange of receiving relevant professional training for not less than 15 hours during the reporting period.

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.

Amendment to Articles of Association

With approval of Yinjianfu's [2012] No. 45 granted by the Chongqing Supervision Administration of China Banking Regulatory Commission on 14 June 2012, the Bank amended its Articles of Association as follows:

The first sentence of Article 174 has been amended as: "The Bank shall form a board of directors consisting of fifteen (15) directors and one (1) chairman."

Rights of Shareholders

Request for Convening Extraordinary General Meeting

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

Proposals in General Meeting

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

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

Investor Relations

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

Principal Place of Business in Hong Kong of Chongqing Rural Commercial Bank Co., Ltd.
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 Exchanges and Clearing Limited (www.hkexnews.hk).

Shareholder Enquiries

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

Computershare Hong Kong Investor Services Limited

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

Telephone: (852) 2862 2863

Facsimile: (852) 2865 0990/(852) 2529 6087

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

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

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

Telephone: (8623) 6763 7616

Facsimile: (8623) 6763 7932

Other Particulars

The Bank holds a financial license number B0335H250000001 approved by China Banking Regulatory Commission, and was authorised by the Administration for Industry and Commerce of Chongqing to obtain a corporate legal person business license with a registration number 5000000000001239. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and deposit-taking business in Hong Kong.

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	49	From December 2011 to December 2014
Tan Yuansheng	Executive Director, President	Male	59	From December 2011 to December 2014
Sui Jun	Executive Director, Vice President, Secretary to the Board	Male	44	From December 2011 to December 2014
Tao Jun	Non-executive Director	Male	46	From December 2011 to December 2014
Hua Yusheng	Non-executive Director	Male	59	From December 2011 to December 2014
Wang Yongshu	Non-executive Director	Male	55	From December 2011 to December 2014
Wen Honghai	Non-executive Director	Male	47	From December 2011 to December 2014
Gao Xiaodong	Non-executive Director	Male	50	From December 2011 to December 2014
Wu Xiufeng	Non-executive Director	Male	63	From December 2011 to December 2014
Sun Leland Li Hsun	Independent Non-executive Director	Male	51	From December 2011 to December 2014
Yin Mengbo	Independent Non-executive Director	Male	57	From December 2011 to December 2014
Wu Qing	Independent Non-executive Director	Male	43	From December 2011 to December 2014
Chen Zhengsheng	Independent Non-executive Director	Male	61	From December 2011 to December 2014
Liu Weili	Independent Non-executive Director	Male	56	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	59	From December 2011 to December 2014
Dong Yunling	External Supervisor	Female	64	From December 2011 to December 2014
Chen Huiming	External Supervisor	Male	69	From December 2011 to December 2014
Zhang Xinyu	External Supervisor	Male	61	From December 2011 to December 2014
Shi Bentong	External Supervisor	Male	61	From December 2011 to December 2014
Zeng Jianwu	Shareholder Representative Supervisor	Male	37	From December 2011 to December 2014
Zuo Ruilan	Shareholder Representative Supervisor	Female	37	From December 2011 to December 2014
Zheng Yi	Employee Representative Supervisor	Male	47	From November 2011 to November 2014
Zhu Yuzhou	Employee Representative Supervisor	Male	47	From November 2011 to November 2014

Senior Management

Name	Position	Gender	Age	Term of office
Tan Yuansheng	Executive Director, President	Male	59	From December 2011 to December 2014
Bai Guiting	Vice President	Male	57	From December 2011 to December 2014
Wang Rong	Vice President	Male	56	From December 2011 to December 2014
Yang Xiaotao	Vice President	Male	49	From December 2011 to December 2014
Ling Jiaquan	Chief Controller	Male	57	From December 2011 to December 2014
Yuan Xiaobo	Deputy Secretary to the Party Committee, Secretary to the Disciplinary Committee,	Male	49	From December 2011 to December 2014
Sui Jun	Executive Director, Vice President, Secretary to the Board	Male	44	From December 2011 to December 2014
Dong Lu	Vice President	Female	37	From December 2011 to December 2014
Xie Wenhui	Vice President	Male	40	From December 2011 to December 2014

MAJOR WORK EXPERIENCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors of the Bank

LIU Jianzhong

Chairman, Executive Director

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

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 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 February 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.

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) from September 2011 to November 2012. Mr. Hua has been the secretary of the party committee for Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) (one of our substantial shareholders and state-owned shareholders) 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) between May 1987 and August 1998, the worker, promotion officer and deputy secretary of Youth League Committee of Chongqing Daxigou Power Plant (重慶大溪溝發電廠) between May 1971 and May 1987. Mr. Hua holds a master's degree and is currently a senior economist.

WANG Yongshu*Non-Executive Director*

Mr. Wang has been a non-executive director of the Bank since June 2008. He is also a member of the Risk Management Committee and the Related Party Transaction Supervision Committee of the Bank. Mr. Wang has been the chairman of the board of directors 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 certified public accountant.

WEN Honghai

Non-Executive Director

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

GAO Xiaodong

Non-Executive Director

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

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 (重慶國際信託有限公司). 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 dean of the Research Institute of Southwestern University of Finance and Economics (西南財經大學研究生院院長) of since November 2011, the head of the graduate department of Southwestern University of Finance and Economics (西南財經大學研究生部主任) from September 2007 to November 2011 and the dean of the School of Finance of Southwestern University of Finance and Economics between September 1997 and September 2007. Mr. Yan 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, Employee Representative Supervisor

Ms. Yang has been the chairwoman of the board of supervisors and an employee representative supervisor of the Bank since June 2008. She was also a member of the Due Diligence Supervisory Committee and a member of Nomination Committee under the Board of Supervisors 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 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 took a diploma course (2-year-program) and graduated from the Chinese Communist Party and Governmental Officials of Chongqing Municipal Party Committee, majoring in Politics from September 1984 to September 1986 and is a senior administration engineer accredited by PBOC.

CHEN Huiming

External Supervisor

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

ZHANG Xinyu

External Supervisor

Mr. Zhang has been an external supervisor of the Bank since December 2011. He also serves as the chairman of the Due Diligence Supervisory Committee under the Board of Supervisors of the Bank. Mr. Zhang has retired since January 2012. He had previously served as a first-class senior manager of Chongqing City Transportation Development & Investment Group 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, the chairman, secretary to the Party committee of Fuling Rural Credit Cooperative Union (涪陵農村信用聯社) from June 2002 to August 2008 and the chairman, director and secretary to the Party committee of Fengdu Rural Credit Cooperative Union (豐都縣農村信用合作聯社) from June 1998 to May 2002. From October 1992 to June 1998, he worked as the deputy director and director of the Sales Department of Fuling Rural Credit Cooperative Union (涪陵農村信用合作聯社). From July 1983 to October 1992, he worked at Chongqing Fulingqu Rural Credit Cooperative Union (重慶涪陵區農村信用聯合聯社). Mr. Zhu graduated from College of Chongqing Municipal Party Committee (中共重慶市委黨校) in June 2001, majoring in regional economics, and is currently an economist.

3. Senior Management of the Bank

TAN Yuansheng

Executive Director, President

For the biography of Mr. Tan Yuansheng, 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.

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 Jun, please refer to "Directors" in this section.

DONG Lu

Vice President

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

XIE Wenhui

Vice President

Mr. Xie has been the vice president of the Bank since June 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

During the reporting period, there was no change in the directors, supervisors and senior management.

REMUNERATION FOR DIRECTORS OF THE BANK IN 2012

Unit: RMB'000

Name	Position	Paid remuneration (before tax)(1)	Social insurance, housing funds, the portion of supplementary health insurance contributed by the Bank (2)	Part-time fees(3)	Total remuneration before tax (4)=(1)+(2)+(3)
Liu Jianzhong	Chairman of the Board of Directors, Executive Director	1,025	92	—	1,117
Tan Yuansheng	Executive Director, President	1,026	92	—	1,118
Sui Jun	Executive Director, Vice President, Secretary to the Board	993	92	—	1,085
Tao Jun	Non-executive Director	—	—	60	60
Hua Yusheng	Non-executive Director	—	—	60	60
Tu Minghai	Non-executive Director	—	—	60	60
Wang Yongshu	Non-executive Director	—	—	60	60
Wen Honghai	Non-executive Director	—	—	60	60
Gao Xiaodong	Non-executive Director	—	—	60	60
Wu Xiufeng	Non-executive Director	—	—	60	60
Sun Leland Li Hsun	Independent Non-executive Director	—	—	120	120
Yin Mengbo	Independent Non-executive Director	—	—	120	120
Wu Qing	Independent Non-executive Director	—	—	120	120
Chen Zhengsheng	Independent Non-executive Director	—	—	120	120
Liu Weili	Independent Non-executive Director	—	—	120	120

REMUNERATION FOR SUPERVISORS AND SENIOR MANAGEMENT

For the year ended 31 December 2012, the total remuneration before tax paid by the Bank to its supervisors and senior management amounted to RMB3,367,000 and RMB10,074,000, respectively, details of which are set out below:

Remuneration for Supervisors of the Bank in 2012

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	1,030	92	—	1,122
Zeng Jianwu	Shareholder Representative Supervisor	—	—	50	50
Zuo Ruilan	Shareholder Representative Supervisor	—	—	50	50
Dong Yunling	External Supervisor	—	—	80	80
Chen Huiming	External Supervisor	—	—	80	80
Zhang Xinyu	External Supervisor	—	—	80	80
Shi Bentong	External Supervisor	—	—	80	80
Zheng Yi	Employee Representative Supervisor	862	92	—	954
Zhu Yuzhou	Employee Representative Supervisor	779	92	—	871

Remuneration for Senior Management of the Bank in 2012:

(RMB, in million)	Number of individuals Year ended 31 December 2012
RMBnil - RMB1,000,000	4
RMB1,000,001 - RMB1,500,000	6
RMB1,500,001 - RMB2,000,000	—
RMB2,000,001 - RMB2,500,000	—
RMB2,500,001 - RMB3,000,000	—
RMB3,000,001 - RMB3,500,000	—
RMB3,500,001 - RMB4,000,000	—



Report of The Board of Directors

The board of directors of the Bank is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

PROFIT AND DIVIDENDS

The income of the Group for the year ended 31 December 2012 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 annual general meeting of 2011 on 7 May 2012, the Bank recommended 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 was distributed to holders of domestic shares and holders of H shares whose names appeared on the register of members on 18 May 2012. Such proposed dividends were denominated in RMB. Dividends payable to holders of domestic shares were paid in RMB, whereas dividends payable to holders of H shares were paid in HKD. The exchange rate of RMB to HKD adopted was the average middle rates of the five business days preceding the date of declaration of such dividends at the 2011 annual general meeting of the Bank (7 May 2012, including the date thereof) as announced by the PBOC. The abovementioned dividends were distributed on 21 June 2012.

The board of directors of the Bank recommended a distribution of cash dividends of RMB1,581 million (tax inclusive) for 2012 to all the shareholders at a par value of RMB0.17 per share (tax inclusive). The dividend distribution plan will be submitted to the annual general meeting of 2012 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2012, the dividend will be distributed to holders of domestic shares and holders of H shares whose names appear on the register of members on 24 May 2013. Such proposed dividends will be denominated in RMB. Dividends payable to holders of domestic shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The exchange rate of RMB to HKD to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends at the 2012 annual general meeting of the Bank (10 May 2013, including the date thereof) as announced by the PBOC.

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

<i>(RMB, in million)</i>	2011	2010	2009
Cash dividends	1,302.0	403.6	360.0
As a percentage of profit for the year	30.66%	13.18%	19.06%

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Bank for the year 2012 will be held on Friday, May 10, 2013. In order to determine the holders of shares who are eligible to attend and vote at the Annual General Meeting, the register of members of the Bank will be closed from Wednesday, April 10, 2013 to Friday, May 10, 2013, both days inclusive, during which period no transfer of shares will be registered. Holders of H shares of the Bank who wish to attend and vote at the Annual General Meeting for 2012 must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, April 9, 2013.

RESERVES

Please refer to the consolidated statement of changes in equity for details of the movements in the reserves of the Group for the year ended 31 December 2012.

SUMMARY OF FINANCIAL INFORMATION

Please refer to the "Financial Summary" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2012.

DONATIONS

During the year ended 31 December 2012, the Group made charitable and other donations amounting to approximately RMB4.8703 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 during the year ended 31 December 2012.

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 "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 31 December 2012.

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 year.

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 2012, 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.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

The top ten shareholders of the Bank and their respective shareholdings at the end of 2012 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:

During the reporting period, the board of directors of the Bank comprised 15 directors in total, including 3 executive directors, namely Mr. Liu Jianzhong (chairman), 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.

On 7 February 2013, Mr. Tu Minghai, the non-executive director, resigned as non-executive director of the Bank.

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

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 December 2012, the interests of the directors, the chief executive and supervisors of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the 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 of the Hong Kong Stock Exchange were as follows:

Domestic Shares

Unit: share, %

Name	Capacity	Number of domestic shares held	% of the total issued domestic shares of the Bank	% of the total issued share capital of the Bank
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, the chief executive or supervisors of the Bank nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as at 31 December 2012.

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 continuing connected transactions which can be exempted from the reporting annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director or supervisor of the Bank had a material interest, whether directly or indirectly, in material contracts in relation to the Group's businesses to which the Bank, its holding company, or any of its subsidiaries or fellow subsidiaries was a party on 31 December 2012 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 31 December 2012, the interests and short positions of substantial shareholders (within the meaning of the 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 shareholder	Capacity	Number of domestic shares held (long position)	% of the total issued domestic share capital of the Bank	% of the total share capital of the Bank
Chongqing Yufu Assets Management Group Company Limited (重慶渝富資產經營管理集團有限公司)	Beneficial Owner	629,304,418	9.27	6.77
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	621,435,221	9.16	6.68
Loncin 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

H Shares

Unit: share, %

Name of shareholder	Capacity	Number of H shares held ⁽¹⁾	% of the total issued H share capital of the Bank	% of the total share capital of the Bank
Capital Research and Management Company ⁽²⁾	Investment manager	221,569,000(L)	8.82	2.38
The Capital Group Companies, Inc. ⁽²⁾	Interest of controlled corporations	221,569,000(L)	8.82	2.38
Al Nehayan Mansoor Bin Zayed Bin Sultan	Interest of controlled corporations	147,995,000(L)	5.89	1.59
The Northern Trust Company	Approved lending agent	126,782,298(P)	5.04	1.36

Notes: 1. (L) - Long Position, (P) - Lending Pool

2. The Bank was acknowledged by The Capital Group that as at 31 December 2012, 221,569,000 H shares of the Bank were held by Capital Research and Management Company, whereas The Capital Group Companies, Inc. was the controlling shareholder of Capital Research and Management Company. Therefore, The Capital Group Companies, Inc. was deemed to be interested in the equity interest in the Bank held by Capital Research and Management Company.

CORPORATE GOVERNANCE

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

CONNECTED TRANSACTIONS

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

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the IASB. Please refer to note 48 in the Notes to the Consolidated Financial Statement for the details of related party transactions.

REMUNERATION POLICY FOR THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange exercised its discretion under Rule 8.08(1)(d) of the Hong Kong Listing Rules and accepted the minimum percentage of shares held (from time to time) by the public in the issued share capital of the Bank be reduced to the relevant percentage of shares listed on the Hong Kong Stock Exchange in the form of H shares upon completion of the global offering (representing no less than 24% of the Bank's enlarged share capital immediately upon the global offering), provided that the value of H Shares held by the public shall not be less than HK\$1.5 billion. As at 31 December 2012, 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 of this report.

Tax Relief (H Share Holders)

Non-resident Enterprise Shareholders

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

Non-resident Individual Shareholders

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

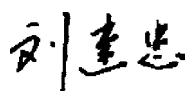
1. As for non-resident individual H Share Holders in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank applies for the relevant entitlements thereunder on their behalf, according to the provision under the Notice of the State Administration of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

AUDITORS

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu have been the Bank's domestic and overseas auditors for 2012.

The Bank's financial report for the year 2012 prepared in accordance with International Financial Reporting Standards had been audited by Deloitte Touche Tohmatsu, who had issued an unqualified audit opinion.

On behalf of the Board



Liu Jianzhong
Chairman

22 March 2013



Report of the Board of Supervisors

MAJOR WORK

System Establishment

During the reporting period, the board of supervisors formulated Management Measures of Investigation and Research under the Board of Supervisors of Chongqing Rural Commercial Bank Company Limited (重慶農村商業銀行股份有限公司監事會調研工作管理辦法) and revised Assessment Measures on the Performance of Duties of Supervisors of Chongqing Rural Commercial Bank Company Limited (重慶農村商業銀行股份有限公司監事履職評價辦法).

Mechanism Operation

During the reporting period, the board of supervisors convened nine meetings in total, at which 15 resolutions regarding the annual profit appropriation plan, the financial budget and final account proposal, the annual work report of the board of supervisors, the annual report on concentrated supervision and inspection, special investigation report on internal coordination management, special investigation report on the progress of the trial of the new capital accord were considered and approved, 15 written resolutions were formed and 7 meetings of the special committees were held, with 7 matters considered. In addition, supervisors attended on-site board meetings and general meetings as observers.

Supervision and Inspection

During the reporting period, the Bank had commenced annual centralised supervision and inspection, and completed the specific supervision and inspection on internal coordination management, a pilot program under capital accord and implementation of internal control system. Each inspection put its emphasis on exertion of supervision and concerted efforts, departmental on-site focus debriefing through convening special supervision meetings of the board of supervisors. Supervisors held visits to branches serving the grassroots as to understand audit work and convened work conferences with external audit institutions. The comprehensiveness and effectiveness of the supervision work done by the board of supervisors was further enhanced.

Supervision on Duty Performance

During the reporting period, the board of supervisors continued to double its efforts in assessment on the supervision on duty performance. Combined with the records logging performance of duties and annual work reports for directors and senior management, the board of supervisors made comprehensive assessment on the capacity and duly performance of directors and senior management for the year, reviewed and rated the 2011 duly performance of directors and formulated the 2011 Assessment Report by the Board of Supervisors on the Performance of Duties of Directors and Senior Management (《監事會對董事、高級管理人員2011年度履職評價報告》) to propose opinions and recommendations for improvement and step up the capacity of directors and senior management in performing their duties. In the beginning of the year, the board of supervisors also organised economic responsibility and off-site inspections on re-election and resignation of the 1st session of directors and senior management, as well as gave objective evaluation on related personnel.

The board of supervisors consistently made assessment on the duly performance of supervisors and created sound records logging performance of supervisory duties. According to the requirements in the Assessment Measures on the Performance of Duties of Supervisors, the board of supervisors summed up assessment on the 2011 duly performance of supervisors as a whole, by way of three methods such as self-assessment by supervisors, mutual assessment among supervisors, review and assessment made by board of supervisors. The assessment result was that all of them were duly performed. Such assessment result was announced in the annual general meeting.

Recommendation on Management

During the reporting period, based on supervision with inspection and investigation with research, 17 management advices and recommendations were brought up to the board of directors and senior management by the board of supervisors, who highly valued related advices such as fostering IT construction, optimizing process-based banking mechanism, reinforcing inspection on system implementation, strengthening information management, establishing a post-feedback mechanism on education and training. The relevant department proactively adopted measures, carried out rectifications in a conscientious way, giving impetus to an improvement to streamlined management, enhancement of internal control and risk aversion of the Bank. Consecutively, the board of supervisors placed paramount emphasis on the rectification status, provided feedbacks on the result of the rectification, which enabled the supervision achievements of the board of supervisors to be utilised sufficiently and effectively.

Self-establishment

Firstly, the board of supervisors strived to improve the performance of supervisory duties. It gathered supervisors to listen to elucidation of Hong Kong lawyers on disclosure requirements of sensitive information concerning share prices and code on corporate governance, attend debriefing held by professional departments introducing the Basel III Capital Accord and status of a pilot program of the Bank. In the meantime, it proactively conducted theoretical study and participated in systematic theoretical study organised by the State-owned Assets Supervision and Administration Commission of the State Council and discovered new inspirations for supervisory work. Secondly, it conscientiously optimized investigation and research. Supervisory members carried out investigation and research on Qijiang, Dazu, Shizhu branches and other branches serving the grassroots to understand annual audit work status, while some supervisors conducted field investigation on Daliyu Rural Commercial Village and Township Bank (大理渝農商村鎮銀行) in Yunnan. Through strengthening trainings and investigation and research, supervision consciousness and performance of supervisors were further reinforced resulting in a continued improvement of supervisory work quality by the board of supervisors.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in Compliance with Laws and Regulations

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

Financial Reporting

The 2012 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

Acquisition and Disposal of Assets

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

Related Party Transactions

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

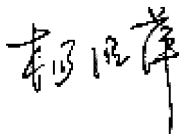
Internal Control

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

Social Responsibility

During the reporting period, the Bank vigorously undertook social responsibilities. The board of supervisors has no disagreement with the 2012 Report on Social Responsibilities (2012年度社會責任報告) of the Bank.

On behalf of the board of supervisors



YANG Mingping

Chairman of the board of supervisors

22 March 2013

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, in accordance with the relevant laws and regulations and the Hong Kong Listing Rules, and in line with corporate governance practices of the Bank, the Bank made amendments to documents of policies including 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 Rules of Procedures of the Board 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會議事規則), the Terms of Reference For Nomination Committee Under the Board 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會提名委員會工作細則), the Terms of Reference For Remuneration Committee Under the Board 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會薪酬委員會工作細則) and the Terms of Reference For Audit Committee Under the Board 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會審計委員會工作細則), 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), Management Measures on Information Disclosure of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司信息披露管理辦法).

Corporate governance code. During the reporting period, the Bank had been observing and complying with the code provisions of the Code on Corporate Governance Practices and the Corporate Governance Code effective from 1 April 2012 as set out in Appendix 14 to the Listing Rules. The Bank purchased Directors' Liability Insurance, commenced training for the Directors and published discloseable documents and information on the websites of the Bank and HKEx pursuant to the newly revised code provisions. Meanwhile, the Bank also complied with most of the recommended best practices in the aforementioned code. For details, please refer to Corporate Governance Report.

MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the reporting period, the loan balance of material related party transactions with related parties amounted to RMB5,695 million, accounting for 3.28% of the total loan of the Bank. Loans under the material related party transaction between the Bank and related parties have no negative impact on operating results and the financial position of the Bank.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

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

As of the end of 2012, pending legal proceedings in which the Bank was a defendant or a third party involved an amount of RMB34,140,000. In the opinion of the Bank, it will not have any material effect on the Bank's operating activities.

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

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

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

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

MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

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

Post Balance Sheet Events

Mr. Tu Minghai, non-executive director, resigned as non-executive director of the Bank on 7 February 2013. At the same time, Mr. Tu resigned from the positions in the Strategic Development Committee and the Remuneration Committee.

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 150 to 288, which comprise the consolidated and Bank's statements of financial position as at 31 December 2012, 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 2012 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

22 March 2013

Consolidated Income Statement

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Year ended 31 December	
		2012	2011
Interest income	5	22,331,609	17,539,202
Interest expense	5	(9,239,415)	(7,034,183)
Net interest income		13,092,194	10,505,019
Fee and commission income	6	488,375	671,074
Fee and commission expense	6	(52,651)	(35,667)
Net fee and commission income		435,724	635,407
Net trading gain	7	13,008	23,377
Other operating income (losses), net	8	112,392	(45,427)
Operating income		13,653,318	11,118,376
Operating expenses	9	(6,074,773)	(4,774,436)
Impairment on assets	11	(511,412)	(848,047)
Net gain on disposal of available-for-sale financial assets		629	—
Net gain on disposal of debt securities classified as receivables		—	999
Profit before tax		7,067,762	5,496,892
Income tax expense	12	(1,690,059)	(1,248,894)
Profit for the year		5,377,703	4,247,998
Attributable to:			
Equity holders of the Bank		5,361,497	4,246,460
Non-controlling interests		16,206	1,538
		5,377,703	4,247,998
Earnings per share			
(Expressed in RMB yuan / per share)			
— Basic	13	0.58	0.46

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2012	2011
Profit for the year	5,377,703	4,247,998
Other comprehensive income (losses):		
Fair value gain (losses) on available-for-sale financial assets		
— fair value gain (losses) arising during the year	(10,357)	(47,111)
— amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	(629)	—
— reclassification upon impairment	18,610	—
Income tax relating to available-for-sale financial assets	(1,906)	11,778
Other comprehensive income (losses) for the year (net of tax)	5,718	(35,333)
Total comprehensive income for the year	<u>5,383,421</u>	<u>4,212,665</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	5,367,215	4,211,127
Non-controlling interests	<u>16,206</u>	<u>1,538</u>
Total comprehensive income for the year	<u>5,383,421</u>	<u>4,212,665</u>

Consolidated Statement of Financial Position

At 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	At 31 December 2012	2011
ASSETS			
Cash and balances with central bank	15	58,964,060	50,662,768
Deposits with banks and other financial institutions	16	12,263,068	11,444,958
Placements with banks and other financial institutions	17	29,748,852	11,460,716
Financial assets held for trading	18	3,774,309	400,880
Financial assets designated as at fair value through profit or loss	19	18,112,605	13,033,648
Financial assets held under resale agreements	20	51,765,062	42,296,805
Loans and advances to customers	21	167,614,916	138,821,830
Available-for-sale financial assets	22	4,598,972	1,617,749
Held-to-maturity investments	23	45,773,802	40,236,422
Debt securities classified as receivables	24	32,614,365	27,053,280
Interest in an associate	26	100,000	—
Property and equipment	27	3,153,823	2,711,120
Deferred tax assets	38	1,451,953	1,517,672
Goodwill	28	440,129	440,129
Other assets	30	3,446,551	3,122,044
Total assets		<u>433,822,467</u>	<u>344,820,021</u>
LIABILITIES			
Borrowings from central bank		110,000	30,000
Deposits from banks and other financial institutions	31	42,064,439	25,107,105
Placements from banks	32	7,029,432	2,149,818
Financial liabilities designated as at fair value through profit or loss	33	5,076,419	365,625
Financial assets sold under repurchase agreements	34	42,639,291	32,759,721
Due to customers	35	294,510,490	246,141,374
Accrued staff costs	36	2,689,662	2,398,050
Tax liabilities		651,756	905,384
Debt securities issued	37	2,300,000	2,300,000
Other liabilities	39	4,521,466	4,652,053
Total liabilities		<u>401,592,955</u>	<u>316,809,130</u>

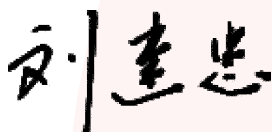
Consolidated Statement of Financial Position

At 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	At 31 December 2012	2011
EQUITY			
Share capital	40	9,300,000	9,300,000
Capital reserve	41	9,201,954	9,201,954
Investment revaluation reserve	42	(13,161)	(18,879)
Surplus reserve	43	5,797,650	3,650,944
General reserve	44	2,847,848	1,919,803
Retained earnings	45	4,786,433	3,801,687
Equity attributable to equity holders of the Bank		31,920,724	27,855,509
Non-controlling interests		308,788	155,382
Total equity		32,229,512	28,010,891
Total equity and liabilities		433,822,467	344,820,021

The consolidated financial statements on pages 150 to 288 were approved and authorised for issue by the Board of Directors on 22 March 2013 and are signed on its behalf by:



LIU JIANZHONG
CHAIRMAN



TAN YUAN SHENG
EXECUTIVE DIRECTOR
AND PRESIDENT

Statement of Financial Position

At 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	At 31 December 2012	2011
ASSETS			
Cash and balances with central bank	15	58,841,432	50,585,888
Deposits with banks and other financial institutions	16	12,264,057	11,319,519
Placements with banks and other financial institutions	17	29,748,852	11,460,716
Financial assets held for trading	18	3,774,309	400,880
Financial assets designated as at fair value through profit or loss	19	18,102,605	13,018,648
Financial assets held under resale agreements	20	51,765,062	42,296,805
Loans and advances to customers	21	166,588,124	138,222,341
Available-for-sale financial assets	22	4,598,972	1,617,749
Held-to-maturity investments	23	45,773,802	40,236,422
Debt securities classified as receivables	24	32,614,365	27,053,280
Investments in subsidiaries	25	306,000	163,200
Interest in an associate	26	100,000	—
Property and equipment	27	3,130,656	2,689,360
Deferred tax assets	38	1,450,918	1,517,672
Goodwill	28	440,129	440,129
Other assets	30	3,440,586	3,116,784
Total assets		<u>432,939,869</u>	<u>344,139,393</u>
LIABILITIES			
Deposits from banks and other financial institutions	31	42,246,050	25,124,040
Placements from banks	32	7,029,432	2,149,818
Financial liabilities designated as at fair value through profit or loss	33	5,076,419	365,625
Financial assets sold under repurchase agreements	34	42,639,291	32,666,590
Due to customers	35	293,904,767	245,732,836
Accrued staff costs	36	2,680,212	2,392,826
Tax liabilities		646,605	904,868
Debt securities issued	37	2,300,000	2,300,000
Other liabilities	39	4,511,761	4,645,805
Total liabilities		<u>401,034,537</u>	<u>316,282,408</u>

Statement of Financial Position

At 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	At 31 December	
		2012	2011
EQUITY			
Share capital	40	9,300,000	9,300,000
Capital reserve	41	9,201,954	9,201,954
Investment revaluation reserve	42	(13,161)	(18,879)
Surplus reserve	43	5,797,650	3,650,944
General reserve	44	2,847,848	1,919,803
Retained earnings	45	4,771,041	3,803,163
Total equity		31,905,332	27,856,985
Total equity and liabilities		432,939,869	344,139,393

Consolidated Statement of Changes In Equity

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank								
		Share	Capital	Surplus	General	Retained	Investment		Non-	
	NOTES	capital	reserve	reserve	reserve	earnings	revaluation	Subtotal	controlling	Total
							reserve		interests	
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		—	—	—	—	—	(35,333)	(35,333)	—	(35,333)
Total comprehensive										
income (losses) for the year		—	—	—	—	4,246,460	(35,333)	4,211,127	1,538	4,212,665
Shares issued										
— H shares offering	40	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	43	—	—	3,075,471	—	(3,075,471)	—	—	—	—
Appropriation to general reserve	44	—	—	—	15,610	(15,610)	—	—	—	—
As at 31 December 2011		9,300,000	9,201,954	3,650,944	1,919,803	3,801,687	(18,879)	27,855,509	155,382	28,010,891
Profit for the year		—	—	—	—	5,361,497	—	5,361,497	16,206	5,377,703
Other comprehensive income		—	—	—	—	—	5,718	5,718	—	5,718
Total comprehensive										
income for the year		—	—	—	—	5,361,497	5,718	5,367,215	16,206	5,383,421
Contribution from										
non-controlling shareholders		—	—	—	—	—	—	—	137,200	137,200
Appropriation to surplus reserve	43	—	—	2,146,706	—	(2,146,706)	—	—	—	—
Appropriation to general reserve	44	—	—	—	928,045	(928,045)	—	—	—	—
Dividend distribution	14	—	—	—	—	(1,302,000)	—	(1,302,000)	—	(1,302,000)
As at 31 December 2012		9,300,000	9,201,954	5,797,650	2,847,848	4,786,433	(13,161)	31,920,724	308,788	32,229,512

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2012	2011
OPERATING ACTIVITIES		
Profit before tax	7,067,762	5,496,892
Adjustments for:		
Depreciation and amortisation	374,308	347,374
Impairment on assets	511,412	848,047
Interest income arising from debt securities	(4,117,733)	(3,219,965)
Interest income arising from impaired financial assets	(36,023)	(51,418)
Interest expense arising from debt securities issued	126,500	126,500
Net gain on disposal of investment securities	(629)	(999)
Dividend income from investment securities	(105)	(899)
Net gain on disposal of property and equipment	(30,254)	(42,593)
Exchange losses	10,787	158,022
Operating cash flows before movements in working capital	3,906,025	3,660,961
Increase in balances with central bank and deposits with banks and other financial institutions	(5,737,008)	(14,962,121)
Increase in placements with banks and other financial institutions	(13,814,414)	(9,214,463)
Increase in financial assets held under resale agreements	(8,193,150)	(10,520,501)
Increase in financial assets held for trading	(3,374,558)	(102,279)
Increase in loans and advances to customers	(29,368,647)	(22,159,757)
Increase in financial assets designated as at fair value through profit or loss	(5,078,957)	(4,630,250)
Increase (decrease) in financial assets sold under repurchase agreements	9,879,570	(3,002,966)
Increase in due to customers and deposits from banks and other financial institutions	65,332,425	53,900,050
Increase in borrowings from central bank	80,000	30,000
Increase in placements from banks	4,880,000	2,150,000
Increase (decrease) in financial liabilities designated as at fair value through profit or loss	4,710,794	(79,181)
Decrease (increase) in other operating assets	369,044	(550,214)
Increase in other operating liabilities	89,888	643,277
Cash generated by (used in) operating activities	23,681,012	(4,837,444)
Income tax paid	(1,879,874)	(985,191)
Net cash from (used in) operating activities	21,801,138	(5,822,635)

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTES	Year ended 31 December 2012	2011
INVESTING ACTIVITIES			
Cash received from disposal and redemption of investment securities		12,015,400	14,510,000
Cash received from disposal of property and equipment and other assets		102,475	104,612
Cash paid for purchase of investment securities		(26,265,400)	(24,348,000)
Payment for investment in an associate		(100,000)	—
Cash paid for purchase of property and equipment and other assets		(912,501)	(758,649)
Interest income received from investment securities		3,713,844	3,110,024
Government grants received		63,884	—
Dividend income from investment securities		105	899
Net cash used in investing activities		(11,382,193)	(7,381,114)
FINANCING ACTIVITIES			
Net proceeds from issuance of shares			
— H shares offering		—	1,339,390
— Transaction cost of H shares offering		—	(40,153)
Contribution from non-controlling shareholders		137,200	68,600
Interest expenses paid for debt securities issued		(126,500)	(126,500)
Dividends paid to shareholders of the Bank		(1,301,108)	(409,322)
Net cash (used in) from financing activities		(1,290,408)	832,015
Net increase (decrease) in cash and cash equivalents		9,128,537	(12,371,734)
Cash and cash equivalents at 1 January		18,220,635	30,750,454
Effect of foreign exchange rate changes		3,898	(158,085)
Cash and cash equivalents at 31 December	46	27,353,070	18,220,635

		Year ended 31 December 2012	2011
Net cash from (used in) operating activities include:			
Interest received		18,461,957	13,446,950
Interest paid		(8,874,059)	(6,884,555)
Net interest received from operating activities		9,587,898	6,562,395

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

The Bank has financial services certificate No. B0335H2500000001 issued by the China Banking Regulatory Commission (the “CBRC”), and business license No.5000000000001239 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 amendments to IFRSs:

Amendments to IFRS 7 *Disclosure - Transfer of Financial Assets*

The Group has applied the amendments to IFRS 7 *Disclosure - Transfer of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposure when financial assets are transferred.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

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

As of 31 December 2012, the Group entered into repurchase agreements with certain counterparties to sell bills which subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. As the Group has not transferred the significant risks and rewards relating to these bills, it continues to recognise the full carrying amount of financial assets and the proceeds from selling such bills are presented as “Financial assets sold under repurchase agreements” (see note 50). In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

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 consider that the amendments to IAS 12 has no impact on the consolidated financial statements as it has no investment properties.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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 IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle ¹
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IFRS 7 and IFRS 9	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ⁴
IFRS 9	Financial Instruments ²
IFRS 10	Consolidated Financial Statements ¹
IFRS 11	Joint Arrangements ¹
IFRS 12	Disclosure of Interests in Other Entities ¹
IFRS 13	Fair Value Measurement ¹
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ³
IAS 19 (Revised 2011)	Employee Benefits ¹
IAS 27 (Revised 2011)	Separate Financial Statements ¹
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ¹

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

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

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2014

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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.

The directors anticipate that the application of these amendments to IFRS 7 and IAS 32 will be adopted for the annual period beginning on 1 January 2013 and 1 January 2014 respectively and they may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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)

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.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 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.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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)

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 (Revised 2011) and IAS 28 (Revised 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.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Continued)

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 on 1 January 2013 and do not expect the overall effect on the financial statements to be material.

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

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity’s investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

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

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Bank is not an investment entity.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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 on 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.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. 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 directors anticipated that the amendments to IAS 1 will be adopted in the Group's consolidated financial statements for the annual periods beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

IAS 19 (Revised 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 have no significant impact on amounts reported in respect of the Groups' defined benefit plans.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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.

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.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

Goodwill

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

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

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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.

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.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

Deferred tax

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

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

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

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.

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.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. 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 2012

(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.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

- (1) significant financial difficulty of the issuer or obligor;
- (2) 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;
- (5) the disappearance of an active market for that financial asset because of financial difficulties; or
- (6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets carried at amortised cost

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

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

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

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

Impairment of available-for-sale financial assets

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

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

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For The Year Ended 31 December 2012

(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 (Continued)

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

Financial liabilities and equity instruments

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

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

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 2012

(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. 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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial guarantee contracts

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

Repurchase agreements and agreements to resell

Financial assets sold subject to repurchase agreements continue to be recognised, and are recorded as “available-for-sale financial assets”, “debt securities classified as receivables”, “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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

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

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

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

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

Land use rights

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreclosed assets

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

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

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

Cash and cash equivalents

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Notes To The Consolidated Financial Statements

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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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets

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

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

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

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

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

Provisions

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

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

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.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment losses on financial assets

The directors of the Bank review its loan portfolio, debt securities and other debt instruments issued by financial institutions to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the directors of the Bank make 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. When the decrease may not have been identified individually or the individual financial asset is not significant, the directors of the Bank use estimates based on historical loss experience on a collective basis with similar credit risk characteristics to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes To The Consolidated Financial Statements

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group 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.

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.

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5. NET INTEREST INCOME

	Year ended 31 December	
	2012	2011
Interest income		
Loans and advances to customers	12,126,964	9,460,470
Including: Corporate loans and advances	7,536,485	5,564,531
Personal loans and advances	4,311,827	3,533,757
Discounted bills	278,652	362,182
Financial assets held under resale agreements	2,379,572	2,912,991
Held-to-maturity investments	1,981,226	1,692,332
Debt securities classified as receivables	1,980,718	1,442,680
Balances with central bank	828,195	696,599
Financial assets designated as at fair value through profit or loss	608,522	522,920
Deposits with banks and other financial institutions	579,433	392,051
Placements with banks and other financial institutions	1,487,629	322,408
Available-for-sale financial assets	155,789	84,953
Financial assets held for trading	203,561	11,798
Subtotal	22,331,609	17,539,202
Interest expense		
Due to customers	(5,623,237)	(3,944,076)
Financial assets sold under repurchase agreements	(1,843,958)	(1,955,662)
Deposits from banks and other financial institutions	(1,565,340)	(954,931)
Debt securities issued	(126,500)	(126,500)
Placements from banks	(78,597)	(52,436)
Borrowings from central bank	(1,783)	(578)
Subtotal	(9,239,415)	(7,034,183)
Net interest income	13,092,194	10,505,019
Included: interest income on impaired financial assets	36,023	51,418
Included within interest income		
Interest income on listed investments	2,424,788	1,841,591
Interest income on unlisted investments	2,505,028	1,913,092
	4,929,816	3,754,683

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

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6. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2012	2011
Fee and commission income		
Consultancy and advisory fees	181,705	436,950
Agency commissions	125,936	106,369
Bank card fees	114,471	73,623
Settlement and clearing fees	41,067	35,314
Custodian and other fiduciary service fees	14,519	9,342
Others	10,677	9,476
Subtotal	488,375	671,074
Fee and commission expense		
Bank card fees	(28,991)	(23,361)
Settlement and clearing fees	(14,759)	(8,224)
Other service fees	(8,901)	(4,082)
Subtotal	(52,651)	(35,667)
Total	435,724	635,407

7. NET TRADING GAIN

	Year ended 31 December	
	2012	2011
Net gain on held-for-trading debt securities	13,008	23,377

8. OTHER OPERATING INCOME (LOSSES), NET

	Year ended 31 December	
	2012	2011
Net gain on disposal of property and equipment	30,254	42,593
Net gain on disposal of foreclosed assets	3,619	48,645
Rental income	9,505	13,167
Dividend income from unlisted available-for-sale investments	105	899
Exchange losses	(248)	(157,365)
Government subsidy	59,599	5,789
Penalty and compensation income	7,266	4,899
Others	2,292	(4,054)
Total	112,392	(45,427)

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9. OPERATING EXPENSES

	Year ended 31 December	
	2012	2011
Staff costs (Note)	3,719,365	2,861,920
Business tax and surcharges	928,140	700,951
General operating and administrative expenses	892,658	704,543
Depreciation and amortisation	374,308	347,374
Auditor's remuneration	3,620	3,820
Others	156,682	155,828
Total	6,074,773	4,774,436

Note:

Staff costs

	Year ended 31 December	
	2012	2011
Salaries, bonuses and allowances	2,598,458	1,891,142
Social insurance	444,390	320,917
Housing funds	193,156	157,934
Staff welfare	167,191	75,733
Labor union fees and staff education expenses	85,920	63,154
Supplementary retirement benefits	166,600	127,160
Early retirement benefits	63,650	225,880
Total	3,719,365	2,861,920

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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 2012

Name	Fees	Basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	Total
Executive directors				
Liu Jianzhong	—	1,025	92	1,117
Tan Yuansheng	—	1,026	92	1,118
Sui Jun ⁽¹⁾⁽⁵⁾	—	993	92	1,085
Non-executive directors				
Tao Jun	60	—	—	60
Wen Honghai	60	—	—	60
Wang Yongshu	60	—	—	60
Gao Xiaodong	60	—	—	60
Wu Xiufeng	60	—	—	60
Hua Yusheng	60	—	—	60
Tu Minghai ⁽¹⁾	60	—	—	60
Independent non-executive directors				
Sun Leland Li Hsun	120	—	—	120
Yin Mengbo	120	—	—	120
Wu Qing	120	—	—	120
Chen Zhengsheng	120	—	—	120
Liu Weili	120	—	—	120
Supervisors				
Yang Mingping	—	1,030	92	1,122
Zeng Jianwu	50	—	—	50
Zuo Ruilan	50	—	—	50
Dong Yunlin	80	—	—	80
Chen Huiming	80	—	—	80
Zhang Xinyu	80	—	—	80
Shi Benyong	80	—	—	80
Zheng Yi	—	862	92	954
Zhu Yuzhou	—	779	92	871
Total	1,440	5,715	552	7,707

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(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

Name	Fees	Basic salaries, bonuses, allowances and benefits in kind	Contribution to pension schemes	Total
Executive directors				
Liu Jianzhong	—	829	76	905
Tan Yuansheng	—	823	76	899
Sui Jun ⁽¹⁾⁽⁵⁾	—	666	76	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⁾	—	—	—	—
Chen Zhengsheng ⁽¹⁾	—	—	—	—
Liu Weili ⁽¹⁾	—	—	—	—
Supervisors				
Yang Mingping	—	738	76	814
Zhang Peng ⁽⁴⁾	25	—	—	25
Zeng Jianwu	25	—	—	25
Zuo Ruilan	25	—	—	25
Chen Fangming ⁽⁴⁾	25	—	—	25
Dong Yunlin	50	—	—	50
Chen Huiming	50	—	—	50
Zhang Xinyu ⁽³⁾	—	—	—	—
Shi Bentong ⁽³⁾	—	—	—	—
Zhang Yiqiao ⁽⁴⁾	—	700	63	763
Liu Yu ⁽⁴⁾	—	662	63	725
Zheng Yi ⁽³⁾	—	46	13	59
Zhu Yuzhou ⁽³⁾	—	46	13	59
Total	653	4,510	456	5,619

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(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 total compensation packages for the directors, supervisors and senior management are determined based on the performances.

- (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.

In July 2012, CBRC Chongqing Bureau has approved the qualifications of the aforementioned directors.

In February 2013, Mr. Tu Minghai resigned as non-executive directors of the Bank due to personal reasons.

- (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 external 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) Mr. Sui Jun served as chief executive of the Bank before his election as executive director.

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	
	2012	2011
Basic salaries, bonuses and allowances	5,870	6,464
Contribution to pension schemes	449	380
Total	<u>6,319</u>	<u>6,844</u>

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

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

Five highest paid individuals (Continued)

Emoluments of the individuals were within the following bands:

	Number of individuals Year ended 31 December	
	2012	2011
HKDnil - HKD1,000,000	—	—
HKD1,000,001 - HKD1,500,000	2	2
HKD1,500,001 - HKD2,000,000	3	3
HKD2,000,001 - HKD2,500,000	—	—
HKD2,500,001 - HKD3,000,000	—	—
HKD3,000,001 - HKD3,500,000	—	—
HKD3,500,001 - HKD4,000,000	—	—

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, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors waived any emoluments during both years.

11. IMPAIRMENT ON ASSETS

	Year ended 31 December	
	2012	2011
Loans and advances to customers		
Net additions	718,381	1,758,666
Recovery of loans	(447,259)	(1,203,835)
Subtotal	271,122	554,831
Held-to-maturity investments	61,150	—
Debt securities classified as receivables	160,530	293,216
Available-for-sale financial assets	18,610	—
Total	511,412	848,047

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE

THE GROUP

	Year ended 31 December	
	2012	2011
Income tax expense comprises:		
Current income tax		
— PRC Enterprise Income Tax	1,626,246	1,447,184
Deferred tax (<i>note 38</i>)	63,813	(198,290)
Total	<u>1,690,059</u>	<u>1,248,894</u>

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	
	2012	2011
Profit before tax	<u>7,067,762</u>	<u>5,496,892</u>
Tax calculated at applicable statutory tax rate of 25%	1,766,941	1,374,223
Tax effect of expenses not deductible for tax purpose	62,331	34,638
Tax effect of income not taxable for tax purpose (<i>note</i>)	<u>(139,213)</u>	<u>(159,967)</u>
Income tax expense	<u>1,690,059</u>	<u>1,248,894</u>

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 2012

(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	
	2012	2011
Earnings:		
Profit for the year attributable to equity holders of the Bank	5,361,497	4,246,460
Numbers of shares		
Weighted average number of shares in issue (<i>thousand</i>)	9,300,000	9,296,712
Basic earnings per share (<i>RMB yuan</i>)	0.58	0.46

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

14. DIVIDENDS

	Year ended 31 December	
	2012	2011
Dividends recognised as distribution during the year		
2011 Final		
— RMB 14 cents	1,302,000	—

A dividend of RMB0.17 per share (tax inclusive) in respect of the year end 31 December 2012 in total of RMB1,581 million has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

A final dividend of RMB14 cents per share (tax inclusive) in respect of the year ended 31 December 2011 in total of RMB1,302 million has been proposed by the board of directors on 19 March 2012, and was approved by the annual general meeting in 2011 on 7 May 2012.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

		THE GROUP	
		At 31 December	
	NOTES	2012	2011
Cash		3,289,508	2,660,974
Mandatory reserve deposits with central bank	(1)	52,873,721	45,875,372
Surplus reserve deposits with central bank	(2)	2,279,504	1,537,730
Other deposits with central bank	(3)	521,327	588,692
Total		58,964,060	50,662,768

		THE BANK	
		At 31 December	
	NOTES	2012	2011
Cash		3,286,701	2,657,999
Mandatory reserve deposits with central bank	(1)	52,785,528	45,818,314
Surplus reserve deposits with central bank	(2)	2,247,876	1,520,883
Other deposits with central bank	(3)	521,327	588,692
Total		58,841,432	50,585,888

Notes:

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

As at 31 December 2012, mandatory reserve deposits with the PBOC were calculated at 18% (31 December 2011: 19%) of eligible RMB deposits for the Bank, while for the subsidiaries at 14% or 13% (31 December 2011: 15% or 13%); and 5% of foreign currency deposits from customers for both years. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

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

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

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	THE GROUP	
	At 31 December	
	2012	2011
Deposits with:		
Domestic banks	12,165,426	11,392,054
Overseas banks	97,642	52,904
Total	12,263,068	11,444,958

	THE BANK	
	At 31 December	
	2012	2011
Deposits with:		
Domestic banks	12,166,415	11,266,615
Overseas banks	97,642	52,904
Total	12,264,057	11,319,519

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	THE GROUP AND THE BANK	
	At 31 December	
	2012	2011
Placements with:		
Domestic banks	1,099,999	2,820,955
Other domestic financial institutions	28,648,853	8,639,761
Total	29,748,852	11,460,716

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

18. FINANCIAL ASSETS HELD FOR TRADING

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Debt securities issued by: Corporations	3,774,309	400,880
Analysed as: Listed outside Hong Kong (note)	3,774,309	400,880

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 2012	2011
Unlisted debt instruments issued by financial institutions	18,112,605	13,033,648

	THE BANK	
	At 31 December 2012	2011
Unlisted debt instruments issued by financial institutions	18,102,605	13,018,648

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Analysed by collateral type:		
Bills	26,389,114	37,156,805
Trust Beneficial Rights	25,375,948	—
Bonds	—	5,140,000
Total	51,765,062	42,296,805

Notes To The Consolidated Financial Statements

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21. LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers

	THE GROUP	
	At 31 December 2012	2011
Gross loans and advances	173,447,600	144,097,177
Individually assessed	(449,611)	(407,790)
Collectively assessed	(5,383,073)	(4,867,557)
Allowance for impairment losses	(5,832,684)	(5,275,347)
Loans and advances to customers	167,614,916	138,821,830

	THE BANK	
	At 31 December 2012	2011
Gross loans and advances	172,411,760	143,491,392
Individually assessed	(449,611)	(407,790)
Collectively assessed	(5,374,025)	(4,861,261)
Allowance for impairment losses	(5,823,636)	(5,269,051)
Loans and advances to customers	166,588,124	138,222,341

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 2012						
Gross loans and advances	171,861,328	736,680	849,592	1,586,272	173,447,600	0.91
Allowance for impairment losses	(4,804,889)	(578,184)	(449,611)	(1,027,795)	(5,832,684)	
Loans and advances to customers, net	167,056,439	158,496	399,981	558,477	167,614,916	
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	138,115,786	192,008	514,036	706,044	138,821,830	

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(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 2012						
Gross loans and advances	170,825,488	736,680	849,592	1,586,272	172,411,760	0.92
Allowance for impairment losses	(4,795,841)	(578,184)	(449,611)	(1,027,795)	(5,823,636)	
Loans and advances to customers, net	<u>166,029,647</u>	<u>158,496</u>	<u>399,981</u>	<u>558,477</u>	<u>166,588,124</u>	
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>	

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

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(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 2011	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)
As at 31 December 2011	<u>407,790</u>	<u>4,867,557</u>	<u>5,275,347</u>
Charge for the year	201,592	3,547,305	3,748,897
Reverse for the year	(117,238)	(2,913,278)	(3,030,516)
Written off	(17,784)	(107,237)	(125,021)
Unwinding of discount on allowance	(24,749)	(11,274)	(36,023)
As at 31 December 2012	<u>449,611</u>	<u>5,383,073</u>	<u>5,832,684</u>

THE BANK

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2011	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)
As at 31 December 2011	<u>407,790</u>	<u>4,861,261</u>	<u>5,269,051</u>
Charge for the year	201,592	3,544,553	3,746,145
Reverse for the year	(117,238)	(2,913,278)	(3,030,516)
Written off	(17,784)	(107,237)	(125,021)
Unwinding of discount on allowance	(24,749)	(11,274)	(36,023)
As at 31 December 2012	<u>449,611</u>	<u>5,374,025</u>	<u>5,823,636</u>

Notes To The Consolidated Financial Statements

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22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	NOTES	THE GROUP AND THE BANK	
		At 31 December	
		2012	2011
Debt securities issued by:			
Financial institutions		—	99,572
Corporations		4,550,131	1,464,478
Subtotal		4,550,131	1,564,050
Equity instruments			
— at fair value		19,576	24,434
— at cost	(1)	29,265	29,265
Subtotal		48,841	53,699
Total		4,598,972	1,617,749
Analysed as:			
Listed outside Hong Kong	(2)	4,569,707	1,588,484
Unlisted		29,265	29,265
Total		4,598,972	1,617,749

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”.

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23. HELD-TO-MATURITY INVESTMENTS

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Debt securities issued by:		
Government	8,355,758	8,228,223
Public sector and quasi-governments	21,416,453	15,644,879
Financial institutions	2,288,499	1,583,144
Corporations	13,774,242	14,780,176
Subtotal	45,834,952	40,236,422
Less: Collectively assessed allowance for impairment losses	(61,150)	—
Total	45,773,802	40,236,422

All held-to-maturity investments are traded on the China Domestic Interbank Bond Market.

24. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Certificate treasury bonds	340,880	1,034,934
Financial institution bonds	761,439	760,600
Debt securities issued by public sector and quasi-governments	47,722	47,473
Corporations	1,539,190	—
Debt instruments issued by financial institutions (note)	30,378,880	25,503,489
Subtotal	33,068,111	27,346,496
Less: Collectively assessed allowance for impairment losses	(453,746)	(293,216)
Total	32,614,365	27,053,280

Note: The debt instruments issued by financial institutions are non-callable before maturity with fixed interest rate and not quoted in active market.

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25. INVESTMENT IN SUBSIDIARIES

	THE BANK	
	At 31 December 2012	2011
Investment cost	306,000	163,200

At 31 December 2012, details of the Bank's subsidiaries are set out below.

Name of entity	Date of incorporation	Place of incorporation	Registered and paid-in capital	Proportion of equity interest %	Proportion of voting power on the board of directors %	Principal activities
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港滄農商村鎮銀行股份有限公司)	(1) 23 April 2010	Jiangsu	RMB200,000,000	51.00	51.00	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹滄農商村鎮銀行股份有限公司)	(2) 12 November 2010	Sichuan	RMB100,000,000	51.00	51.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理滄農商村鎮銀行有限責任公司)	(3) 14 December 2010	Yunnan	RMB200,000,000	51.00	51.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲滄農商村鎮銀行有限責任公司)	(4) 4 December 2012	Yunnan	RMB100,000,000	51.00	51.00	Banking

(1) In November 2012, 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) changed its name to Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港滄農商村鎮銀行股份有限公司) and approved by the local banking authority.

(2) In September 2012 the registered capital of 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) ("Dazhu Longyuan") increased to RMB100 million by an addition of capital of RMB40 million, which the Bank contributed RMB20.4 million, and approved by the local banking authority.

In November 2012, Dazhu Longyuan changed its name to Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹滄農商村鎮銀行股份有限公司) and approved by the local banking authority.

(3) In October 2012 the registered capital of 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) ("Dali Haidong") increased to RMB200 million by an addition of capital of RMB140 million, which the Bank contributed RMB71.4 million, and approved by the local banking authority.

In November 2012, Dali Haidong changed its name to Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理滄農商村鎮銀行有限責任公司) and approved by the local banking authority.

(4) In December 2012, Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲滄農商村鎮銀行有限責任公司) was incorporated in Yunan province, the PRC and commenced business in banking with a registered capital of RMB100 million, 51% of which is held by the Bank.

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26. INTEREST IN AN ASSOCIATE

Pursuant to CBRC's approval (Yin Jian Fu[2011] No.518), the Bank participated in the establishment of Chongqing Auto Finance Co., Ltd.(重慶汽車金融有限公司) and contributed capital of RMB100 million, representing its 20% equity interest in Chongqing Auto Finance Co., Ltd.. The voting power of the Bank in Chongqing Auto Finance Co., Ltd. is the same as its equity interest. Chongqing Auto Finance Co., Ltd. is incorporated in Chongqing, the PRC, with registered capital of RMB500 million and its principal activity is auto financing business.

27. PROPERTY AND EQUIPMENT

THE GROUP

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
COST						
As at 1 January 2011	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
Additions	235,363	116,292	18,761	83,429	423,504	877,349
Transfers	196,454	23	—	1,900	(198,377)	—
Transfers to other assets	—	—	—	—	(28,674)	(28,674)
Disposals	(62,398)	(20,955)	(9,394)	(12,890)	—	(105,637)
As at 31 December 2012	2,750,726	570,521	91,938	299,253	594,618	4,307,056
ACCUMULATED DEPRECIATION						
As at 1 January 2011	(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)
Provided for the year	(194,067)	(90,567)	(11,223)	(41,551)	—	(337,408)
Eliminated on disposals	8,379	14,818	7,279	6,597	—	37,073
As at 31 December 2012	(721,966)	(267,226)	(47,654)	(116,387)	—	(1,153,233)
CARRYING VALUES						
As at 31 December 2012	2,028,760	303,295	44,284	182,866	594,618	3,153,823
As at 31 December 2011	1,845,029	283,684	38,861	145,381	398,165	2,711,120

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27. PROPERTY AND EQUIPMENT (Continued)

THE GROUP (Continued)

The carrying amounts of buildings are located on land use rights with the following remaining leases terms:

	THE GROUP	
	At 31 December 2012	2011
Held in the PRC		
over 50 years	17,265	25,926
10-50 years	1,554,077	1,546,209
less than 10 years	457,418	272,894
Total	2,028,760	1,845,029

The land use rights are under long or medium term lease.

THE BANK

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
COST						
As at 1 January 2011	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
Additions	234,737	116,128	18,094	82,472	422,086	873,517
Transfers	196,454	23	—	1,900	(198,377)	—
Transfers to other assets	—	—	—	—	(28,674)	(28,674)
Disposals	(62,398)	(20,955)	(9,394)	(12,890)	—	(105,637)
As at 31 December 2012	2,730,851	568,602	90,031	296,326	593,200	4,279,010
ACCUMULATED DEPRECIATION						
As at 1 January 2011	(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)
Provided for the year	(192,778)	(90,090)	(10,952)	(41,163)	—	(334,983)
Eliminated on disposals	8,379	14,818	7,279	6,597	—	37,073
As at 31 December 2012	(719,435)	(266,265)	(47,124)	(115,530)	—	(1,148,354)
CARRYING VALUES						
As at 31 December 2012	2,011,416	302,337	42,907	180,796	593,200	3,130,656
As at 31 December 2011	1,827,022	282,413	37,880	143,880	398,165	2,689,360

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27. PROPERTY AND EQUIPMENT (Continued)

The carrying amounts of buildings are located on land use rights with the following remaining leases terms:

	THE BANK	
	At 31 December 2012	2011
Held in the PRC		
over 50 years	17,265	25,926
10-50 years	1,538,306	1,528,202
less than 10 years	455,845	272,894
Total	2,011,416	1,827,022

The land use rights are under long or medium term lease.

28. GOODWILL

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Cost and carrying amount	440,129	440,129

Particulars regarding impairment testing on goodwill are disclosed in Note 29.

29. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note 28 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 2012 and 31 December 2011 allocated to these units are as follows:

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
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

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29. IMPAIRMENT TESTING ON GOODWILL (Continued)

During the year ended 31 December 2012 and 31 December 2011, 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 2012 and 31 December 2011. 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.

30. OTHER ASSETS

		THE GROUP	
		At 31 December	
	NOTES	2012	2011
Interest receivable	(1)	2,251,414	2,255,380
Land use rights	(2)	480,943	452,733
Foreclosed assets	(3)	151,045	182,129
Intangible assets	(4)	47,194	39,982
Others	(5)	515,955	191,820
Total		3,446,551	3,122,044

		THE BANK	
		At 31 December	
	NOTES	2012	2011
Interest receivable	(1)	2,248,245	2,253,584
Land use rights	(2)	480,943	452,733
Foreclosed assets	(3)	151,045	182,129
Intangible assets	(4)	47,104	39,859
Others	(5)	513,249	188,479
Total		3,440,586	3,116,784

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30. OTHER ASSETS (Continued)

Notes:

- (1) Interest receivable

Analysed by type

	THE GROUP	
	At 31 December	
	2012	2011
Held-to-maturity investments	860,430	670,764
Loans and advances to customers	398,946	297,321
Debt securities classified as receivables	274,797	208,211
Financial assets held under resale agreements	246,633	882,005
Placements with banks and other financial institutions	165,085	52,589
Available-for-sale financial assets	116,134	30,222
Financial assets held for trading	102,782	—
Financial assets designated as at fair value through profit or loss	42,694	—
Balances with central bank	26,866	23,216
Deposits with banks and other financial institutions	17,047	91,052
Total	2,251,414	2,255,380

	THE BANK	
	At 31 December	
	2012	2011
Held-to-maturity investments	860,430	670,764
Loans and advances to customers	395,947	295,952
Debt securities classified as receivables	274,797	208,211
Financial assets held under resale agreements	246,633	882,005
Placements with banks and other financial institutions	165,085	52,589
Available-for-sale financial assets	116,134	30,222
Financial assets held for trading	102,782	—
Financial assets designated as at fair value through profit or loss	42,694	—
Balances with central bank	26,852	23,216
Deposits with banks and other financial institutions	16,891	90,625
Total	2,248,245	2,253,584

As at 31 December 2012 and 31 December 2011, all interest receivable is due within 1 year.

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30. OTHER ASSETS (Continued)

Notes: (Continued)

(2) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Held in the PRC		
over 50 years	20,456	20,614
10-50 years	449,720	424,841
less than 10 years	10,767	7,278
Total	480,943	452,733

The land use rights are under long or medium term lease.

(3) Foreclosed assets

Analysed by type

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Land use rights and buildings	169,151	204,748
Others	1,348	968
Subtotal	170,499	205,716
Allowance for impairment losses	(19,454)	(23,587)
Total	151,045	182,129

(4) Intangible assets

Intangible assets include computer software which are amortised over 10 years.

(5) Others mainly include prepayments of capital contributions of RMB 255 million to several village and township banks to be established and at preparation stage as at 31 December 2012.

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31. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	THE GROUP	
	At 31 December	
	2012	2011
Deposits from domestic banks	40,203,372	22,307,695
Deposits from other domestic financial institutions	1,861,067	2,799,410
Total	42,064,439	25,107,105

	THE BANK	
	At 31 December	
	2012	2011
Deposits from domestic banks	40,384,983	22,324,630
Deposits from other domestic financial institutions	1,861,067	2,799,410
Total	42,246,050	25,124,040

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rate.

32. PLACEMENTS FROM BANKS

	THE GROUP AND THE BANK	
	At 31 December	
	2012	2011
Placements from domestic banks	7,029,432	2,149,818

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33. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Principal guaranteed wealth management products (Note)	5,076,419	365,625

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 2012, the fair value of these products issued by the Group approximates the contractual amount payable upon maturity to the holders of these products.

There were no significant changes in the Bank's credit risk and therefore there were no significant gain or losses attributed to changes in credit risk for those financial liabilities designated at fair value through profit or loss during the years ended 31 December 2012 and 2011.

34. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	THE GROUP	
	At 31 December 2012	2011
Analysed by collateral type:		
Bonds	35,925,768	22,968,997
Bills	6,713,523	9,790,724
Total (note 49)	42,639,291	32,759,721

	THE BANK	
	At 31 December 2012	2011
Analysed by collateral type:		
Bonds	35,925,768	22,968,997
Bills	6,713,523	9,697,593
Total (note 49)	42,639,291	32,666,590

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35. DUE TO CUSTOMERS

	THE GROUP	
	At 31 December 2012	2011
Demand deposits		
Corporate customers	64,069,062	49,798,636
Individual customers	60,527,950	49,949,474
Time deposits		
Corporate customers	8,411,066	13,953,210
Individual customers	156,881,442	129,263,711
Pledged deposits (Note)	4,476,991	3,132,788
Others (including outward remittance and remittance outstanding)	143,979	43,555
Total	294,510,490	246,141,374

	THE BANK	
	At 31 December 2012	2011
Demand deposits		
Corporate customers	63,934,233	49,664,028
Individual customers	60,464,606	49,903,194
Time deposits		
Corporate customers	8,200,406	13,872,736
Individual customers	156,847,519	129,227,375
Pledged deposits (Note)	4,319,906	3,022,448
Others (including outward remittance and remittance outstanding)	138,097	43,055
Total	293,904,767	245,732,836

Note:

Analysed by products for which deposit is required:

	THE GROUP	
	At 31 December 2012	2011
Acceptances	3,032,770	1,894,765
Loans and receivables	1,328,168	1,132,739
Letters of guarantee	37,175	5,885
Letters of credit	49,552	53,272
Others	29,326	46,127
Total	4,476,991	3,132,788

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35. DUE TO CUSTOMERS (Continued)

	THE BANK	
	At 31 December 2012	2011
Acceptances	2,918,451	1,858,573
Loans and receivables	1,285,402	1,058,591
Letters of guarantee	37,175	5,885
Letters of credit	49,552	53,272
Others	29,326	46,127
Total	4,319,906	3,022,448

36. ACCRUED STAFF COSTS

	NOTES	THE GROUP	
		At 31 December 2012	2011
Salaries, bonuses and allowances		1,154,242	916,907
Supplementary retirement benefits	(1)	963,080	864,560
Early retirement benefits	(2)	478,960	545,000
Labor union fees and staff education expenses		93,380	71,583
Total		2,689,662	2,398,050

	NOTES	THE BANK	
		At 31 December 2012	2011
Salaries, bonuses and allowances		1,145,151	911,957
Supplementary retirement benefits	(1)	963,080	864,560
Early retirement benefits	(2)	478,960	545,000
Labor union fees and staff education expenses		93,021	71,309
Total		2,680,212	2,392,826

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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36. 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 2011	796,260
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	864,560
Amounts recognised in the consolidated income statement	
— Interest cost	29,540
— Present value of benefit obligation for participants entering the plan during the year	82,540
— Past service cost	54,520
Benefits paid	(68,080)
As at 31 December 2012	963,080

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Discount rate	4.00%	3.50%
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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36. 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 2011	433,270
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	545,000
Amounts recognised in the consolidated income statement	
— Interest cost	14,390
— Present value of benefit obligation for participants entering the plan during the year	2,890
— Past service cost	46,370
Benefits paid	(129,690)
As at 31 December 2012	478,960

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Discount rate	3.50%	3.00%
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

37. DEBT SECURITIES ISSUED

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Subordinated bonds issued	2,300,000	2,300,000

As approved by the PBOC and CBRC, the Group issued callable subordinated fixed rate bonds of RMB2,300 million on 29 December 2009.

The subordinated fixed rate bonds issued in December 2009 have a maturity of 10 years, with a fixed coupon rate of 5.5%, payable annually. The Group has an option to redeem all of the bonds at par value on 30 December 2014. If the Group does not exercise this option, the coupon rate of the bonds will increase by 3% to 8.5% per annum from 30 December 2014 for the next five years.

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38. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset.

The following are the major deferred tax assets and liabilities recognised and movements thereon:

THE GROUP

	Allowance for impairment losses	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 2011	902,206	108,318	206,740	1,458	(324)	(44,432)	133,638	1,307,604
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	1,016,134	136,250	227,989	3,188	6,204	15,216	112,691	1,517,672
(Charge) credit to profit or loss	(28,885)	(16,510)	59,334	(2,633)	282	(58,697)	(16,704)	(63,813)
Charge to other comprehensive income	—	—	—	—	(1,906)	—	—	(1,906)
As at 31 December 2012	987,249	119,740	287,323	555	4,580	(43,481)	95,987	1,451,953

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38. DEFERRED TAXATION (Continued)

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 2011	902,206	108,318	206,740	1,458	(324)	(44,432)	133,638	1,307,604
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	1,016,134	136,250	227,989	3,188	6,204	15,216	112,691	1,517,672
(Charge) credit to profit or loss	(28,885)	(16,510)	58,299	(2,633)	282	(58,697)	(16,704)	(64,848)
Charge to other comprehensive income	—	—	—	—	(1,906)	—	—	(1,906)
As at 31 December 2012	<u>987,249</u>	<u>119,740</u>	<u>286,288</u>	<u>555</u>	<u>4,580</u>	<u>(43,481)</u>	<u>95,987</u>	<u>1,450,918</u>

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39. OTHER LIABILITIES

	NOTES	THE GROUP	
		At 31 December 2012	2011
Interest payable	(1)	2,682,451	2,443,659
Other payables	(2)	1,445,375	1,837,354
Business and other tax payables		266,602	227,859
Deferred income	(3)	102,887	109,388
Dividends payable		21,931	21,039
Provision		2,220	12,754
Total		4,521,466	4,652,053

	NOTES	THE BANK	
		At 31 December 2012	2011
Interest payable	(1)	2,676,621	2,440,919
Other payables	(2)	1,444,203	1,836,085
Business and other tax payables		265,629	227,347
Deferred income	(3)	101,157	107,661
Dividends payable		21,931	21,039
Provision		2,220	12,754
Total		4,511,761	4,645,805

Notes:

(1) Interest payable

	THE GROUP	
	At 31 December 2012	2011
Due to customers	2,145,159	1,617,363
Financial assets sold under repurchase agreements	266,521	508,052
Deposits from banks and other financial institutions	224,698	268,722
Placements from banks	45,698	49,492
Borrowings from central bank	375	30
Total	2,682,451	2,443,659

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39. OTHER LIABILITIES (Continued)

Notes: (Continued)

(1) Interest payable (Continued)

	THE BANK	
	At 31 December 2012	2011
Due to customers	2,141,610	1,615,124
Financial assets sold under repurchase agreements	266,521	508,052
Deposits from banks and other financial institutions	222,792	268,251
Placements from banks	45,698	49,492
Total	2,676,621	2,440,919

(2) Other payables

	THE GROUP	
	At 31 December 2012	2011
Payables from providing agency services	611,767	218,102
Payables to National Council for Social Security Fund ("NCSSF") of the PRC	10,717	1,033,743
Dormant accounts	49,264	60,385
Items in process of clearing and settlement	129,571	58,608
Others	644,056	466,516
Total	1,445,375	1,837,354

	THE BANK	
	At 31 December 2012	2011
Payables from providing agency services	611,767	218,102
Payables to NCSSF of the PRC	10,717	1,033,743
Dormant accounts	49,264	60,385
Items in process of clearing and settlement	129,571	58,608
Others	642,884	465,247
Total	1,444,203	1,836,085

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39. OTHER LIABILITIES (Continued)

Notes: (Continued)

(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 2012	2011
Consultancy and advisory fees	2,900	68,056
Government grants	97,134	38,250
Other deferred income	2,853	3,082
Total	102,887	109,388

	THE BANK	
	At 31 December 2012	2011
Consultancy and advisory fees	2,900	68,056
Government grants	97,134	38,250
Other deferred income	1,123	1,355
Total	101,157	107,661

40. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 1 January 2011	9,000,000	9,000,000
Shares issued (Note)	300,000	300,000
As at 31 December 2011 and 31 December 2012	9,300,000	9,300,000

Note:

On 5 January 2011, the Bank issued additional 300,000,000 H shares with par value of RMB1 per share at offer price of HKD5.25 per share under the over-allotment options granted during the initial public offering which were fully exercised.

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41. CAPITAL RESERVE

The Bank issued shares at share premium. Share premium was recorded in the capital reserve after deducting direct issue costs which mainly included underwriting fees and professional fees directly attributable to issue of shares.

42. INVESTMENT REVALUATION RESERVE

THE GROUP AND THE BANK

	Gross amount	Tax effect	Net effect
As at 1 January 2011	21,939	(5,485)	16,454
Losses on fair value changes of available-for-sale financial assets	(47,111)	11,778	(35,333)
As at 31 December 2011	(25,172)	6,293	(18,879)
Gains on fair value changes of available-for-sale financial assets	(10,357)	2,589	(7,768)
Amount reclassified to the profit or loss upon disposal of available-for-sale financial assets	(629)	157	(472)
Amount reclassified to the profit or loss upon impairment of available-for-sale financial assets	18,610	(4,652)	13,958
As at 31 December 2012	(17,548)	4,387	(13,161)

43. 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.

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43. SURPLUS RESERVE (Continued)

For the year ended 31 December 2012 and 31 December 2011, the Bank appropriated approximately RMB534 million and RMB426 million to the statutory surplus reserve respectively. Pursuant to the approved 2011 profit appropriation resolution by the general meeting on 7 May 2012, the Bank appropriated approximately RMB1,612 million to discretionary surplus reserve(2011: 2,649 million).

44. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) 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 1.5% of the aggregate amount of risk assets as defined by the above measures.

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate certain amounts of their net profit as general reserve.

During the year ended 31 December 2012, the Group transferred approximately RMB928 million to general reserve pursuant to regulatory requirement in the PRC (2011: approximately RMB16 million).

45. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

	THE BANK	
	2012	2011
As at 1 January	3,803,163	2,649,385
Profit for the year	5,344,629	4,244,859
Appropriation to surplus reserve	(2,146,706)	(3,075,471)
Appropriation to general reserve	(928,045)	(15,610)
Dividends recognised as distribution	(1,302,000)	—
As at 31 December	4,771,041	3,803,163

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46. 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 2012	2011
Cash	3,289,508	2,660,974
Balances with central bank	2,279,504	1,537,730
Deposits with banks and other financial institutions	8,966,979	6,954,829
Placements with banks and other financial institutions	4,721,882	247,012
Financial assets held under resale agreements	8,095,197	6,820,090
Total	27,353,070	18,220,635

47. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Bank and the Group that are regularly reviewed by the Board of the directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group mainly operates in Chongqing, PRC. Majority 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.

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".

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47. SEGMENT ANALYSIS (Continued)

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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47. SEGMENT ANALYSIS (Continued)

Treasury operations (Continued)

THE GROUP

	Corporate banking	Personal banking	Treasury operations	Segment total	Unallocated	Total
Year ended 31 December 2012						
External interest income	7,614,744	4,311,827	10,405,038	22,331,609	—	22,331,609
External interest expense	(650,600)	(4,972,637)	(3,616,178)	(9,239,415)	—	(9,239,415)
Inter-segment interest (expense) income	(1,666,379)	4,791,274	(3,124,895)	—	—	—
Net interest income	5,297,765	4,130,464	3,663,965	13,092,194	—	13,092,194
Fee and commission income	202,627	175,567	110,181	488,375	—	488,375
Fee and commission expense	(9,228)	(36,884)	(6,539)	(52,651)	—	(52,651)
Net fee and commission income	193,399	138,683	103,642	435,724	—	435,724
Net trading gain	—	—	13,008	13,008	—	13,008
Other operating (losses) income, net	—	—	(248)	(248)	112,640	112,392
Operating income	5,491,164	4,269,147	3,780,367	13,540,678	112,640	13,653,318
Operating expense	(3,284,226)	(1,825,451)	(965,096)	(6,074,773)	—	(6,074,773)
Impairment on assets	(214,629)	(56,493)	(240,290)	(511,412)	—	(511,412)
Net gain on disposal of available-for-sale financial assets	—	—	629	629	—	629
Profit before tax	1,992,309	2,387,203	2,575,610	6,955,122	112,640	7,067,762
Income tax expense						(1,690,059)
Profit for the year						5,377,703
At 31 December 2012						
Segment assets	106,239,403	59,575,173	262,315,697	428,130,273	5,692,194	433,822,467
Segment liabilities	79,832,310	221,032,506	99,951,566	400,816,382	776,573	401,592,955
Supplementary information						
Credit commitment	5,346,140	1,573,824	—	6,919,964	—	6,919,964
Depreciation and amortisation included in operating expenses	207,056	114,637	52,615	374,308	—	374,308
Capital expenditure	520,631	288,247	132,297	941,175	—	941,175

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47. SEGMENT ANALYSIS (Continued)

Treasury operations (Continued)

THE GROUP (Continued)

	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

Unallocated assets mainly include property and equipment of the Group, equity investments, goodwill and deferred tax assets. Unallocated liabilities mainly include tax liabilities and dividends payable.

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48. 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	
	2012 %	2011 %
Chongqing Yufu Assets Management Group Company Limited	6.77	6.77
Chongqing City Investment (Group) Co., Ltd.	6.68	6.68
Loncin Holding Co., Ltd.	6.13	6.13

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	
	2012	2011	2012	2011
Shareholders of the Bank	130,221	113,788	13,030	13,624
Other related parties	147,679	70,071	4,086	2,880

	Operating expense	
	Year ended 31 December	
	2012	2011
Shareholders of the Bank	7,040	8,600

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48. RELATED PARTY TRANSACTIONS (Continued)

Related party transactions (Continued)

THE GROUP AND THE BANK (Continued)

At the end of each reporting period, Group had the following material outstanding balances with related parties:

	Loans and advances to related parties At 31 December		Customer deposits from related parties At 31 December	
	2012	2011	2012	2011
Shareholders of the Bank	3,030,450	2,130,450	115,501	242,841
Other related parties	<u>2,664,982</u>	<u>1,590,900</u>	<u>1,738,521</u>	<u>745,590</u>

	Interest receivable from related parties At 31 December		Interest payable to related parties At 31 December	
	2012	2011	2012	2011
Shareholders of the Bank	5,797	4,126	9	37
Other related parties	<u>5,356</u>	<u>3,114</u>	<u>335</u>	<u>110</u>

	Debt securities issued to related parties At 31 December	
	2012	2011
Shareholder of the Bank	<u>—</u>	<u>200,000</u>

As at 31 December 2011, the debt instruments issued by financial institutions of 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. The investments were fully recovered upon maturity in the year end 31 December 2012.

As at 31 December 2012, the debt instruments issued by financial institutions of RMB1,000 million (31 December 2011: 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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48. 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	
	2012	2011
Basic salaries, bonuses and allowances	14,872	10,040
Contribution to pension schemes	1,469	1,121
Fees	1,440	653
Total	17,781	11,814

The key management personnel's final emoluments for the current year is subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at 31 December 2012. The amount of actual remuneration will be announced after approval.

49. 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 2012, provisions of RMB2.22 million (31 December 2011: RMB12.75 million) were made based on court judgments or the advice of counsel. Provision for litigation losses as advised by in-house or the external legal professionals is disclosed in Note 39 "Other liabilities-Provision". The directors of the Bank believe, based on legal advice, other than the provisions recognised, the final result of the lawsuits will not have a material impact on the financial position or operations of the Group.

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49. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Capital commitments

	THE GROUP AND THE BANK	
	At 31 December 2012	2011
Contracted but not provided for	854,570	146,778
Authorised but not contracted for	601,475	502,445
Total	1,456,045	649,223

Credit commitments

	THE GROUP	
	At 31 December 2012	2011
Acceptances	4,666,545	3,000,442
Undrawn credit card limit	1,573,824	935,100
Letters of credit issued	594,941	154,961
Letters of guarantee	84,654	9,709
Total	6,919,964	4,100,212

	THE BANK	
	At 31 December 2012	2011
Acceptances	4,244,713	2,929,481
Undrawn credit card limit	1,573,824	935,100
Letters of credit issued	594,941	154,961
Letters of guarantee	84,654	9,709
Total	6,498,132	4,029,251

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.

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49. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Operating lease commitment

At the end of each reporting period, the Group has the following non-cancellable operating lease commitments as lessee with fixed lease term and lease payment:

	THE GROUP	
	At 31 December 2012	2011
Within 1 year	37,549	27,043
1 to 2 years	34,899	22,455
2 to 3 years	23,364	20,198
Above 3 years	67,409	57,883
Total	163,221	127,579

	THE BANK	
	At 31 December 2012	2011
Within 1 year	35,944	26,028
1 to 2 years	33,196	21,300
2 to 3 years	21,536	18,945
Above 3 years	64,035	56,528
Total	154,711	122,801

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 2012	2011
Credit commitments	2,102,222	1,739,081

	THE BANK	
	At 31 December 2012	2011
Credit commitments	1,928,991	1,668,619

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49. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amounts for credit commitments (Continued)

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

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 2012	2011
Bonds	36,563,645	24,113,354
Bills	6,713,523	9,790,724
Total	<u>43,277,168</u>	<u>33,904,078</u>

	THE BANK	
	At 31 December 2012	2011
Bonds	36,563,645	24,113,354
Bills	6,713,523	9,697,593
Total	<u>43,277,168</u>	<u>33,810,947</u>

As at 31 December 2012 and 31 December 2011, the carrying amount of financial assets sold under repurchase agreements by the Group was RMB42,639 million and RMB32,760 million, respectively (Note 34).

As at 31 December 2012 and 31 December 2011, the carrying amount of financial assets sold under repurchase agreements by the Bank was RMB42,639 million and RMB32,667 million, respectively (Note 34).

All repurchase agreements are due within twelve months from inception.

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49. CONTINGENT LIABILITIES AND COMMITMENTS *(Continued)*

Collateral *(Continued)*

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 RMB26,389 million as at 31 December 2012 (31 December 2011: RMB37,157 million). The fair value of collateral sold or re-pledged by the Group is RMB6,703 million as at 31 December 2012 (31 December 2011: 8,339 million).

50. TRANSFER OF FINANCIAL ASSETS

The Group and the Bank entered into repurchase agreements with certain counterparties to sell debt securities classified as available-for-sale financial assets of carrying amount of RMB600 million, debt securities classified as held-to-maturity investments of carrying amount of RMB35,578 million, debt securities classified as receivables of carrying amount of RMB386 million, and bills of carrying amount of RMB6,714 million as at 31 December 2012, respectively, which subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices. The proceeds from selling such debt securities and bills totaling RMB42,639 million as at 31 December 2012 are presented as “financial assets sold under repurchase agreements”.

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group and the Bank are not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group and the Bank have determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognized from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

The counterparty’s recourse is not limited to the transferred assets.

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51. 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.

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51. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

Apart from the credit risk exposures on credit-related assets and deposits with banks and other financial institutions, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality including by reference to external credit rating information where available. In addition, the Group also provides financial guarantee service to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the contract. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

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51. 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".

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51. 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 49 “Contingent liabilities and commitments”.

A summary of the maximum exposure to credit risk is as follows:

	THE GROUP	
	At 31 December 2012	2011
Financial assets		
Balances with central bank	55,674,552	48,001,794
Deposits with banks and other financial institutions	12,263,068	11,444,958
Placements with banks and other financial institutions	29,748,852	11,460,716
Financial assets held for trading	3,774,309	400,880
Financial assets designated as at fair value through profit or loss	18,112,605	13,033,648
Financial assets held under resale agreements	51,765,062	42,296,805
Loans and advances to customers	167,614,916	138,821,830
Available-for-sale financial assets	4,550,131	1,564,050
Held-to-maturity investments	45,773,802	40,236,422
Debt securities classified as receivables	32,614,365	27,053,280
Other financial assets	2,728,361	2,414,596
Subtotal	424,620,023	336,728,979
Off-balance sheet items	6,919,964	4,100,212
Total	431,539,987	340,829,191

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51. 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	
	2012	2011
Financial assets		
Balances with central bank	55,554,731	47,927,889
Deposits with banks and other financial institutions	12,264,057	11,319,519
Placements with banks and other financial institutions	29,748,852	11,460,716
Financial assets held for trading	3,774,309	400,880
Financial assets designated as at fair value		
through profit or loss	18,102,605	13,018,648
Financial assets held under resale agreements	51,765,062	42,296,805
Loans and advances to customers	166,588,124	138,222,341
Available-for-sale financial assets	4,550,131	1,564,050
Held-to-maturity investments	45,773,802	40,236,422
Debt securities classified as receivables	32,614,365	27,053,280
Other financial assets	2,724,478	2,412,242
Subtotal	423,460,516	335,912,792
Off-balance sheet items	6,498,132	4,029,251
Total	429,958,648	339,942,043

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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The main types of collateral obtained are as follows:

- Mortgage loans to personal customers are generally collateralised by mortgages over residential properties;
- Other personal lending and corporate loans and advances are mainly collateralised by charges over land and properties and other assets of the borrowers; and
- Reverse repurchase transactions are mainly collateralised by bonds, bills, or loans and advances to customers.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

Loans and advances to customers

Under the IFRS, the restructuring of the Bank was accounted for as an acquisition of the Business from the 39 Rural Credit Unions and CRCCU by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCCU and the Bank before and after the restructuring. The following disclosures (note(1) to (5)) in relation to loans and advances to customers have been prepared based on the contractual amount of these loans for management purpose, which are not the same as the carrying amount of these loans and advances to customers stated in the consolidated financial statements of the Group.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012		At 31 December 2011	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Production and supply of electricity, gas and water	6,685,128	6.00	5,915,762	6.37
Real estate	15,962,106	14.32	13,574,844	14.63
Construction	9,186,714	8.24	6,592,532	7.10
Financial concerns	2,648,902	2.38	92,688	0.10
Retail and wholesale	7,277,005	6.53	4,311,967	4.65
Water, environment and public utilities management	18,415,560	16.52	15,936,700	17.17
Manufacturing	30,032,533	26.94	25,476,950	27.45
Leasing and commercial services	3,098,547	2.78	4,332,645	4.67
Transportation, logistics and postal services	1,890,361	1.70	2,161,229	2.33
Education	2,642,887	2.37	2,924,506	3.15
Agriculture	4,997,618	4.48	3,142,160	3.39
Others	8,623,848	7.74	8,343,616	8.99
Subtotal	111,461,209	100.00	92,805,599	100.00
Personal loans and advances				
Mortgages	35,184,452	56.66	30,835,434	59.83
Loans to private business and employment assistance loans	18,764,920	30.22	14,403,281	27.95
Farmer loans ⁽ⁱ⁾	1,569,511	2.53	2,101,465	4.08
Credit card	1,222,609	1.97	414,318	0.80
Others	5,356,654	8.62	3,784,274	7.34
Subtotal	62,098,146	100.00	51,538,772	100.00
Contractual amount of loans and advances to customers	173,559,355		144,344,371	

- (i) Farmer loans primarily consist of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.

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For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012		At 31 December 2011	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Production and supply of electricity, gas and water	6,685,128	6.03	5,915,762	6.40
Real estate	15,962,106	14.40	13,574,844	14.68
Construction	9,151,914	8.26	6,568,032	7.10
Financial concerns	2,648,902	2.39	95,215	0.10
Retail and wholesale	7,172,155	6.47	4,246,117	4.59
Water, environment and public utilities management	18,415,560	16.61	15,931,700	17.23
Manufacturing	29,758,008	26.84	25,324,267	27.38
Leasing and commercial services	3,082,547	2.78	4,327,312	4.68
Transportation, logistics and postal services	1,885,361	1.70	2,156,229	2.33
Education	2,642,887	2.38	2,924,506	3.16
Agriculture	4,846,818	4.37	3,089,660	3.34
Others	8,603,748	7.77	8,328,658	9.01
Subtotal	110,855,134	100.00	92,482,302	100.00
Personal loans and advances				
Mortgages	35,182,435	57.05	30,831,281	60.15
Loans to private business and employment assistance loans	18,371,130	29.79	14,143,276	27.59
Farmer loans ⁽ⁱ⁾	1,569,511	2.55	2,101,465	4.10
Credit card	1,222,609	1.98	414,318	0.81
Others	5,322,696	8.63	3,765,944	7.35
Subtotal	61,668,381	100.00	51,256,284	100.00
Contractual amount of loans and advances to customers	172,523,515		143,738,586	

- (i) Farmer loans primarily consist of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.

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For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Provision charge (reverse) for the year	Written off for the year
Real estate	403,646	(158,454)	(1,118,661)	131,553	1,767
Water, environment and public utilities management	350	—	(42,355)	(25,836)	—
Manufacturing	<u>281,550</u>	<u>(221,225)</u>	<u>(886,925)</u>	<u>34,757</u>	<u>28,220</u>
	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	<u>210,684</u>	<u>(107,896)</u>	<u>(901,238)</u>	<u>218,295</u>	<u>33,537</u>

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For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

- (1) The composition of the contractual amount of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

THE BANK

	Year ended 31 December 2012				
	Gross impaired loans	Individually assessed allowances	Collectively assessed allowances	Provision charge (reverse) for the year	Written off for the year
Real estate	403,646	(158,454)	(1,118,661)	131,553	1,767
Water, environment and public utilities management	350	—	(42,355)	(25,836)	—
Manufacturing	<u>281,550</u>	<u>(221,225)</u>	<u>(880,193)</u>	<u>32,003</u>	<u>28,220</u>

	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	<u>210,684</u>	<u>(107,896)</u>	<u>(897,261)</u>	<u>214,318</u>	<u>33,537</u>

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For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	4,167,880	7,320,997	4,824,631	16,313,508
Guaranteed loans	13,014,107	13,900,166	7,455,232	34,369,505
Collateralised and other secured loans				
— loans secured by property and other immovable assets	15,864,856	47,484,803	44,809,535	108,159,194
— other pledged loans	6,698,999	4,624,403	3,393,746	14,717,148
Total	<u>39,745,842</u>	<u>73,330,369</u>	<u>60,483,144</u>	<u>173,559,355</u>

	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	6,893,866	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	<u>18,521,802</u>	<u>70,281,194</u>	<u>55,541,375</u>	<u>144,344,371</u>

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Unsecured loans	4,167,880	7,320,997	4,824,631	16,313,508
Guaranteed loans	12,517,753	13,791,006	7,455,232	33,763,991
Collateralised and other secured loans				
— loans secured by property and other immovable assets	15,696,882	47,268,584	44,780,130	107,745,596
— other pledged loans	6,682,271	4,624,403	3,393,746	14,700,420
Total	<u>39,064,786</u>	<u>73,004,990</u>	<u>60,453,739</u>	<u>172,523,515</u>

	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	<u>18,104,925</u>	<u>70,108,561</u>	<u>55,525,100</u>	<u>143,738,586</u>

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012				
	Up to 90 days	90 - 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	238,908	45,391	173,093	151,936	609,328
Guaranteed loans	96,149	17,547	34,576	84,089	232,361
Collateralised and other secured loans					
— loans secured by property and other immovable assets	986,116	134,311	442,240	404,360	1,967,027
— other pledged loans	1,955	10,040	11,383	48,302	71,680
Total	<u>1,323,128</u>	<u>207,289</u>	<u>661,292</u>	<u>688,687</u>	<u>2,880,396</u>

	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	<u>1,633,018</u>	<u>392,827</u>	<u>1,225,516</u>	<u>438,157</u>	<u>3,689,518</u>

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For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012				
	Up to 90 days	90 - 360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	238,908	45,391	173,093	151,936	609,328
Guaranteed loans	94,226	17,547	34,576	84,089	230,438
Collateralised and other secured loans					
— loans secured by property and other immovable assets	972,834	130,111	442,240	404,360	1,949,545
— other pledged loans	1,955	10,040	11,383	48,301	71,679
Total	<u>1,307,923</u>	<u>203,089</u>	<u>661,292</u>	<u>688,686</u>	<u>2,860,990</u>

	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	<u>1,628,018</u>	<u>392,827</u>	<u>1,225,516</u>	<u>438,157</u>	<u>3,684,518</u>

Note: Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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

		THE GROUP	
		At 31 December	
	NOTES	2012	2011
Neither past due nor impaired	(i)	170,544,600	140,576,336
Past due but not impaired	(ii)	1,319,225	1,686,456
Impaired	(iii)	1,695,530	2,081,579
Subtotal		173,559,355	144,344,371
Allowances for impairment losses		(5,944,439)	(5,522,541)
Loans and advances to customers		<u>167,614,916</u>	<u>138,821,830</u>

		THE BANK	
		At 31 December	
	NOTES	2012	2011
Neither past due nor impaired	(i)	169,528,166	139,975,551
Past due but not impaired	(ii)	1,299,819	1,681,456
Impaired	(iii)	1,695,530	2,081,579
Subtotal		172,523,515	143,738,586
Allowances for impairment losses		(5,935,391)	(5,516,245)
Loans and advances to customers		<u>166,588,124</u>	<u>138,222,341</u>

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51. 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 2012		
	Normal	Special mention	Total
Corporate loans and advances	107,653,781	2,825,360	110,479,141
Personal loans and advances	59,846,403	219,056	60,065,459
Total	<u>167,500,184</u>	<u>3,044,416</u>	<u>170,544,600</u>

	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>

THE BANK

	At 31 December 2012		
	Normal	Special mention	Total
Corporate loans and advances	107,051,905	2,825,360	109,877,265
Personal loans and advances	59,431,845	219,056	59,650,901
Total	<u>166,483,750</u>	<u>3,044,416</u>	<u>169,528,166</u>

	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>

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012				Total	Fair value of collateral
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)	More than 90 days		
Corporate loans and advances	35,120	—	100	7,580	42,800	31,757
Personal loans and advances	1,029,044	168,891	69,698	8,792	1,276,425	1,454,061
Total	<u>1,064,164</u>	<u>168,891</u>	<u>69,798</u>	<u>16,372</u>	<u>1,319,225</u>	<u>1,485,818</u>

	At 31 December 2011				Total	Fair value of collateral
	Up to 30 days (including 30 days)	30 - 60 days (including 60 days)	60 - 90 days (including 90 days)	More than 90 days		
Corporate loans and advances	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	<u>1,339,846</u>	<u>177,927</u>	<u>81,482</u>	<u>87,201</u>	<u>1,686,456</u>	<u>1,469,564</u>

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012					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	35,120	—	100	3,380	38,600	25,684
Personal loans and advances	1,015,761	166,968	69,698	8,792	1,261,219	1,454,061
Total	<u>1,050,881</u>	<u>166,968</u>	<u>69,798</u>	<u>12,172</u>	<u>1,299,819</u>	<u>1,479,745</u>

	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	<u>1,334,846</u>	<u>177,927</u>	<u>81,482</u>	<u>87,201</u>	<u>1,681,456</u>	<u>1,469,564</u>

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51. 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 2012		
	Contractual amount	Allowance for impairment losses	Carrying value
Individually assessed	897,574	(497,593)	399,981
Collectively assessed	797,956	(639,460)	158,496
Total	1,695,530	(1,137,053)	558,477

	At 31 December 2011		
	Contractual 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	2,081,579	(1,375,535)	706,044

Including:

	At 31 December	
	2012	2011
Individually assessed and impaired	897,574	989,253
Individually assessed and impaired %	0.52%	0.69%
Fair value of collateral	378,913	485,059

(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 2012 were RMB237 million (31 December 2011: RMB294 million), of which loans and advances overdue for more than 90 days were RMB37 million (31 December 2011: RMB37 million).

Notes To The Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Loans and advances to customers (Continued)

(6) Assets foreclosed under credit enhancement arrangement

Details of such assets are disclosed in Note 30. The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and disposal.

Debt securities

(1) Credit quality of debt securities

	NOTE	THE GROUP	
		At 31 December 2012	2011
Neither past due nor impaired		105,340,108	82,581,496
Impaired		—	—
Subtotal		105,340,108	82,581,496
Less: Collectively assessed allowance for impairment losses		(514,896)	(293,216)
Debt securities, net	(i)	104,825,212	82,288,280

	NOTE	THE BANK	
		At 31 December 2012	2011
Neither past due nor impaired		105,330,108	82,566,496
Impaired		—	—
Subtotal		105,330,108	82,566,496
Less: Collectively assessed allowance for impairment losses		(514,896)	(293,216)
Debt securities, net	(i)	104,815,212	82,273,280

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51. 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 2012					Total
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt securities classified as receivables	
Government bonds	—	—	—	8,355,758	—	8,355,758
Public sector, quasi-government bonds	—	—	—	21,416,453	47,722	21,464,175
Financial institution bonds	—	—	—	2,288,499	761,439	3,049,938
Corporate bonds	3,774,309	—	4,550,131	13,774,242	1,539,190	23,637,872
Certificate treasury bonds	—	—	—	—	340,880	340,880
Debt instruments issued by financial institutions	—	18,112,605	—	—	30,378,880	48,491,485
Total	3,774,309	18,112,605	4,550,131	45,834,952	33,068,111	105,340,108

	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	—	—	25,503,489	38,537,137
Total	400,880	13,033,648	1,564,050	40,236,422	27,346,496	82,581,496

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(1) Credit quality of debt securities (Continued)

(i) Debt securities neither past due nor impaired (Continued)

THE BANK

	At 31 December 2012					
	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	Total
Government bonds	—	—	—	8,355,758	—	8,355,758
Public sector, quasi- government bonds	—	—	—	21,416,453	47,722	21,464,175
Financial institution bonds	—	—	—	2,288,499	761,439	3,049,938
Corporate bonds	3,774,309	—	4,550,131	13,774,242	1,539,190	23,637,872
Certificate treasury bonds	—	—	—	—	340,880	340,880
Debt instruments issued by financial institutions	—	18,102,605	—	—	30,378,880	48,481,485
Total	3,774,309	18,102,605	4,550,131	45,834,952	33,068,111	105,330,108

	At 31 December 2011					
	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	Total
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	—	—	25,503,489	38,522,137
Total	400,880	13,018,648	1,564,050	40,236,422	27,346,496	82,566,496

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012				
	AAA	AA	A	Unrated	Total
Financial assets held for trading					
Corporate bonds	1,688,340	1,687,965	398,004	—	3,774,309
Subtotal	1,688,340	1,687,965	398,004	—	3,774,309
Financial assets designated as at fair value through profit or loss Debt instruments issued by financial institutions					
	—	—	—	18,112,605	18,112,605
Subtotal	—	—	—	18,112,605	18,112,605
Available-for-sale financial assets					
Corporate bonds	2,600,236	1,949,895	—	—	4,550,131
Subtotal	2,600,236	1,949,895	—	—	4,550,131
Held-to-maturity investments					
Government bonds	—	—	—	8,355,758	8,355,758
Public sector, quasi-government bonds	2,683,835	—	—	18,732,618	21,416,453
Financial institution bonds	1,139,313	1,149,186	—	—	2,288,499
Corporate bonds	11,103,968	2,609,124	—	—	13,713,092
Subtotal	14,927,116	3,758,310	—	27,088,376	45,773,802
Debt securities classifies as receivables					
Public sector, quasi-government bonds	—	—	—	47,722	47,722
Financial institution bonds	238,195	523,244	—	—	761,439
Certificate treasury bonds	—	—	—	340,880	340,880
Corporate Bonds	—	1,532,950	—	—	1,532,950
Debt instruments issued by financial institutions	—	—	—	29,931,374	29,931,374
Subtotal	238,195	2,056,194	—	30,319,976	32,614,365
Total	19,453,887	9,452,364	398,004	75,520,957	104,825,212

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (Continued)

THE GROUP (Continued)

	At 31 December 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 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012				
	AAA	AA	A	Unrated	Total
Financial assets held for trading					
Corporate bonds	1,688,340	1,687,965	398,004	—	3,774,309
Subtotal	1,688,340	1,687,965	398,004	—	3,774,309
Financial assets designated as at fair value through profit or loss					
Debt instruments issued by financial institutions	—	—	—	18,102,605	18,102,605
Subtotal	—	—	—	18,102,605	18,102,605
Available-for-sale financial assets					
Corporate bonds	2,600,236	1,949,895	—	—	4,550,131
Subtotal	2,600,236	1,949,895	—	—	4,550,131
Held-to-maturity investments					
Government bonds	—	—	—	8,355,758	8,355,758
Public sector, quasi-government bonds	2,683,835	—	—	18,732,618	21,416,453
Financial institution bonds	1,139,313	1,149,186	—	—	2,288,499
Corporate bonds	11,103,968	2,609,124	—	—	13,713,092
Subtotal	14,927,116	3,758,310	—	27,088,376	45,773,802
Debt securities classifies as receivables					
Public sector, quasi-government bonds	—	—	—	47,722	47,722
Financial institution bonds	238,195	523,244	—	—	761,439
Certificate treasury bonds	—	—	—	340,880	340,880
Corporate Bonds	—	1,532,950	—	—	1,532,950
Debt instruments issued by financial institutions	—	—	—	29,931,374	29,931,374
Subtotal	238,195	2,056,194	—	30,319,976	32,614,365
Total	19,453,887	9,452,364	398,004	75,510,957	104,815,212

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Debt securities (Continued)

(2) Debt securities analysed by credit rating and credit risk characteristic (Continued)

THE BANK (Continued)

	At 31 December 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 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

Risk Management Department manages its liquidity risk via:

- Setting target ratio on assets and liabilities structure in accordance with the regulatory requirements and business plan;
- Maintaining stability of deposit base; and
- Making advanced projection on future cash flows and evaluating the appropriate current assets position.

Analysis of the remaining maturity of the financial assets and liabilities

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE GROUP

	At 31 December 2012							Total
	Past due/ undated	On demand	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	53,395,048	5,569,012	—	—	—	—	—	58,964,060
Deposits with banks and other financial institutions	—	3,531,855	5,400,000	201,277	1,040,000	2,089,936	—	12,263,068
Placements with banks and other financial institutions	—	—	2,699,996	7,609,666	12,239,363	7,199,827	—	29,748,852
Financial assets held for trading	—	—	54,154	261,846	82,004	2,336,829	1,039,476	3,774,309
Financial assets designated as at fair value through profit or loss	—	—	4,194,571	3,169,404	6,992,205	3,756,425	—	18,112,605
Financial assets held under resale agreements	—	—	6,053,883	4,795,673	22,833,358	18,082,148	—	51,765,062
Loans and advances to customers	597,544	—	3,331,457	11,213,455	44,121,634	54,482,109	53,868,717	167,614,916
Available-for-sale financial assets	48,841	—	—	—	101,217	1,982,434	2,466,480	4,598,972
Held-to-maturity investments	—	—	—	79,805	1,509,833	23,043,289	21,140,875	45,773,802
Debt securities classified as receivables	—	—	99,873	88,412	14,490,119	17,126,803	809,158	32,614,365
Other financial assets	—	223,999	407,993	859,874	1,236,495	—	—	2,728,361
Total financial assets	54,041,433	9,324,866	22,241,927	28,279,412	104,646,228	130,099,800	79,324,706	427,958,372
Non-derivative financial liabilities								
Borrowings from central bank	—	—	—	—	110,000	—	—	110,000
Deposits from banks and other financial institutions	—	595,567	7,999,984	2,952,200	20,883,431	9,633,257	—	42,064,439
Placements from banks	—	—	1,099,999	649,951	5,279,482	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	—	—	1,638,859	1,377,300	1,520,260	540,000	—	5,076,419
Financial assets sold under repurchase agreements	—	—	9,429,820	11,037,436	22,172,035	—	—	42,639,291
Due to customers	—	136,068,173	15,251,666	31,014,995	84,783,623	27,352,381	39,652	294,510,490
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	1,571,914	458,402	855,397	1,188,553	—	53,560	4,127,826
Total financial liabilities	—	138,235,654	35,878,730	47,887,279	135,937,384	37,525,638	2,393,212	397,857,897
Net position	54,041,433	(128,910,788)	(13,636,803)	(19,607,867)	(31,291,156)	92,574,162	76,931,494	30,100,475

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 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
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 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

THE BANK

	At 31 December 2012							Total
	Past due/ undated	On demand	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	53,306,855	5,534,577	—	—	—	—	—	58,841,432
Deposits with banks and other financial institutions	—	3,502,844	5,410,000	201,277	1,060,000	2,089,936	—	12,264,057
Placements with banks and other financial institutions	—	—	2,699,996	7,609,666	12,239,363	7,199,827	—	29,748,852
Financial assets held for trading	—	—	54,154	261,846	82,004	2,336,829	1,039,476	3,774,309
Financial assets designated as at fair value through profit or loss	—	—	4,194,571	3,169,404	6,992,205	3,746,425	—	18,102,605
Financial assets held under resale agreements	—	—	6,053,883	4,795,673	22,833,358	18,082,148	—	51,765,062
Loans and advances to customers	590,244	—	3,278,743	11,157,986	43,534,479	54,180,087	53,846,585	166,588,124
Available-for-sale financial assets	48,841	—	—	—	101,217	1,982,434	2,466,480	4,598,972
Held-to-maturity investments	—	—	—	79,805	1,509,833	23,043,289	21,140,875	45,773,802
Debt securities classified as receivables	—	—	99,873	88,412	14,490,119	17,126,803	809,158	32,614,365
Other financial assets	—	223,152	405,675	859,165	1,236,486	—	—	2,724,478
Total financial assets	53,945,940	9,260,573	22,196,895	28,223,234	104,079,064	129,787,778	79,302,574	426,796,058
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	777,178	7,999,984	2,952,200	20,883,431	9,633,257	—	42,246,050
Placements from banks	—	—	1,099,999	649,951	5,279,482	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	—	—	1,638,859	1,377,300	1,520,260	540,000	—	5,076,419
Financial assets sold under repurchase agreements	—	—	9,429,820	11,037,436	22,172,035	—	—	42,639,291
Due to customers	—	135,668,312	15,248,739	30,971,231	84,627,426	27,349,407	39,652	293,904,767
Debt securities issued	—	—	—	—	—	—	2,300,000	2,300,000
Other financial liabilities	—	1,567,193	456,496	855,397	1,188,178	—	53,560	4,120,824
Total financial liabilities	—	138,012,683	35,873,897	47,843,515	135,670,812	37,522,664	2,393,212	397,316,783
Net position	53,945,940	(128,752,110)	(13,677,002)	(19,620,281)	(31,591,748)	92,265,114	76,909,362	29,479,275

Notes To The Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 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
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

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For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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 2012							
	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	53,395,048	5,595,878	—	—	—	—	—	58,990,926
Deposits with banks and other financial institutions	—	3,533,752	5,417,482	237,591	1,157,955	2,135,693	—	12,482,473
Placements with banks and other financial institutions	—	—	2,731,552	8,008,291	12,991,266	7,408,493	—	31,139,602
Financial assets held for trading	—	—	68,899	318,483	200,818	2,753,355	1,438,946	4,780,501
Financial assets designated as at fair value through profit or loss	—	—	4,214,810	3,258,305	7,307,546	4,110,829	—	18,891,490
Financial assets held under resale agreements	—	—	6,073,268	5,175,631	24,529,783	19,509,917	—	55,288,599
Loans and advances to customers	597,544	—	4,014,431	13,419,950	51,293,658	74,203,373	84,178,440	227,707,396
Available-for-sale financial assets	48,841	—	705	66,889	273,378	2,297,155	3,566,976	6,253,944
Held-to-maturity investments	—	—	46,082	552,136	2,806,429	26,232,889	30,854,412	60,491,948
Debt securities classified as receivables	—	—	1,139,156	5,628,363	14,748,269	13,658,083	1,222,333	36,396,204
Other financial assets	—	476,947	—	—	—	—	—	476,947
Total financial assets	54,041,433	9,606,577	23,706,385	36,665,639	115,309,102	152,309,787	121,261,107	512,900,030
Non-derivative financial liabilities								
Borrowings from central bank	—	—	—	—	113,685	—	—	113,685
Deposits from banks and other financial institutions	—	595,707	8,041,682	3,225,410	21,852,862	9,973,407	—	43,689,068
Placements from banks	—	—	1,102,924	666,604	5,490,141	—	—	7,259,669
Financial liabilities designated as at fair value through profit or loss	—	—	1,647,583	1,409,279	1,566,601	570,240	—	5,193,703
Financial assets sold under repurchase agreements	—	—	9,478,032	11,253,219	22,730,813	—	—	43,462,064
Due to customers	—	136,223,319	15,674,524	31,853,229	87,500,081	30,079,102	41,610	301,371,865
Debt securities issued	—	—	—	—	126,500	713,000	2,691,000	3,530,500
Other financial liabilities	—	1,391,815	—	—	—	—	62,397	1,454,212
Total financial liabilities	—	138,210,841	35,944,745	48,407,741	139,380,683	41,335,749	2,795,007	406,074,766
Net position	54,041,433	(128,604,264)	(12,238,360)	(11,742,102)	(24,071,581)	110,974,038	118,466,100	106,825,264

Notes To The Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (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 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

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For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

THE BANK

	At 31 December 2012							Total
	Past due/ undated	On demand	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	53,306,855	5,561,429	—	—	—	—	—	58,868,284
Deposits with banks and other financial institutions	—	3,504,731	5,428,919	237,591	1,179,005	2,135,693	—	12,485,939
Placements with banks and other financial institutions	—	—	2,731,552	8,008,291	12,991,266	7,408,493	—	31,139,602
Financial assets held for trading	—	—	68,899	318,483	200,818	2,753,355	1,438,946	4,780,501
Financial assets designated as at fair value through profit or loss	—	—	4,214,810	3,258,305	7,307,546	4,110,829	—	18,891,490
Financial assets held under resale agreements	—	—	6,073,268	5,175,631	24,529,783	19,509,917	—	55,288,599
Loans and advances to customers	590,244	—	3,954,918	13,346,431	50,654,791	73,853,496	84,152,743	226,552,623
Available-for-sale financial assets	48,841	—	705	66,889	273,378	2,297,155	3,566,976	6,253,944
Held-to-maturity investments	—	—	46,082	552,136	2,806,429	26,232,889	30,854,412	60,491,948
Debt securities classified as receivables	—	—	1,139,156	5,628,363	14,748,269	13,658,083	1,222,333	36,396,204
Other financial assets	—	476,233	—	—	—	—	—	476,233
Total financial assets	53,945,940	9,542,393	23,658,309	36,592,120	114,691,285	151,959,910	121,235,410	511,625,367
Non-derivative financial liabilities								
Deposits from banks and other financial institutions	—	777,358	8,041,682	3,225,410	21,852,862	9,973,407	—	43,870,719
Placements from banks	—	—	1,102,924	666,604	5,490,141	—	—	7,259,669
Financial liabilities designated as at fair value through profit or loss	—	—	1,647,583	1,409,279	1,566,601	570,240	—	5,193,703
Financial assets sold under repurchase agreements	—	—	9,478,032	11,253,219	22,730,813	—	—	43,462,064
Due to customers	—	135,823,420	15,671,521	31,808,392	87,340,832	30,075,700	41,610	300,761,475
Debt securities issued	—	—	—	—	126,500	713,000	2,691,000	3,530,500
Other financial liabilities	—	1,390,643	—	—	—	—	62,397	1,453,040
Total financial liabilities	—	137,991,421	35,941,742	48,362,904	139,107,749	41,332,347	2,795,007	405,531,170
Net position	53,945,940	(128,449,028)	(12,283,433)	(11,770,784)	(24,416,464)	110,627,563	118,440,403	106,094,197

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51. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (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 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

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, available-for-sale financial assets, financial assets held for trading and financial assets designated as at fair value through profit or loss. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

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51. 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 2012			Total
	Up to 1year	1 - 5years	Over 5years	
Acceptances	4,666,545	—	—	4,666,545
Undrawn credit card limit	1,573,824	—	—	1,573,824
Letters of credit issued	591,198	3,743	—	594,941
Letters of guarantee	4,184	67,470	13,000	84,654
Total	6,835,751	71,213	13,000	6,919,964

	At 31 December 2011			Total
	Up to 1year	1 - 5years	Over 5years	
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	4,053,756	46,456	—	4,100,212

THE BANK

	At 31 December 2012			Total
	Up to 1year	1 - 5years	Over 5years	
Acceptances	4,244,713	—	—	4,244,713
Undrawn credit card limit	1,573,824	—	—	1,573,824
Letters of credit issued	591,198	3,743	—	594,941
Letters of guarantee	4,184	67,470	13,000	84,654
Total	6,413,919	71,213	13,000	6,498,132

	At 31 December 2011			Total
	Up to 1year	1 - 5years	Over 5years	
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	3,982,795	46,456	—	4,029,251

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51. 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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE GROUP

	At 31 December 2012				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	58,950,051	13,571	438	—	58,964,060
Deposits with banks and other financial institutions	11,831,483	308,638	17,633	105,314	12,263,068
Placements with banks and other financial institutions	29,748,852	—	—	—	29,748,852
Financial assets held for trading	3,774,309	—	—	—	3,774,309
Financial assets designated as at fair value through profit or loss	18,112,605	—	—	—	18,112,605
Financial assets held under resale agreements	51,765,062	—	—	—	51,765,062
Loans and advances to customers	167,007,599	604,499	—	2,818	167,614,916
Available-for-sale financial assets	4,598,972	—	—	—	4,598,972
Held-to-maturity investments	45,773,802	—	—	—	45,773,802
Debt securities classified as receivables	32,614,365	—	—	—	32,614,365
Other financial assets	2,728,361	—	—	—	2,728,361
Total financial assets	426,905,461	926,708	18,071	108,132	427,958,372
Borrowings from central bank	110,000	—	—	—	110,000
Deposits from banks and other financial institutions	41,712,085	352,286	—	68	42,064,439
Placements from banks	7,029,432	—	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	5,076,419	—	—	—	5,076,419
Financial assets sold under repurchase agreements	42,639,291	—	—	—	42,639,291
Due to customers	294,119,162	376,347	10,947	4,034	294,510,490
Debt securities issued	2,300,000	—	—	—	2,300,000
Other financial liabilities	4,127,595	231	—	—	4,127,826
Total financial liabilities	397,113,984	728,864	10,947	4,102	397,857,897
Net position	29,791,477	197,844	7,124	104,030	30,100,475

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. 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	
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
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

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE BANK

	At 31 December 2012				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	58,827,423	13,571	438	—	58,841,432
Deposits with banks and other financial institutions	11,832,472	308,638	17,633	105,314	12,264,057
Placements with banks and other financial institutions	29,748,852	—	—	—	29,748,852
Financial assets held for trading	3,774,309	—	—	—	3,774,309
Financial assets designated as at fair value through profit or loss	18,102,605	—	—	—	18,102,605
Financial assets held under resale agreements	51,765,062	—	—	—	51,765,062
Loans and advances to customers	165,980,807	604,499	—	2,818	166,588,124
Available-for-sale financial assets	4,598,972	—	—	—	4,598,972
Held-to-maturity investments	45,773,802	—	—	—	45,773,802
Debt securities classified as receivables	32,614,365	—	—	—	32,614,365
Other financial assets	2,724,478	—	—	—	2,724,478
Total financial assets	425,743,147	926,708	18,071	108,132	426,796,058
Deposits from banks and other financial institutions	41,893,696	352,286	—	68	42,246,050
Placements from banks	7,029,432	—	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	5,076,419	—	—	—	5,076,419
Financial assets sold under repurchase agreements	42,639,291	—	—	—	42,639,291
Due to customers	293,513,439	376,347	10,947	4,034	293,904,767
Debt securities issued	2,300,000	—	—	—	2,300,000
Other financial liabilities	4,120,593	231	—	—	4,120,824
Total financial liabilities	396,572,870	728,864	10,947	4,102	397,316,783
Net position	29,170,277	197,844	7,124	104,030	29,479,275

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2012

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE BANK (Continued)

	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

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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

THE GROUP AND THE BANK

	Year ended 31 December	
	2012 (Decrease) increase in Net Profit	2011 (Decrease) increase in Net Profit
5% appreciation	(11,587)	(11,927)
5% depreciation	11,587	11,927

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities. The interest-generating assets and interest-bearing liabilities of the Group are mainly denominated in RMB. The PBOC establishes RMB benchmark interest rates which include a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Bank's and the Group's financial assets and liabilities.

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE GROUP

	At 31 December 2012						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	55,139,342	—	—	—	—	3,824,718	58,964,060
Deposits with banks and other financial institutions	8,834,421	201,277	1,040,000	2,089,936	—	97,434	12,263,068
Placements with banks and other financial institutions	2,699,996	11,469,614	10,779,356	4,799,886	—	—	29,748,852
Financial assets held for trading	54,154	261,846	82,004	2,336,829	1,039,476	—	3,774,309
Financial assets designated as at fair value through profit or loss	4,194,571	3,169,404	6,992,205	3,756,425	—	—	18,112,605
Financial assets held under resale agreements	6,053,883	4,795,673	23,833,858	17,081,648	—	—	51,765,062
Loans and advances to customers	81,332,964	32,566,727	32,348,185	20,966,013	401,027	—	167,614,916
Available-for-sale financial assets	—	—	101,217	1,982,434	2,466,480	48,841	4,598,972
Held-to-maturity investments	—	79,805	1,509,833	23,043,289	21,140,875	—	45,773,802
Debt securities classified as receivables	99,873	88,412	14,490,119	17,126,803	809,158	—	32,614,365
Other financial assets	—	—	—	—	—	2,728,361	2,728,361
Total financial assets	158,409,204	52,632,758	91,176,777	93,183,263	25,857,016	6,699,354	427,958,372
Borrowings from central bank	—	—	110,000	—	—	—	110,000
Deposits from banks and other financial institutions	8,595,551	2,952,200	20,883,431	9,633,257	—	—	42,064,439
Placements from banks	1,099,999	649,951	5,279,482	—	—	—	7,029,432
Financial liabilities designated as at fair value through profit or loss	1,638,859	1,377,300	1,520,260	540,000	—	—	5,076,419
Financial assets sold under repurchase agreements	9,429,820	11,037,436	22,172,035	—	—	—	42,639,291
Due to customers	151,319,839	31,014,995	84,783,623	27,352,381	39,652	—	294,510,490
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	53,560	4,074,266	4,127,826
Total financial liabilities	172,084,068	47,031,882	134,748,831	37,525,638	2,393,212	4,074,266	397,857,897
Interest rate gap	(13,674,864)	5,600,876	(43,572,054)	55,657,625	23,463,804	2,625,088	30,100,475

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE GROUP (Continued)

	At 31 December 2011						
	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	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

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE BANK

	At 31 December 2012						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	55,019,521	—	—	—	—	3,821,911	58,841,432
Deposits with banks and other financial institutions	8,815,410	201,277	1,060,000	2,089,936	—	97,434	12,264,057
Placements with banks and other financial institutions	2,699,996	11,469,614	10,779,356	4,799,886	—	—	29,748,852
Financial assets held for trading	54,154	261,846	82,004	2,336,829	1,039,476	—	3,774,309
Financial assets designated at fair value							
through profit or loss	4,194,571	3,169,404	6,992,205	3,746,425	—	—	18,102,605
Financial assets held under resale agreements	6,053,883	4,795,673	23,833,858	17,081,648	—	—	51,765,062
Loans and advances to customers	81,102,274	32,190,151	31,962,284	20,932,388	401,027	—	166,588,124
Available-for-sale financial assets	—	—	101,217	1,982,434	2,466,480	48,841	4,598,972
Held-to-maturity investments	—	79,805	1,509,833	23,043,289	21,140,875	—	45,773,802
Debt securities classified as receivables	99,873	88,412	14,490,119	17,126,803	809,158	—	32,614,365
Other financial assets	—	—	—	—	—	2,724,478	2,724,478
Total financial assets	158,039,682	52,256,182	90,810,876	93,139,638	25,857,016	6,692,664	426,796,058
Deposits from banks and other financial institutions	8,777,162	2,952,200	20,883,431	9,633,257	—	—	42,246,050
Placements from banks	1,099,999	649,951	5,279,482	—	—	—	7,029,432
Financial liabilities designated at fair value							
through profit or loss	1,638,859	1,377,300	1,520,260	540,000	—	—	5,076,419
Financial assets sold under repurchase agreements	9,429,820	11,037,436	22,172,035	—	—	—	42,639,291
Due to customers	150,917,051	30,971,231	84,627,426	27,349,407	39,652	—	293,904,767
Debt securities issued	—	—	—	—	2,300,000	—	2,300,000
Other financial liabilities	—	—	—	—	53,560	4,067,264	4,120,824
Total financial liabilities	171,862,891	46,988,118	134,482,634	37,522,664	2,393,212	4,067,264	397,316,783
Interest rate gap	(13,823,209)	5,268,064	(43,671,758)	55,616,974	23,463,804	2,625,400	29,479,275

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE BANK (Continued)

	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 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	125,012,962	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 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

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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Interest rate risk (Continued)

THE GROUP

	Year ended 31 December			
	2012		2011	
	Net interest income	other comprehensive income	Net interest income	other comprehensive income
+100 basis points	714,063	(224,132)	592,509	(71,482)
-100 basis points	(714,063)	240,887	(592,509)	75,700

THE BANK

	Year ended 31 December			
	2012		2011	
	Net interest income	other comprehensive income	Net interest income	other comprehensive income
+100 basis points	710,517	(224,132)	589,646	(71,482)
-100 basis points	(710,517)	240,887	(589,646)	75,700

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.

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51. 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.

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Capital management (Continued)

The calculation of capital adequacy ratio has considered the impact of proposed dividend.

THE GROUP

	NOTES	At 31 December	
		2012	2011
Core capital adequacy ratio	(1)	12.02%	13.71%
Capital adequacy ratio	(2)	12.93%	14.90%
Component of capital base			
Core capital:			
Share capital		9,300,000	9,300,000
Capital reserve		9,201,954	9,201,954
Surplus reserve and general reserve		8,645,498	5,570,747
Unappropriated profit		3,205,433	2,499,419
Non-controlling interests		308,788	155,382
Core capital		30,661,673	26,727,502
Deductions:			
Goodwill		(440,129)	(440,129)
Other deductible item		(15,648)	(42,598)
Net core capital		30,205,896	26,244,775

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(Amounts in thousands of Renminbi, unless otherwise stated)

51. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (Continued)

Capital management (Continued)

THE GROUP (Continued)

	NOTES	At 31 December	
		2012	2011
Fair value changes of financial assets held for trading		—	268
General reserve of loans		—	—
Reserve of fair value changes of available-for-sale financial assets	(3)	—	—
Long-term subordinated bonds		2,300,000	2,300,000
Total capital base before deductions		32,961,673	29,027,770
Deductions:			
Goodwill		(440,129)	(440,129)
Other deductible item		(31,296)	(66,316)
Total capital base after deductions		32,490,248	28,521,325
Risk-weighted assets and market risk capital adjustment	(4)	251,194,007	191,473,095

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.

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52. 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.

Notes To The Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

THE GROUP

	At 31 December 2012		At 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	167,614,916	167,923,369	138,821,830	138,773,741
Held-to-maturity investments	45,773,802	45,726,635	40,236,422	40,586,268
Debt securities classified as receivables	32,614,365	32,449,632	27,053,280	27,240,730
Total	246,003,083	246,099,636	206,111,532	206,600,739
Financial liabilities				
Due to customers	294,510,490	294,833,991	246,141,374	246,099,868
Debt securities issued	2,300,000	2,281,621	2,300,000	2,137,816
Total	296,810,490	297,115,612	248,441,374	248,237,684

THE BANK

	At 31 December 2012		At 31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	166,588,124	166,896,487	138,222,341	138,179,851
Held-to-maturity investments	45,773,802	45,726,635	40,236,422	40,586,268
Debt securities classified as receivables	32,614,365	32,449,632	27,053,280	27,240,730
Total	244,976,291	245,072,754	205,512,043	206,006,849
Financial liabilities				
Due to customers	293,904,767	294,228,268	245,732,836	245,691,330
Debt securities issued	2,300,000	2,281,621	2,300,000	2,137,816
Total	296,204,767	296,509,889	248,032,836	247,829,146

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52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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).

THE GROUP

	Level 1	Level 2	Level 3	Total
At 31 December 2012				
Financial assets held for trading	—	3,774,309	—	3,774,309
Financial assets designated as at fair value through profit or loss	—	18,112,605	—	18,112,605
Available-for-sale financial assets	19,576	4,550,131	—	4,569,707
Total assets	19,576	26,437,045	—	26,456,621
Financial Liabilities designated as at fair value through profit or loss	—	(5,076,419)	—	(5,076,419)
Total liabilities	—	(5,076,419)	—	(5,076,419)
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)

Notes To The Consolidated Financial Statements

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(Amounts in thousands of Renminbi, unless otherwise stated)

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

THE BANK

	Level 1	Level 2	Level 3	Total
At 31 December 2012				
Financial assets held for trading	—	3,774,309	—	3,774,309
Financial assets designated as at fair value through profit or loss	—	18,102,605	—	18,102,605
Available-for-sale financial assets	19,576	4,550,131	—	4,569,707
Total assets	19,576	26,427,045	—	26,446,621
Financial Liabilities designated as at fair value through profit or loss	—	(5,076,419)	—	(5,076,419)
Total liabilities	—	(5,076,419)	—	(5,076,419)
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)

There were no significant transfers between Level 1 and 2 during each year.

53. EVENT AFTER THE REPORTING PERIOD

There are no significant events after the reporting period, except the following:

Subsequently four village and township banks, namely Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行股份有限公司), Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司), Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司) and Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司), each of which is held by the Bank by 51%, were established in mainland China and commenced business in banking with registered capital totaling of RMB500 million.

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 240 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 2012	2011
Corporate loans and advances		
— Loans	105,578.0	92,422.0
— Discounted bills	5,256.4	252.2
— Trade financing	626.8	131.4
Subtotal	111,461.2	92,805.6
Retail loans and advances		
— Residential and commercial mortgage loans	35,184.5	30,835.4
— Personal loans for business purposes	18,764.9	14,403.3
— Farmer loans ⁽ⁱ⁾	1,569.5	2,101.5
— Credit card	1,222.6	414.3
— Others	5,356.6	3,784.3
Subtotal	62,098.1	51,538.8
Total loans and advances to customers	173,559.3	144,344.4
Allowance for impairment losses	(5,944.4)	(5,522.6)
Include: Individually assessed	(497.6)	(475.2)
Collectively assessed	(5,446.8)	(5,047.4)
Loans and advances to customers, net	167,614.9	138,821.8

- (i) Farmer loans primarily consist of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.

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	
	2012	2011
Corporate loans and advances		
— Loans	104,985.7	92,211.9
— Discounted bills	5,242.7	139.0
— Trade financing	626.8	131.4
Subtotal	110,855.2	92,482.3
Retail loans and advances		
— Residential and commercial mortgage loans	35,182.4	30,831.3
— Personal loans for business purposes	18,371.1	14,143.3
— Loans to farmers ⁽ⁱ⁾	1,569.5	2,101.5
— Credit card	1,222.6	414.3
— Others	5,322.7	3,765.9
Subtotal	61,668.3	51,256.3
Total loans and advances to customers	172,523.5	143,738.6
Allowance for impairment losses	(5,935.4)	(5,516.3)
Include: Individually assessed	(497.6)	(475.2)
Collectively assessed	(5,437.8)	(5,041.1)
Loans and advances to customers, net	166,588.1	138,222.3

- (i) Farmer loans primarily consist of rural cross-guaranteed loans, rural small credit loans and rural home appliance consumption loans.

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 2012						
Gross loans and advances	171,863.8	797.9	897.6	1,695.5	173,559.3	0.98
Allowance for impairment losses	(4,807.4)	(639.4)	(497.6)	(1,137.0)	(5,944.4)	
Loans and advances to customers, net	<u>167,056.4</u>	<u>158.5</u>	<u>400.0</u>	<u>558.5</u>	<u>167,614.9</u>	
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>	

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 2012						
Gross loans and advances	170,828.0	797.9	897.6	1,695.5	172,523.5	0.98
Allowance for impairment losses	(4,798.4)	(639.4)	(497.6)	(1,137.0)	(5,935.4)	
Loans and advances to customers, net	<u>166,029.6</u>	<u>158.5</u>	<u>400.0</u>	<u>558.5</u>	<u>166,588.1</u>	
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>	

Notes:

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

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(3) Movements of allowance for impairment losses on loans and advances to customers

THE GROUP

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2011	624.3	4,406.8	5,031.1
Charge for the year	110.0	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>
Charge for the year	201.6	3,576.9	3,778.5
Reverse for the year	(211.6)	(3,295.8)	(3,507.4)
Written off	(31.8)	(121.8)	(153.6)
Recovery of loans and advances written off in previous years	110.1	264.9	375.0
Unwinding of discount on allowance	(45.9)	(24.8)	(70.7)
As at 31 December 2012	<u>497.6</u>	<u>5,446.8</u>	<u>5,944.4</u>

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Loans and advances to customers (Contractual amount) (Continued)

(3) Movements of allowance for impairment losses on loans and advances to customers (Continued)

THE BANK

	Individually assessed allowance	Collectively assessed allowance	Total
As at 1 January 2011	624.3	4,405.0	5,029.3
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>
Charge for the year	201.6	3,574.1	3,775.7
Reverse for the year	(211.6)	(3,295.7)	(3,507.3)
Written off	(31.8)	(121.8)	(153.6)
Recovery of loans and advances written off in previous years	110.1	264.9	375.0
Unwinding of discount on allowance	(45.9)	(24.8)	(70.7)
As at 31 December 2012	<u>497.6</u>	<u>5,437.8</u>	<u>5,935.4</u>

Liquidity ratios

(Expressed in percentage)	At 31 December 2012	2011
RMB current assets to RMB current liabilities	<u>28.76</u>	<u>28.46</u>
Foreign currency current assets to foreign currency current liabilities	<u>133.51</u>	<u>208.58</u>

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Core liabilities ratios

(Expressed in percentage)	At 31 December	
	2012	2011
Core liabilities ratios	53.71	57.49

The above liquidity ratios and core liabilities ratios are calculated in accordance with the formula promulgated by CBRC.

Currency concentrations

THE GROUP AND THE BANK

	Equivalent in Renminbi			
	US Dollars	Hong Kong Dollars	Others	Total
At 31 December 2012				
Spot assets	928.0	18.1	108.1	1,054.2
Spot liabilities	(728.9)	(11.0)	(4.1)	(744.0)
Net position	199.1	7.1	104.0	310.2
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	304.9	10.6	2.5	318.0

Cross-border claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross border claims.

Cross-border claims mainly include balances with banks.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Cross-border claims (Continued)

	Banks	Total
As at 31 December 2012		
Asia Pacific excluding Mainland China	18.2	18.2
— of which attributed to Hong Kong	18.2	18.2
Europe	11.7	11.7
North America	67.7	67.7
Total	97.6	97.6

	Banks	Total
As at 31 December 2011		
Asia Pacific excluding Mainland China	19.0	19.0
— of which attributed to Hong Kong	19.0	19.0
Europe	7.2	7.2
North America	26.7	26.7
Total	52.9	52.9

Overdue assets

Total loans and advances to customers which have been overdue are set out as follows:

THE GROUP

	At 31 December 2012	2011
Below 3 months (inclusive)	1,323.1	1,633.0
Between 3 and 6 months	108.4	192.3
Between 6 and 12 months	98.9	200.5
Over 12 months	1,350.0	1,663.7
Total	2,880.4	3,689.5
Percentage		
Below 3 months (inclusive)	0.76	1.14
Between 3 and 6 months	0.06	0.13
Between 6 and 12 months	0.06	0.14
Over 12 months	0.78	1.15
Total	1.66	2.56

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					
	2012			2011		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	2,189.2	10,903.0	13,092.2	1,921.4	8,583.6	10,505.0
Net fee and commission income	202.1	233.6	435.7	321.9	313.5	635.4
Net trading loss and gain	—	13.0	13.0	—	23.4	23.4
Other operating loss and gain, net	96.4	16.0	112.4	69.1	(114.6)	(45.5)
Total operating income	2,487.7	11,165.6	13,653.3	2,312.4	8,805.9	11,118.3
Internal transfer of income and expense	4,581.8	(4,581.8)	—	3,230.6	(3,230.6)	—
Gain after adjustment	7,069.5	6,583.8	13,653.3	5,543.0	5,575.3	11,118.3

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of four subsidiaries, namely Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司), Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司), Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司) and Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd (雲南祥雲渝農商村鎮銀行有限責任公司).

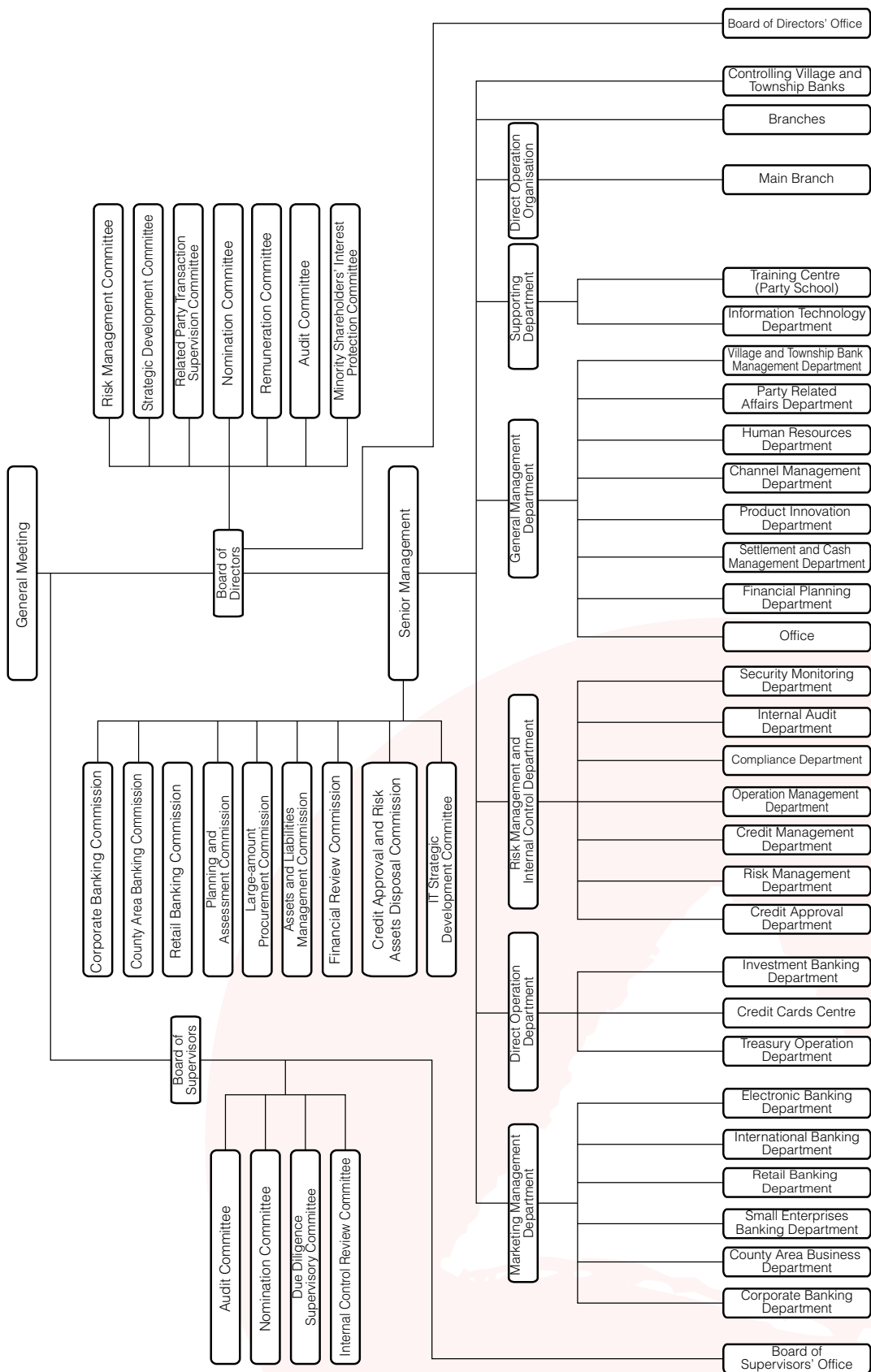
Unaudited Supplementary Financial Information

(Amounts in millions of Renminbi, unless otherwise stated)

Summary of geographical segment

	At 31 December									
	2012		2011		2010		2009		2008	
	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area	County Area	Urban Area
(Expressed in percentage)										
Deposits	67.48	32.52	66.79	33.21	66.66	33.34	69.69	30.31	74.26	25.74
Loans	48.28	51.72	46.80	53.20	47.76	52.24	45.28	54.72	55.30	44.70
Assets	46.33	53.67	46.67	53.33	48.80	51.20	54.99	45.01	53.83	46.17
Return on average total assets	1.43	1.34	1.34	1.35	1.31	1.20	1.01	1.05	1.07	1.76
Net fee and commission income to operating income	2.86	3.55	5.81	5.62	2.51	5.03	2.56	2.15	1.58	1.18
Cost-to-income ratio	40.46	34.73	38.61	34.69	44.46	44.34	56.32	37.20	52.34	26.12
Loan-deposit ratio	42.16	93.74	41.09	93.94	42.57	93.09	43.02	119.55	49.43	115.27
Non-performing loan ratio	1.81	0.19	2.75	0.29	4.32	0.61	7.20	1.13	12.82	3.57
Allowance to non-performing loans ratio	271.78	1,035.58	208.13	746.14	137.16	404.25	107.45	229.32	80.99	94.30

Organization Chart



Branches and Subsidiaries

Branches

Qujing Branch

Address: Block 2 and 3, “Renhe Garden,
Yunding Town Center”
Dahua Bridge, Qilin West Road,
Qilin District, Qujing City,
Yunnan Province, China

Postal Code: 655000

Tel: 0874-3193599

Fax: 0874-3193565

Yuzhong Branch

Address: No. 142 Xinhua Road,
Yuzhong District, Chongqing City,
Songqing Road, China

Postal Code: 400011

Tel: 023-63702177

Fax: 023-63716557

Jiangbei Branch

Address: 8-1, No. 7, Buxing Street,
Guanyin Bridge, Jiangbei District,
Chongqing City, China

Postal Code: 400020

Tel: 023-67721582

Fax: 023-67723755

Xiyong Branch

Address: No. 28 Xiyong Avenue,
Shapingba District,
Chongqing City, China

Postal Code: 401333

Tel: 023-65518880

Fax: 023-65518880

Nan'an Branch

Address: No. 24 Jiangnan Avenue,
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

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'nan Branch

Address: No. 107 Baxian Avenue,
Ba'nan District,
Chongqing City, China

Postal Code: 401320

Tel: 023-66212977

Fax: 023-66222960

Shuangqiao Branch

Address: No. 6, 1/F, Block A,
Shidai Plaza,
Shuangqiao District,
Chongqing City, China

Postal Code: 400900

Tel: 023-43336060

Fax: 023-43336060

Changshou Branch

Address: No. 13 Xiangyang Road,
Fengcheng Street Office,
Changshou District,
Chongqing City, China

Postal Code: 401220

Tel: 023-40245293

Fax: 023-40258075

Liangjiang New Zone Branch

Address: No. 21, 23, 25 Jintong Road,
New North zone,
Chongqing City, China

Postal Code: 401122

Tel: 023-88502278

Fax: 023-88502276

Wansheng Branch

Address: No. 36 Wandong North Road,
Wansheng District,
Chongqing City, China

Postal Code: 400800

Tel: 023-48299505

Fax: 023-48299504

Fuling Branch

Address: No. 55 Xinghua Middle Road,
Fuling District,
Chongqing City, China

Postal Code: 408000

Tel: 023-72229797

Fax: 023-72237722

Jiangjin Branch

Address: Block E, Jinhui Garden,
Binjiang West Road,
Jijiang Street Office,
Jiangjin District,
Chongqing City, China

Postal Code: 402260

Tel: 023-47538041

Fax: 023-47522632

Hechuan Branch

Address: No. 2 Jiuchang Road,
Hechuan District,
Chongqing City, China

Postal Code: 401520

Tel: 023-42835168

Fax: 023-42841214

Nanchuan Branch

Address: No. 28 Jinpo Avenue,
Nanchuan District,
Chongqing City, China

Postal Code: 408400

Tel: 023-71423626

Fax: 023-71429898

Tongnan Branch

Address: No. 4, Xingtong Avenue,
Guilin Street Office,
Tongnan County,
Chongqing City, China

Postal Code: 402660

Tel: 023-44553817

Fax: 023-44554249

Dazu Branch

Address: No. 21-35 Beihuan Middle Road,
Longgang Street Office,
Dazu County,
Chongqing City, China

Postal Code: 402360

Tel: 023-43789737

Fax: 023-43722323

Yongchuan Branch

Address: No. 6 Guangchang Street,
Yongchuan District,
Chongqing City, China

Postal Code: 402160

Tel: 023-49863765

Fax: 023-49885099

Qijiang Branch

Address: No. 38 Longjiao Road, Gunan Town,
Qijiang County,
Chongqing City, China

Postal Code: 401420

Tel: 023-48663010

Fax: 023-48658598

Tongliang Branch

Address: No. 102 Zhongxing Road,
Bachuan Street,
Tongliang County,
Chongqing City, China

Postal Code: 402560

Tel: 023-45689247

Fax: 023-45682975

Rongchang Branch

Address: No. 106 Haitang Avenue,
Changzhou Street Office,
Rongchang County,
Chongqing City, China

Postal Code: 402460

Tel: 023-46730454

Fax: 023-46739122

Bishan Branch

Address: No. 4 Bitong Road,
Bicheng Street Office,
Bishan County,
Chongqing City China

Postal Code: 402760

Tel: 023-41401133

Fax: 023-41427834

Liangping Branch

Address: No. 1, Block 26,
Minghao Commercial Area,
Liangshan Town,
Liangping County,
Chongqing City, China

Postal Code: 405200

Tel: 023-53223401

Fax: 023-53223401

Fengdu Branch

Address: No. 187 2nd Shangye Road,
Sanhe Town, Fengdu County,
Chongqing City, China

Postal Code: 408200

Tel: 023-70736444

Fax: 023-70736533

Zhong County Branch

Address: No. 6 Zhoupinghuan Road,
Zhongzhou Town,
Zhong County,
Chongqing City, China

Postal Code: 404300

Tel: 023-54243943

Fax: 023-54243942

Wanzhou Branch

Address: No. 99 Taibai Road,
Wanzhou District,
Chongqing City, China

Postal Code: 404100

Tel: 023-58156268

Fax: 023-58156260

Chengkou Branch

Address: No. 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 CQRC Village and Township Bank Co., Ltd.**

(江蘇張家港渝農商村鎮銀行股份有限公司)

Address: No. 487 and 489 Chang'an Road,
Zhangjiagang City,
Jiangsu Province, China

Postal Code: 215600

Tel: 0512-58918989

Fax: 0512-58918969

Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.

(四川大竹渝農商村鎮銀行股份有限公司)

Address: Block H8/9,
Huangge Commercial Plaza,
Xinhua Road East,
Zhuyang Town, Dazhu County,
Sichuan Province, China

Postal Code: 635100

Tel: 0818-6256123

Fax: 0818-6256616

Yunnan Dali CQRC Village and Township Bank Co., Ltd.

(雲南大理渝農商村鎮銀行有限責任公司)

Address: No. 176 Yangbi Road,
Economic Development Zone,
Dali Prefecture,
Yunnan Province, China

Postal Code: 671000

Tel: 0872-2188579

Fax: 0872-2188667

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.

(雲南祥雲渝農商村鎮銀行有限責任公司)

Address: No. 16, Block 11,
"Xiangyun Yinxian Garden",
Wenyuan Road north side,
Xiangcheng Town,
Xiangyun County,
Dali Prefecture,
Yunnan Province

Postal Code: 672100

Tel: 0872-3122977

Fax: 0872-3122977

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set out below.

““6+1” pillar systems of Chongqing’s Industries”	the Chongqing Municipal Government specially proposed the acceleration of electronic information industry, optimization and upgrade of automobile industry, promote advanced equipment manufacturing industry, development of integrated chemical industry, upgrade material industry, aggressive development energy industry, encouragement of the development of consumer goods manufacturing industry
“B2B”	Business To Business, one of the market sectors related to the Internet and a marketing relationship among enterprises
“Bank” or “our Bank”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司)
“Banking Regulatory Commission Chongqing Bureau”	China Banking Regulatory Commission Chongqing Regulatory Bureau (中國銀行業監督管理委員會重慶監管局)
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“County Area”	the regions other than Urban Area of Chongqing City, including 29 districts and counties
“Domestic Shares”	the ordinary shares issued by our Bank in the PRC, with a nominal value of RMB1.00 each
“Group”	Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) and its subsidiaries
“HKD” or “HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region, the PRC

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“spot checks”	in 2012, the special inspection team of the headquarters conducted spot checks of operating risks on 100 grass-roots business outlets
“industries with high pollution, high energy consumption and excess capacity (「兩高一剩」行業)”	industries with high pollution, high energy consumption and excess capacity
“Listing”	the listing of H shares on the Main Board of the Hong Kong Stock Exchange
“Listing Rules of the Hong Kong Stock Exchange”/ “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
““One Alliance” Preferential Merchant Scheme”	a platform of long-term, comprehensive and continual privileges for the cardholders of Jiangyu Card, including credit cards and debit cards, established by the Bank with quality merchants in in different districts and industries in Chongqing
“one-coordination, three-transformation and two-transition”	the strategy for future development proposed in the Fourth Congress of the Communist Party of China in Chongqing. “One-coordination” means the coordination for the harmonious development in the urban and rural areas. “three-transformation” mean the acceleration of the promotion of industrialization, urbanization and modernization of the agricultural industry. “two-transition” mean the transition in economic development and the uplift in the quality and efficiency of development as well as the changes in the functions of the government and innovation in the administration of community
“PBOC”, “central bank”	the People’s Bank of China

“PRC” or “China”	the People's Republic of China
“realizing common prosperity in Chongqing through scientific development (科學發展“富民興渝”)	the general principle, development strategy and goal for the development of Chongqing for now and the period going forward proposed in the Fourth Congress of the Communist Party of China in Chongqing
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“rural commercial bank”	a short-hand reference to rural and commercial bank (農村商業銀行)
“Sannong”	a short-hand reference to the Chinese pronunciation of the phrase “agriculture, rural areas and farmers”
“Six Small Projects”	small canteen, small bathroom, small library, small gymnasium, small garden and small reservoir
“the strategy of “three-transformation””	the strategy for future development of the Bank, that is, characteristic operation, streamlining the management and fostering good corporate culture
““Three Major” projects of rural financial service”	the Bank launched the project on financial service to the communities in rural areas, sunlight credit project and financial innovation project for the benefit of people in the rural areas in accordance with the meeting held in Quanzhou, Fujian by the CBRC and the spirit of Banking Regulatory Commission Chongqing Bureau in supporting the Sannong science and development conference
“Two Minimum Thresholds”	the increase of loans to small enterprises not lower than the average increase of the Bank's increase in lending; the amount of lending not lower than the previous year
“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
“Yuan”	RMB yuan