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BANK OF JIANGSU CO., LTD.  
Annual Report 2013



江苏银行  
BANK OF JIANGSU

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## Important Notice

I. Board of Directors, Board of Supervisors as well as directors, supervisors and senior management executives of the Company warrant that there are no false representations or misleading statements contained in this report, and severally and jointly take responsibility for authenticity, accuracy and completeness of the information contained in this report.

II. This report was been reviewed and approved in the first meeting of the Third Board of Directors on March 1, 2014.

III. Annual financial report of the Company was audited by BDO China Shu Lun Pan Certified Accountants LLP, and the auditor issued an unqualified opinion.

XIA Ping, Chairman of Board of Directors, HU Changzheng, President & financial administrator, and ZHOU Hong, director of financial department, warrant the authenticity and integrality of financial report in this annual report.

Signatures of directors:

XIA Ping 	HU Changzheng 	ZHU Dashu 
ZHU Qilong 	JIANG Kai 	YANG Yingchun 
JIANG Jian 	TANG Jingsong 	SHEN Bin 
YUAN Weijing 	ZHANG Qu 	ZHOU Suming 
JI Huaguang 	ZHONG Wei 	GU Yingbin 

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# Message from the Chairman

In 2013, the political and economic environment witnessed ever-changing economic situation, increasingly tight regulatory policies and fierce financial competition; however, under correct leadership of Jiangsu Provincial Party Committee and Provincial Government, supervision of supervision department, support of all shareholders and all sectors of the society, and joint efforts of all leaders and employees, Bank of Jiangsu, adhering to the value guidance of "market view, model view, efficiency view, period view and team view", development direction of "differentiation, characteristic, elaboration, integration and internationalization" and policies of "characteristic development, endogenous growth and innovation-driven", maintained steady development trend of the whole bank through improving operation philosophy, seizing development opportunities and promoting strategy transformation.

By the end of 2013, Bank of Jiangsu had had total assets reaching RMB763.2 billion, total deposits reaching RMB596.2 billion and total loans reaching RMB410.6 billion, which were increased by 17.38%, 11.96% and 16.57%, respectively; moreover, the net profit had reached RMB8,179 million, a year-on-year increase of 16.26%; main supervision indexes showed overall steady trend. With steady business development and main index growth meeting the expectations, the Company was striving to improve business and income structure, optimize deposit and loan structure and accelerate development of intermediate business, as a result, loans for small and micro-enterprise and scientific and technological enterprises further took the leading in market shares, while predominance and characteristics were initially formed in consumer finance and e-banking. By the end of the year, the Bank had had 12 branches in Jiangsu, 4 branches outside Jiangsu (Shanghai, Shenzhen, Beijing and Hangzhou) and 23 affiliated sub-branches in Nanjing; moreover, the number of business outlets had reached 499 with 13400 employees. On the basis of overall coverage in county scale of the province, extension was made to rural areas. Among top 1,000 banks selected by *The Banker*, a UK magazine, in the world, the Company ranked the 179th in 2013, increased by 21 over the previous year; besides, the Company had business scale ranking the 17th in domestic banks in China and the 3rd in city commercial banks. The Bank had been successively granted the award of "The Best Service Management in China" by China's Service Trade Commission, the award of "The Best Syndicated Loan Trading" by China Banking Association, the award of "Small and medium-sized Bank with the Highest Brand Value in 2013" and the titles of "Integrity Demonstration Enterprise in Jiangsu" and "Advanced Banking Financial Institution in Providing Financial Service for Small and Medium-sized Enterprises in Jiangsu" by Financial Research Institute of Chinese Academy of Social Sciences and *Financial Times*.

Over the past year, efforts of Bank of Jiangsu were made to the following aspects: improving corporate governance and enhancing internal management and infrastructure construction, so that the sustainable development capacity was further strengthened; formulating new five-year development plan to define development priorities and improve leading capacity; strengthening capital management and implementing new capital management methods, so that capital and share increasing was successfully completed and capital strength was greatly improved; improving organizational structure and business process, newly establishing investment banking and e-banking department, adjusting and optimizing internal responsibility assignment, which promoted market-oriented and specialized operation mechanisms in capital and investment banking businesses; deepening reform in risk management mechanism, establishing specialized approver system for credit conferring, building intensive and vertical risk management organization structure; enhancing case and risk prevention and control, so that no major case or liability accident took place in the whole year; performing social responsibilities, implementing inclusive finance and further increasing loans issued to small and medium-



sized enterprise and agriculture-related enterprises, and developing green loan and loan for people's livelihood to support development of national and local strategic emerging industries. Furthermore, the Bank positively supported the charity and donated money and materials worth over RMB2 million for Ya'an earthquake victims. Cooperated with Jiangsu Charity, "Jubao Love Aid Fund for Serious Diseases of Children" was founded, and a total of more than RMB8 million was input to various charity activities.

For the support and assistance provided by the Party and government leaders at all levels, enterprise & public institution, shareholders and customers in the past year, I hereby, on behalf of Bank of Jiangsu, extend our sincere thanks and gratitude to all!

In the year of 2014, complex external situation will bring both challenges and opportunities. As per overall requirements of new five-year plan, Bank of Jiangsu will focus on long-term development, enhance internal strength, accelerate strategy transformation, further deepen internal mechanism reform, enhance structure adjustment, strengthen risk prevention and control measures, create new development advantages, so as to develop the Bank into a first-class commercial bank with characteristics and core competition advantages.

Chairman of Board of Directors:

A stylized, handwritten signature in black ink, consisting of several fluid, connected strokes.



## Company Profile

- ▶ **Registered name in Chinese:** 江苏银行股份有限公司 (Herein after referred to as "Bank of Jiangsu", hereinafter known as "the Company" or "our Company")

Registered name in English: BANK OF JIANGSU CO., LTD.

- ▶ **Legal representative:** XIA Ping

- ▶ **Secretary of the Board of Directors:** ZHU Qilong

Telephone number of the Board of Directors Office: 025-58587122

Fax number of the Board of Directors Office: 025-58588273

- ▶ **Registered address and office address:** No. 55, Hongwu North Road, Nanjing, Jiangsu, China.

Post Code: 210005

- ▶ **Other related information**

Initial registration date: January 22, 2007

Initial registration address: No. 55, Hongwu North Road, Nanjing, Jiangsu, China.

Corporate Business License Serial Number: 320000000022189

Tax Registration Number: S.G.S.Z.Z. No. 320000796544598

S.D.S.D.Z. No. 320002796544598

Internet website (Information disclosure website): <http://www.jsbchina.cn>

Email: [dshbgs@jsbchina.cn](mailto:dshbgs@jsbchina.cn)

Places where the Annual Report can be obtained: The Company' s Office of Board of Directors

Auditing Firm employed: BDO China Shu Lun Pan Certified Accountants LLP with office address located at the 4th Floor, New Huangpu Financial Plaza, No. 61, Nanjing East Road, Huangpu District, Shanghai.

Other information of the Company: The report is prepared in both Chinese and English; in case of any ambiguity between the Chinese and English versions, the former shall prevail.





## Accounting Data and Business Data Summary

# Accounting Data and Business Data Summary

## I. Major accounting data and financial indexes in reporting period

Items	Unit: RMB1,000		
	2013	2012	2011
<b>Data about assets and liabilities</b>			
Total assets	763,233,693	650,237,905	514,145,722
Loan and advance issued	410,563,012	352,215,093	290,825,116
Including: Corporate loan and advance	317,951,267	287,423,138	235,646,586
Personal loan and advance	59,917,281	40,232,199	29,867,971
Discount	32,694,464	24,559,756	25,310,559
Loan loss reserves	10,589,143	9,387,822	7,400,439
Total lending funds	6,505,595	13,897,973	4,817,863
Total liabilities	715,487,688	616,098,260	486,334,192
Deposit taking	596,195,600	532,492,070	435,005,047
Including: Corporate deposit	365,837,737	316,541,342	265,605,312
Personal deposit	123,604,007	101,087,474	81,593,065
Total inter-bank lending	6,695,748	16,597,927	4,407,896
Shareholders' equity (excluding minority shareholders' equity)	47,746,005	34,139,645	27,811,530
<b>Data about profits and losses</b>			
Business income	22,274,571	19,805,578	16,524,174
Business profit	10,859,052	9,524,892	7,567,289
Net interest income	19,757,645	17,601,837	14,880,016
Net income in fees and commissions	2,382,346	1,707,893	1,293,972
Investment income	31,737	383,673	197,672
Net amount of non-business income and expense	153,106	100,985	250,363
Total profit	11,012,158	9,625,877	7,817,652
Net profit	8,179,466	7,035,751	5,833,881
Net profit net of non-recurring profits and losses	8,059,014	6,949,555	5,639,796
<b>Data about cash flow</b>			
Net cash flows from operating activities	47,895,583	59,388,552	2,069,679
Net increase in cash and cash equivalents	29,325,532	19,001,815	32,495,929
<b>Value/share (RMB/share)</b>			
Basic earnings per share (EPS)	0.86	0.77	0.64
Basic earnings per share net of non-recurring profits and losses (RMB)	0.85	0.76	0.62
Net assets per share	4.60	3.75	3.06
Net cash flows per share from operating activities	5.03	6.53	0.23
Net cash flows per share	3.08	2.09	3.57
<b>Profitability (%)</b>			
Return on total assets	1.16	1.21	1.24
Net assets income rate	19.98	22.71	23.10
Net assets income rate net of non-recurring gains and losses	19.68	22.44	22.33
Weighted average net assets income rate	20.33	22.45	22.77
Weighted average net assets income rate net of non-recurring gains and losses	20.03	22.18	22.02

# Accounting Data and Business Data Summary

## Non-recurring profits and losses and amounts

Items	Unit: RMB1,000		
	2013	2012	2011
Profits and losses in disposing illiquid assets, including the write-off of allotted asset impairment reserves	109,020	42,230	-
Government subsidy included in current profit and loss, excluding that closely related to normal operation business of the Company, complying with national policies and being enjoyed continuously according to certain standard quota.	43,992	60,480	-
Non-business income and expense other than above items	94	-1,725	250,363
Influence number of income tax	-32,654	-14,790	-56,278
Total	120,452	86,196	194,085

## II. Supplementary financial index as at the end of the reporting period

Items	Statistical caliber	Benchmark	Unit: %		
			2013	2012	2011
Liquidity ratio	RMB		40.17	49.93	44.71
	Foreign currency		59.29	106.23	62.09
	RMB and foreign currency	≥25	40.75	51.45	44.97
Loan-to-deposit ratio	RMB	≤75	69.00	65.53	66.55
	Foreign currency	≤85	69.72	66.85	107.10
	RMB and foreign currency	≤75	68.86	66.14	66.86
Proportion of borrowed funds	Borrowing funds proportion	≤4	1.12	3.12	1.01
	Lending funds proportion	≤8	1.09	2.61	1.11
Proportion of non-performing loan		≤5	1.15	1.01	0.96
Loan concentration ratio of the largest single borrower		≤10	2.65	2.35	2.60
Loan concentration ratio of the largest 10 borrowers		≤50	16.64	16.26	18.79
Provision coverage ratio		≥150	224.22	263.32	265.31
Revenue-cost ratio		≤35	32.30	33.41	34.04

## Accounting Data and Business Data Summary

### III. Provision of loan loss reserve in reporting period

Item	Unit: RMB1,000		
	2013	2012	2011
Balance at the beginning of the period	9,387,822	7,400,439	5,326,004
Provision in current period	2,631,972	2,277,493	2,252,262
Amounts transferred in	81,294	81,319	52,769
Amounts transferred out	-482,888	-84,779	-148,554
Cancel after verification	-928,755	-254,855	-47,570
Turning back	13,838	17,792	3,013
Interest clawback of impaired loan	-114,140	-49,587	-37,485
Balance at end of the year	10,589,143	9,387,822	7,400,439

### VI. Capital composition and capital adequacy ratio

1. As per requirements of *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* enacted by China Banking Regulatory Commission on January 1, 2013, commercial bank shall have core tier one capital adequacy ratio no less than 7.5%, tier one capital adequacy ratio no less than 8.5% and capital adequacy ratio no less than 10.5%. The following information is disclosed by the Company according relevant provisions:

Items	Unit: RMB1,000
	2013
Net core tier one capital	47,625,097
Net tier one capital	47,625,097
Tier two capital	10,739,182
Net capital	58,364,279
Risk-weighted asset	501,800,384
Core tier one capital adequacy ratio	9.49%
Tier one capital adequacy ratio	9.49%
Capital adequacy ratio	11.63%

## Accounting Data and Business Data Summary

2. The Company calculated and disclosed core capital adequacy ratio according to *Measures for the Management of Capital Adequacy Ratios of Commercial Banks* (No. 2 Order of CBRC in 2004) issued by China Banking Regulatory Commission and other relevant regulations in 2002. The information disclosed according to Notice of *Decision about modifying "Measures for the Management of Capital Adequacy Ratios of Commercial Banks"* issued by CBRC on July 3, 2007 is shown as follows:

Items	Unit: RMB1,000		
	December 31, 2013	December 31, 2012	December 31, 2011
Net core capital	47,685,280	34,113,913	27,759,892
Supplementary capital	13,541,807	15,018,819	13,047,970
Net capital	61,168,645	49,077,626	40,767,590
Weighted risk capital and market risk capital adjustment	456,257,937	403,631,171	318,021,356
Core capital adequacy ratio	10.45%	8.45%	8.73%
Capital adequacy ratio	13.41%	12.16%	12.82%



# Management Discussion and Analysis

## I. Major business scope

Taking public deposit; issuing short-term, medium-term and long-term loans, domestic settlement; bills acceptance and discount; issuing financial bond; issuing, cashing and underwriting government bonds as an agent, underwriting short-term financing bonds; buying and selling government bonds, financial bonds, enterprise bonds; inter-bank borrowing; providing service and guarantee for letter of credit; collection, payment and insurance service as an agent, financial planning for the customers, securities investment fund sales as an agent, precious metal sales as an agent, clearing and custody service for collective fund trust plan as an agent; safe deposit box service; entrusted deposit and loan service; bank card business; foreign exchange deposit; foreign exchange loans; foreign exchange remittance; foreign currency exchange; foreign exchange settlement, foreign exchange future settlement as an agent; international settlement; self and valet foreign exchange trading; inter-banking foreign exchange lending; trading and acting trading foreign currency securities other than stocks; credit investigation, consulting, witness services; online banking; other businesses approved by China's banking regulator and related departments.

## II. Macro-environment changes and influences

In 2013, international financial crisis still remained its deep-seated influences; moreover, due to downturn in European and American economy, great pressure borne by emerging market and developing economies and overall decline in economic growth, world economic recovery still presented complexity, chronicity and uncertainty. Focusing on accelerating transformation of the economic development mode, the Chinese Government deepened reform, strengthened and improved macro-control, further implemented pro-active fiscal policy and prudent monetary policy, attached great importance to stabilizing growth, as a result, economic and social development showed a favorable momentum with improvement being made in stability, GDP was increased by 7.7% over the previous year, development paces of new industrialization and informatization were accelerated; furthermore, with strengthened efforts made in urbanization reform and strengthening of leading position of agriculture, county economy and three-agricultural economy entered in a new strategic development stage. By innovating regulation concept, improving regulatory organization and strengthening regulatory capacity, Chinese banking regulators actively guided the banking industry to support real economy development, promoted reform and transformation of banking industry and further improved management and service levels. Through accelerating transformation of development mode, deepening strategic transition, innovating service mode and financial products, and overcoming influences caused by execution of Basel New Capital Accord, financial disintermediation, acceleration of interest rate liberalization and booming of emerging financial business types, Chinese banking industry presented steady and sound overall development trend, stable growth in asset and liability scale and operation profit, steadily increased capital adequacy ratio, rebounded non-performing assets, and stable overall asset quality. Under correct leadership of the Party Central Committee and the State Council, Jiangsu Provincial Party Committee and Government carefully implemented decisions and arrangements of the central government and a series of

policies and measures, so that prominent achievements had been made in economic construction with stable and rapid economic development pace, increasingly optimized industrial structure, significantly improved quality and benefit, and great progress being made in structural adjustment and independent innovation.

Just under correct guidance of all government competent departments and regulatory departments and in the favorable financial environment, the Company actively reacted to situation changes, seized policy opportunities, deepened institutional reform, adjusted business structure, enhanced risk prevention and control, and accelerated scientific and technological construction, so that through concerted and sturdy efforts, the Company successfully stood against the challenges brought by economic downturn and market fluctuation, and made prominent business achievements.

## III. Business performance review

### (I) Overall business performance of the Company

In 2013, facing the ever-developing new trend and situation, the Company vigorously advocated the value guidance of "market view, model view, efficiency view, period view and team view", defined the development direction of "differentiation, characteristic, elaboration, integration and internationalization" and determined the strategic transformation policies of "characteristic development, endogenous growth and innovation-driven", so that all tasks were successfully accomplished during reformation innovation, structural adjustment and accelerated transformation.

**1. New breakthrough in comprehensive strength.** As at the end of the reporting period, total assets of the Company had reached RMB762.9 billion, a year-on-year increase of 17.4%; total deposit, total loans and net profit were respectively amounted to RMB596,196 million, RMB410,563 million and RMB8,179million, increased by 11.96%, 16.57% and 16.26%, respectively; moreover, the non-performing loan ratio reached to 1.15%, 0.14 percent point greater than the beginning of the year. Through capital and share increasing, the





# Management Discussion and Analysis

share capital was increased by 1.29 billion shares, raising RMB6.45 billion of capital fund, so that the capital adequacy ratio reached to 11.63%, 1.26 percent points greater than the beginning of the year; furthermore, liquidity ratio, lever ratio and other supervision indexes were all higher than supervision requirements.

**2. New progress in reform and innovation.** By implementing total risk management system reform and specialized approver system, the risk management mode featured by independence, centralization, specialization and high efficiency was basically formed. International business witnessed rapid development, and comprehensive service capacity in Renminbi and foreign currency integration was improved. Non-credit business and its income also had rapid growth with intermediate business income accounting for 11.19%, increased by 1.99 percent points over the previous year. When small and micro loans and technological finance took the leading in Jiangsu Province, investment banking, trade finance, financial market business, wealth management and e-banking all witnessed steady development.

**3. New performance in infrastructure construction.** 13 branches were newly established, so that the total number reached to 499, making the channel service system much more sophisticated. By introducing WeChat banking service and Yixin banking service, Bank of Jiangsu became one of the first city commercial banks engaging on Alipay Wallet public platform. Furthermore, the Company also promoted community bank construction, enhanced community financial service, developed new product series, and made application for business qualification. Strengthening line specialization construction, the Company newly set up two functional departments of Investment Banking Department and E-banking Department. With enterprise culture system being basically established, enterprise culture gradually showed its leading position. Furthermore, continuous improvement and enhancement were made in overall quality of the employees, comprehensive service capacity in office, administration and business, business guarantee, plan management, economic capital management, performance assessment index system and meticulous management level.

**4. New progress in internal management.** The Company implemented internal capital transfer pricing management and enhanced financial accounting and management accounting fundament construction; adopted advanced management technologies, promoted application system construction, constructed standardized background centralized operation center, optimized system flows. By continuously improving specialized position sequence construction and enhancing training, professional level of human resource management was improved. Moreover, the Company strengthened mass line education, so that new progress was made in efficiency management and construction. By implementing internal control compliance and operation risk management consulting projects and establishing position joint-accountability system, no major safety liability accident or financial crime took place in the whole year.

**5. New promotion of responsible image.** With all efforts made in supporting "three-agricultural" development, agriculture-related loan balance reached to RMB91,443 million, a year-on-year increase of 19.62%. The Company strived to support employment and business startups and undertook loan for women' s business

# Management Discussion and Analysis

startups independently, as a result, more than 2,000 loans were accumulatively issued to laid-off and unemployed workers. Being devoted to serving social undertaking, promoting people's livelihood-related consumption, supporting housing condition improving for the citizen and various individual consumption, and supporting security housing construction such as low-rent housing, public rental housing and shanty town, the Company won the honorable titles of "The Best City Commercial Bank in China", "The Best Small and Medium-sized Bank in Innovation" and "Top-10 Small and Medium-sized Financial Service Institutions in China", etc. Among top 1000 banks selected by The Banker, a UK magazine, in the world, the Company ranked the 179th in 2013, besides, the Company ranked the 17th in commercial banks in China.

## (II) Analysis on business performance

### 1. Comparison and analysis on major data in income statement

#### (1) Net profit

In 2013, the Company realized RMB 8,179 million of net profit, increased by 16.26% than the previous year. The following table presents major profits and losses items of the Company and influence of such changes on profits before tax in 2013.

Unit: RMB1,000,000

Items	2013	2012	Increase/ decrease	Variation (%)
Net interest income	19,757.65	17,601.84	2,155.81	12.25
Net fee and commission income	2,382.35	1,707.89	674.46	39.49
Other net income	35.53	495.85	-460.32	-92.83
Business and management expense	7,194.78	6,617.40	577.38	8.73
Business tax and surcharges	1,519.26	1,360.56	158.70	11.66
Provision for assets impairment reserve	2,698.65	2,292.46	406.19	17.72
Other business costs	2.82	10.26	-7.44	-72.51
Net amount of non-business revenue and expenditure	153.11	100.99	52.12	51.61
Total profits	11,012.16	9,625.88	1,386.28	14.40
Income tax	2,832.69	2,590.13	242.56	9.36
Net profits	8,179.47	7,035.75	1,143.72	16.26

# Management Discussion and Analysis

## (2) Business income

In 2013, the Company accumulatively realized RMB 22,275 million of business income with each item shown as follows:

Unit: RMB1,000,000

Items	2013		2012		Increase/decrease	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Range (%)
Interest income	19,757.65	88.70	17,601.84	88.87	2,155.81	12.25
Fee and commission income	2,382.35	10.70	1,707.89	8.62	674.46	39.49
Investment income	31.74	0.14	383.67	1.94	-351.93	-91.73
Income from changes in fair value	-27.99	-0.13	-18.33	-0.09	-9.66	52.70
Foreign exchange gain	110.06	0.49	109.53	0.55	0.53	0.48
Other business income	20.78	0.09	20.97	0.11	-0.19	-0.91
Total	22,274.57	100.00	19,805.58	100.00	2,468.99	12.47

## (3) Net interest income

Interest income and expenditure were respectively increased by 16.31% and 21.14%; wherein, the interest income had a growing rate of 12.25%, as shown in the following table:

Unit: RMB1,000,000

Items	2013	2012	Increase/ decrease	Variation (%)
Loans and advances	24,639.71	22,391.66	2,248.05	10.04
Bond investment	2,758.26	1,466.81	1,291.45	88.04
Deposit in Central Bank	1,703.10	1,474.45	228.65	15.51
Deposit or lending in inter-bank and other financial institution	4,163.90	3,904.41	259.49	6.65
Other inter-bank income	4,417.31	3,161.31	1,256.00	39.73
Total interest income	37,682.27	32,398.64	5,283.63	16.31
Interest expenditure	17,924.63	14,796.80	3,127.83	21.14
Net interest income	19,757.65	17,601.84	2,155.81	12.25

## Management Discussion and Analysis

### (4) Net income in handling charge and commission

In 2013, the Company totally realized RMB2,382 million of net income in handling charge and commission, increased by 39.49% than the year of 2012 as follows:

Unit: RMB1,000,000

Items	2013	2012	Increase/ decrease	Variation (%)
Settlement and clearing fee	284.69	255.89	28.80	11.25
Agency service fee	703.24	324.94	378.30	116.42
Credit commitment fee and commission	515.55	528.74	-13.19	-2.49
Bank card fee	188.39	105.00	83.39	79.42
Consultancy and advisory fee	268.27	203.98	64.29	31.52
Trusteeship and other entrusted business commissions	452.41	319.48	132.93	41.61
Others	46.19	60.82	-14.63	-24.05
Fee and commission income	2,458.73	1,798.83	659.90	36.68
Fee and commission expenditure	76.38	90.94	-14.56	-16.01
Net fee and commission income	2,382.35	1,707.89	674.46	39.49

### (6) Other net income

In 2013, the Company totally realized RMB 135 million of other net income, accounting for 0.6% in net business income, decreased by RMB 361 million than 2012 with a decreasing rate of 72.86%. Major composition and variations are shown as follows:

Unit: RMB1,000,000

Items	2013	2012	Increase/ decrease	Variation (%)
Investment income	31.74	383.67	-351.93	-91.73
Income from changes in fair value	-27.99	-18.33	-9.66	-
Foreign exchange gain	110.06	109.53	0.53	0.48
Other business income	20.78	20.97	-0.19	-0.91
Total	134.59	495.84	-361.25	-72.86

# Management Discussion and Analysis

## (6) Business and management expenses

Unit: RMB1,000,000

Items	2013	2012	Increase/ decrease	Variation (%)
Employees' salary	4,189.79	3,890.36	299.43	7.70
Business expense	2,119.36	1,950.05	169.31	8.68
Rental expense	331.06	245.42	85.64	34.89
Depreciation of fixed assets	360.53	330.83	29.70	8.98
Low-value consumption goods	11.50	32.70	-21.20	-64.84
Amortization of intangible assets	38.62	33.84	4.77	14.10
Branch decoration expense and amortization of long-term deferred expenses	82.94	72.30	10.64	14.71
Taxes and charges	61.00	61.90	-0.90	-1.46
Total business and management expense	7,194.78	6,617.40	577.38	8.73

## (7) Income tax

Actual income tax rate of the Company in 2013 was 25.72%, while the income tax expense was RMB2,833 million.

## 2. Comparison and analysis on major data in balance sheet

### (1) Assets

#### a. Overall condition of assets

As at December 31, 2013, total assets of the company has reached RMB 763,234 million, increased by 17.38% than that at the end of last year. Total assets of the company are composed as follows:

## Management Discussion and Analysis

Unit: RMB1,000,000

Items	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Net amount of loans and advances	399,973.87	52.41	342,827.27	52.72
Total loans	410,563.01	53.79	352,215.09	54.17
Loan impairment reserves	-10,589.14	-1.39	-9,387.82	-1.44
Investment	82,762.69	10.84	63,724.78	9.80
Cash and deposit in Central Bank	125,961.63	16.50	120,840.38	18.58
Deposit in inter-bank or other financial institution	70,938.61	9.29	70,430.87	10.83
Inter-bank lending, buying and sale financial assets	69,346.06	9.09	39,751.42	6.11
Interest receivable	3,418.00	0.45	2,311.97	0.36
Fixed assets	3,026.52	0.40	3,203.35	0.49
Intangible assets	723.2	0.09	724.74	0.11
Investment real estate, deferred income tax assets	2,154.63	0.28	1,861.03	0.29
Other assets	4,928.48	0.65	4,562.10	0.70
Total assets	763,233.69	100.00	650,237.91	100.00

Notes: Other assets as shown in above table include derivative financial assets.

### b. Loans and advances

As at December 31, 2013, total amount of loans and advances had reached RMB410,563 million, a year-on-year increase of 16.57%. Notes discounted was RMB32,694 million, a year-on-year increase of 33.12%. The following table shows the loans and advances classified by product types.

Unit: RMB1,000,000

Items	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Enterprise loan	317,951.27	77.44	287,423.13	81.60
Notes discounted	32,694.46	7.96	24,559.76	6.97
Retail loan	59,917.28	14.59	40,232.20	11.42
Total loans and advances	410,563.01	100.00	352,215.09	100.00

The retail loan was RMB 59,917 million, a year-on-year increase of 48.93% and accounting for 14.59% in total loans and advances. The following table presents the retail loans classified by product types:

Unit: RMB1,000,000

Items	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Housing mortgage loan	45,479.77	75.90	30,376.29	75.50
Credit card receivables	2,280.81	3.81	1,335.83	3.32
Others	12,156.70	20.29	8,520.08	21.18
Total retail loans	59,917.28	100.00	40,232.20	100.00

# Management Discussion and Analysis

## c. Credit assets risk

### I. Five-grade loan classification

Unit: RMB1,000,000

Items	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Normal loans	396,757.09	96.64	338,465.00	96.10
Special-mentioned loans	9,083.17	2.21	10,184.88	2.89
Substandard loans	2,685.81	0.65	2,261.37	0.64
Doubtful loans	1,638.31	0.40	1,180.98	0.34
Loss loans	398.63	0.10	122.86	0.03
Total customer loans	410,563.01	100.00	352,215.09	100.00
Total non-performing loans	4,722.75	1.15	3,565.21	1.01

### II. Loans classified by types and loans of top-5 industries

Enterprise loans of the Company were mainly issued to manufacturing industry, whole sale and retail industry, real estate industry, lease and commercial service industry, and building industry; loans issued to above five industries amounted to RMB292,878 million.

Unit: RMB1,000,000

Industries	December 31, 2013		December 31, 2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Company loan	317,951.27	77.45	287,423.14	81.61
Including: manufacturing industry	112,802.17	27.43	95,355.82	26.97
Whole sale and retail	86,828.07	21.11	72,389.25	20.55
Real estate	37,220.83	9.05	30,987.98	8.80
Lease and commercial service	30,069.88	7.31	26,169.17	7.43
Building industry	25,956.64	6.31	25,238.53	7.17
Total of above top five industries	292,877.59	71.21	250,140.76	70.92
Notes discounted	32,694.46	7.96	24,559.76	6.97
Retail loan	59,917.28	14.59	40,232.20	11.42
Total customer loans	410,563.01	100.00	352,215.09	100.00

# Management Discussion and Analysis

## III. Loans classified by warranty type

Unit: RMB1,000,000

Items	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Mortgage loan	157,069.82	38.26	113,432.74	32.21
Pledge loan	55,200.42	13.45	49,052.96	13.93
Including: notes discounted	32,694.46	7.96	24,559.76	6.97
Loan on guarantee	177,755.05	43.30	170,093.17	48.29
Loan on credit	20,537.72	5.00	19,636.22	5.58
Total customer loans	410,563.01	100.00	352,215.09	100.00

## IV. Top-10 clients and loan concentration

Unit: RMB1,000,000

No.	Borrower	Amount	Proportion in total net capital (%)	Proportion in total loan (%)	Five-grade classification
1	Client A	1,549.50	2.65	0.38	Normal
2	Client B	1,084.36	1.86	0.26	Normal
3	Client C	1,048.00	1.80	0.26	Normal
4	Client D	1,000.00	1.71	0.24	Normal
5	Client E	921.98	1.58	0.22	Normal
6	Client F	882.82	1.51	0.22	Normal
7	Client G	851.50	1.46	0.21	Normal
8	Client H	820.00	1.40	0.20	Normal
9	Client I	800.00	1.37	0.19	Normal
10	Client J	755.00	1.29	0.18	Normal
	Total	9,713.17	16.64	2.37	

## V. Disposal measures of non-performing assets

For non-performing loan disposal and management, the Company took the following measures: first, carrying out strict management on non-performing loans, supervising and urging the branches on non-performing loan recovery, accelerating disposal of remaining debt assets; second, promoting institutional improvement in a steady manner, formulating and issuing non-performing asset transferring management methods and risk asset disposal commission management method, and standardizing non-performing asset disposal of the Company; third, inspecting non-performing asset risk and annulling corresponding interest to decrease non-performing assets; fourth, writing off loss debts strictly in accordance with related laws and regulations.



# Management Discussion and Analysis

## d. Bonds held

Unit: RMB1,000,000

Bond type	2013	2012	Increase/decrease	Variation (%)
Government bonds	8,474.78	4,757.43	3,717.35	78.14
Financial bonds	27,544.35	23,555.41	3,988.94	16.93
Other bonds	46,617.27	35,295.25	11,322.02	32.08
Total	82,636.40	63,608.09	19,028.30	29.91

## e. Fixed assets

Unit: RMB1,000,000

Items	2013	2012	Increase/decrease	Variation (%)
Fixed assets	5,040.88	4,956.90	83.98	1.69
Accumulated depreciation	2,009.58	1,748.77	260.81	14.91
Fixed assets depreciation reserves	4.78	4.78	0.00	-
Net value of fixed assets	3,026.52	3,203.35	-176.83	-5.52

## (2) Liabilities

As at December 31, 2013, total liabilities of the Company had reached RMB715,488 million, increased by 13.89% than the end of previous year. Total customer's deposit reached RMB596,196 million, a year-on-year increase of 11.96% and accounting for 83.33% of total liabilities of the Company. The following table presents composition of the Company's total liabilities.

Unit: RMB1,000,000

Items	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Deposit taking	596,195.60	83.33	532,492.07	86.43
Inter-bank and other financial institutions deposit	64,300.76	8.99	46,304.21	7.52
Interbank borrowing	6,695.75	0.94	16,597.93	2.69
Selling out and repurchasing financial assets	28,532.84	3.99	1,705.99	0.28
The employee salary payable	3,226.03	0.45	2,864.36	0.46
Tax payable	1,366.38	0.19	1,845.28	0.30
Interest payable	7,287.14	1.02	5,554.77	0.90
Bonds payable	5,000.00	0.70	7,000.00	1.14
Estimated liabilities	51.39	0.01	6.60	0.00
Deferred income tax liabilities	147.21	0.02	155.21	0.03
Other liabilities	2,684.59	0.38	1,571.86	0.26
Total liabilities	715,487.69	100.00	616,098.26	100.00

As at December 31, 2013, the company's deposit balance was RMB596,196 million, including RMB365,838 million of corporate deposit, accounting for 61.36%, and RMB123,604 million of retail deposit, accounting for

## Management Discussion and Analysis

20.73%. The fixed-term deposit was RMB270,093 million, accounting for 45.30% of total deposit, increased by 2.73 percent points than the end of previous year. Wherein, corporate fixed-term deposit accounted for 47.33% of corporate deposit, increased by 0.89 percent points than the end of last year, while retail fixed-term deposit accounted for 78.44% of retail deposit, increased by 0.12 percent point than the end of previous year.

Unit: RMB1,000,000

Items	2013		2012	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposit subtotal	365,837.74	61.36	316,541.34	59.45
Current deposit	192,698.50	32.32	169,526.75	31.84
Fixed-term deposit	173,139.24	29.04	147,014.60	27.61
Retail deposit subtotal	123,604.01	20.73	101,087.47	18.98
Current deposit	26,650.06	4.47	21,675.62	4.07
Fixed-term deposit	96,953.95	16.26	79,411.85	14.91
Other deposit	106,753.86	17.91	114,863.25	21.57
Total	596,195.60	100.00	532,492.07	100.00

### (3) Changes in shareholders' equity

Unit: RMB1,000,000

Items	Share capital	Capital reserve	Surplus reserve	General Risk preparation	Undistributed profit	Shareholders' equity
Opening balance	9,100.00	4,957.43	4,080.39	7,396.50	8,605.34	34,139.65
Increase in current period	1,290.00	5,160.00	1,521.52	1,035.06	8,179.47	14,629.47
Decrease in current period		-295.11			-3,284.59	-1,023.11
Closing balance	10,390.00	9,822.32	5,601.91	8,431.56	13,500.22	47,746.01

## (III) Main measures in 2013

In 2013, Chinese economic development witnessed complex and severe situation rarely seen in recent years. Being challenged by slowing down of external economic growth, acceleration of financial reform, unsustainability of traditional internal business mode and bottleneck existing in business development, the Bank mainly took the following measures, which were turned out with remarkable performance:

**1. Market expanding to promote steady growth of business scale.** First, further efforts were made in strengthening efficient customer base. Through marketing aiming at target customers, the number of high-quality corporate customers was increased by 5,216, while that of high-quality individual customer was increased by 1.01 percent points than beginning of the year; wherein, the number of VIP customers was increased by 41,700. Total number of e-bank customers reached one million, an increase of 98%; e-bank business volume reached RMB198 million, a year-on-year increase of 51.4%; for mobile banking service, business volume reached RMB4.29 billion in the first year, presenting favorable development momentum. Second, optimizing deposit business. With strong efforts being made in decreasing margin deposit for security,

## Management Discussion and Analysis

its proportion was reduced by 4.8 percent points from beginning of the year. By eliminating margin deposit for security, other deposits increased by RMB73.2 billion, a year-on-year increase of RMB16.77 billion. Current deposits had proportion increased by 0.21 percent point, presenting weakened trend in fixed term. Proportion of deposits in county institutions in the province was increased by 0.51 percent point with contribution rate being further strengthened. Third, issuing all loans in an orderly manner. More loans were issued to entities, while loans in real estate and building industry and discount loans were all controlled within the annual objectives. Green loan initially showed its performance; agriculture-related loan had growth rate 1.9 percent points greater than all Renminbi loans of the Bank. Fourth, expanding interbank business scale. Facing changes in market funds, the Company increased business varieties and expanded business scales, so as to promote harmonious growth of assets and liabilities.

### 2. Attaching importance to strategy transformation to accelerate creation of business strengths.

First, improving professional level in small enterprise business and promoting small enterprise business development in a "standardized, modularized and large-scale" manner. For small and micro enterprise business, the objectives of "having growth rate no less than that of all the loans and increase no less than the previous year" were realized. "Technology Star" business covered all branches in the province, while individual business loan was doubled from the beginning of the year, as a result, the Company was rated as "Advanced banking institution in financial service for small and medium-sized enterprises in China" by China Banking Regulatory Commission (CBRC), while "Technology Star" loan business was rated as "Top-10 product serving small enterprise and agriculture-related enterprise" by China Banking Association. Second, accelerating individual loan business development. The individual loan balance reached RMB53.5 billion, increased by RMB16.5 billion over the beginning of the year, a year-on-year increase of 44.4%. Individual loan had market share being increased by 0.57 percent point in the province. Through projectized control on mortgage building and differentiated credit granting strategy, individual housing loan balance reached RMB45.5 billion, increased by 49.7%. By promoting "Easy loan with card" and "Easy shopping" businesses, the newly increased loans reached to RMB1.47 billion. Third, developing international business. International settlement reached to USD44.2 billion, a year-on-year increase of 16.5%, while foreign exchange settlement and sale accumulated to USD15.8 billion, a year-on-year increase of 21.9%. Intermediate business achieved year-on-year increase of 18.2%, 1.7 percent points greater growth of settlement. The Bank won the award of "The Best Partner Bank of Commercial Companies" granted by China Banking Association. Fourth, multi-dimensional expansion of new income growth points. The Bank achieved intermediate business income of RMB2.49 billion, a year-on-year increase of 37.1%, while the proportion of intermediate business income had exceeded 10% and reached to 11.19%, a year-on-year increase of 1.99 percent points. Syndicated loan presented more brand advantages and the income had a year-on-year increase of 68%. In the syndicated loan business appraisal organized by syndicated loan commission of China Banking Association, the Company won the "Best syndicated loan department award" and the "Best syndicated loan trading award". Credit card installment business showed powerful growth momentum and realized a year-on-year increase of 4.37 times. The amount of finance products issued was increased by 66.4% over the previous year, while the business income had a year-on-year increase of 87.9%.

**3. Highlighting credit risk and strengthening risk prevention.** First, great importance was attached to credit risk prevention and control. Through dynamic adjustment and differentiated credit conferring, "credit overweighting and declining" is implemented on different customers. Prudential examination and approval were carried out in key industries; risks in credit granting to industries with outdated capacity and sensitive industries were inspected and eliminated. Customer genealogy of the group is investigated to prevent concentration risk. Strict management was carried out on access and exit of low-level platforms, while loans on key monitoring platforms were controlled within the quota. By strengthening supervision and examination after loan issuing, new post-loan examination mode achieved full-coverage. Loan recovery and reducing mechanism was established for overdue debt interest under normalized management. By implementing the measures of "recovering debt and reducing overdue loan", non-performing loan recovery reached to RMB3.16 billion, preliminarily restricting rapid growth of non-performing loans. Second, positive measures were taken aiming at liquidity risk, including establishing liquidity risk limitation and warning index system, improving risk management and control mechanism, leading liability business development with price leverage in real time; implementing separate management on capital business, enhancing ability of the head office in reacting to regulation and control; paying special attention to position report and registration for large amount loans as well as index monitoring and prediction, and taking emergency measures to ensure liquidity safety. Therefore, the liquidity ratio was maintained at a reasonable level of 40.75% in the end of the year. Third, improving market risk management system. The Company improved limitation management scheme, established market risk limitation index system, optimized and upgraded market risk management system. Furthermore, through strengthening interest rate pricing management, interest margin reducing was mitigated.

**4. Enhancing customer service and professional level.** First, channel functions were increasingly enriched. With 74 financing centers being newly built, the total number reached to 257 and the coverage rate was increased by 14 percent points. For the purpose of creating new highlights in financial business, WeChat banking service and Yixin banking service were put into operation. Fund and financing products presented great growth in proportion of sales via electronic channels; wherein, e-payment amount was increased by 8.4 times. Electronic billing service was also provided for credit card customers. The Company was granted the title of "Regional commercial bank with the best e-bank user experience in 2013"; besides, customer service center of the company also won two prizes of "The best service management in China" and "Good voice of customer service". Second, accelerated product innovation. Provincial financial social security cards were issued as a trial, while "Xianjinbao" products had deposit being 6.7 times of the previous year. "Tiantianjin", an open-type financing product, was officially put into the market, so that with application being approved, entrusted foreign exchange reserve loan business was carried out; moreover, breakthrough was made in annexation loan business. YOG foreign currency VISA credit card and mobile payment credit card were put into operation. With more specialized businesses being developed, small and micro loan product system became increasingly enriched. Third, promoting public financial service. The Company actively executed Renminbi circulation satisfaction project, carried out strict protection measures on personal financial information and enhanced personal credit investigation query management, so that identification information

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verification of existing individual customers was accomplished ahead of the schedule. By strengthening demonstration and guidance, implementing point management on bad behavior in civilized and high-quality service, rectified moral problems in industrial and political working styles, and further improving service quality of the branches, the Bank won the title of Outstanding Entity in "Financial knowledge publication and service month activity in 2013" granted by China Banking Regulatory Commission.

**5. Strengthening management and infrastructure construction.** First, optimizing business flow. Standardizing and improving authorization management, and enhancing effectiveness of operation management. Through reforming credit granting examination and approval system, publicizing examination and approval process and building "green channel" of the head office, examination and approval efficiency was improved. New breakthrough was made in on-line acceptance through expanding acceptance channel of small and micro business. Second, accelerating scientific and technological research and development. Focusing on smart bank construction, the Company increased resource investment and accelerated construction of various system project. Construction and optimization of enterprise customer information facility (ECIF), consumer finance, mobile financial platform and other key systems improved management efficiency and user experience. Third, strengthening internal control. The activity of "internal control improvement year" was carried out. By improving operation risk management framework, promoting process analysis as well as risk control and identification and attaching importance to auditing of key fields and innovative business, the company totally organized 578 auditing projects and found 3,315 problems. The Company implemented accountant assignment system, improved internal and external account checking management, strengthened monitoring on operation of self-service equipment, and fully accomplished pilot reform in anti-money laundering work. By carrying out non-performing loan accountability tracing, strengthening punishment and accountability on illegal and disciplinary-offence behaviors and enhancing security work, the whole bank was rated as outstanding in safety assessment.

## IV. Future development prospect

### (I) Requirements on business development in the coming year

Guided by "five views" (national view, history view, ethnic view, religious view and cultural view) and adhering to the strategy transformation guidance and overall requirement of seeking improvement in stability, the Company will seek transformation, optimization and improvement in a steady manner; moreover, by exploring potential, adjusting structure, creating characteristics and controlling the risk and carrying forward the "nailing" spirit, the Company promotes reform and innovation, deepened strategy transformation and strengthened core competitiveness of the whole bank in an accelerated pace.

### (II) Main measures in 2014

First, improving assets and liabilities management. Ensuring steady growth of deposit, improving integrated

effects of credit resources, promoting inter-bank business development, increasing income and reducing expenditure. Second, strengthening and improving business operation advantages of the Company. Strengthening marketing capability building for corporate business, enhancing marketing of corporate deposit, deepening corporate credit structure adjustment, accelerating creation and application of core technologies in small and micro businesses and accelerating international business development. Third, accelerating retail business development. Establishing and perfecting service platform; adjusting and optimizing personal loan structure with consumption loan as the breakthrough; enhancing customer expansion through product innovation; improving profitability of card business by focusing on installment business. Fourth, accelerating creation of new advantages in capital and investment banking businesses. Implementing market-oriented reform in capital business and promoting monopoly of inter-bank capital business; improving marketing system of investment banking business, strengthening professional talent team and enhancing marketing capability. Fifth, improving performance assessment and resource allocation mechanisms. Scientifically setting performance index system and rules, improving cost benefit calculation and management level, enhancing performance assessment of customer manager and practically strengthening and standardizing financial management. Sixth, preventing and controlling all risks. Seventh, enhancing comprehensive service capacities. Improving E-service functions, accelerating construction of various systems, continuously improving operation management efficiency, further improving professional service level and strengthening professional skill sequence construction.

## V. Risk management

### (I) Overview of risk management

#### 1. Overall goal of risk management

Goal of the company in risk management is striving to realize benefit maximization of the shareholders while controlling the risk within acceptable range under the precondition of satisfying requirements of supervision departments, depositors and other stakeholders on stable development of the Company.

#### 2. Construction goals and basic principles of risk management

##### (1) Construction goals

As per related supervision guidance of China Banking Regulatory Commission and integrating advanced management experience from home and abroad and the practical situation, the Company will build an independent, intensive, professional and efficient risk management mode oriented to vertical risk control, intensive management, professional personnel and efficient process, so as to strengthen linkage and interaction of front ground, middle ground and background. Relevance of all risks will be taken into consideration, so as to make reasonable plan on risk exposure scale and structure and realize harmony and balance of capital strength, risk scale and bank value. Moreover, the Company is going to develop

# Management Discussion and Analysis

identification, measurement, monitoring and control technologies covering credit risk, market risk, operation risk, liquidity risk and legal compliance risk, thereby to satisfy all supervision requirements on bank risk management, make risk management capacity be the core competitiveness of the bank and guarantee strategy implementation and business development.

## (2) Basic principles

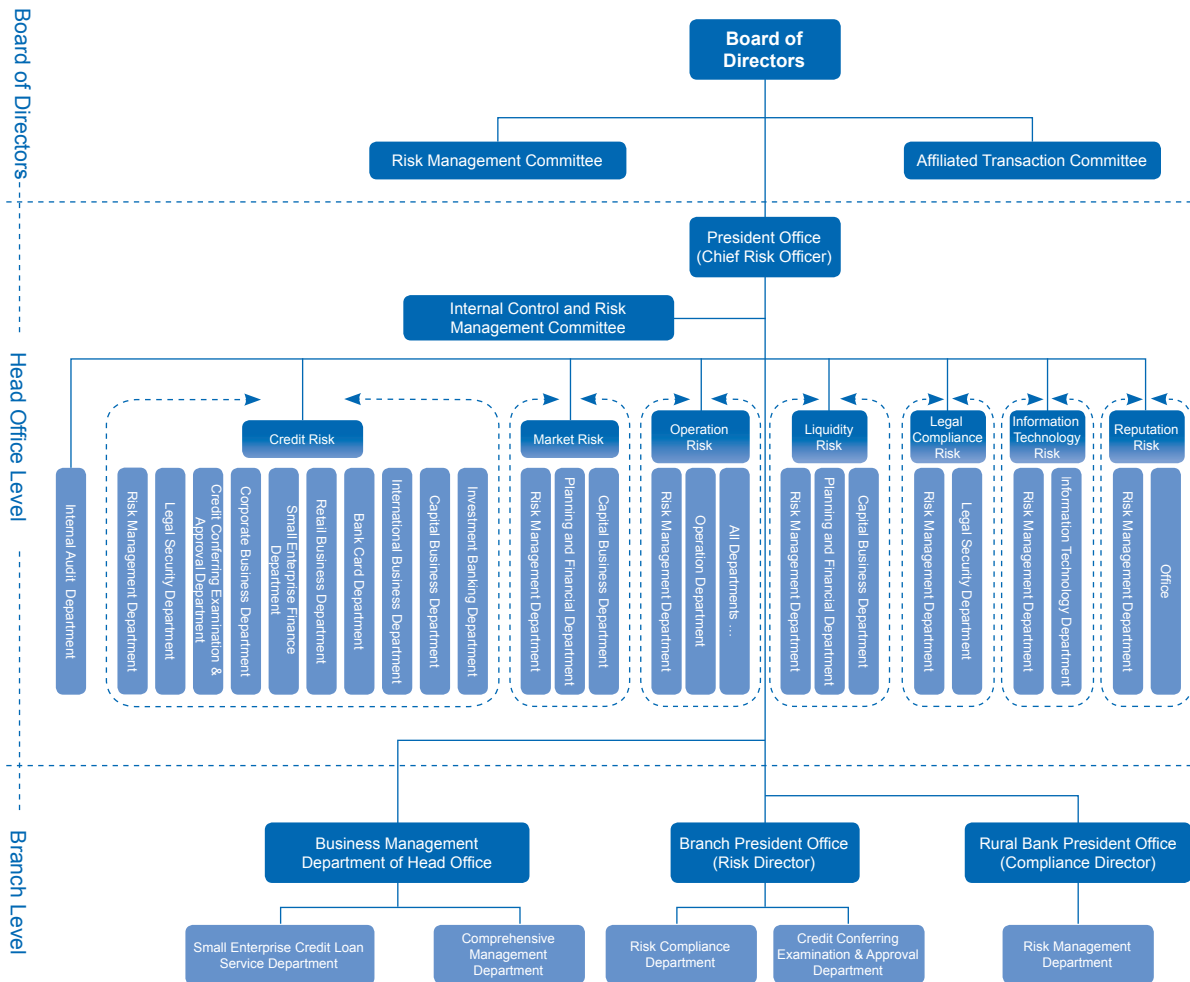
Business development and risk management shall comply with independence principle, unity principle, matching principle of benefit and risk, principle of balanced internal balancing and efficiency, risk diversification principle, quantitative and qualitative principles, and dynamic adaptability adjustment principle, so as to ensure consistency of risk management strategies and business development strategies, overall linkage and interaction of front ground, middle ground and background, as well as uniformity and consistency in implementation of risk policies.

## 3. Risk management measures

**(1) Setting up risk management strategies focusing on risk preference.** The company determined the risk preference of "rationality, steadiness and prudence" as well as the goal of reaching investment-grade credit rating, which will be the start point of overall risk exposure planning, thereby to ensure balance between risk and profit. As for the operational level, the Company transformed the overall capital remand into risk limitation systems classified by regions, lines, industries and products; integrating accesses standards and requirements of internal and external customers, risk preference of the head bank was transformed into specific risk decision basis. With credit risk, market risk, operation risk, liquidity risk and compliance risk as the major objects of risk management, the Company incorporated reputation risk, law risk and information technology risk into integrated risk management. Focusing on risk preference and supported by risk measuring technologies, the Company realized the balance between risk management and business development with economic capital distribution as major management tool, internal control mechanism as major management measure and risk capital return rate as major evaluation standard, relying on risk management information system and through integrating risk management strategies and business development strategies, risk management process and business development process as well as risk management assessment and operation performance assessment; effective coverage of losses was realized through capital constraint, complying with all supervision requirements.

**(2) Establishing stable risk management organization.** Overall risk management organization is constituted of the Board of Directors, risk management committee of the Board of Directors, internal control and risk management committee of senior management and operation layers, all risk management departments and internal audit department of the Company.

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(3) **Establishing professional & centralized risk management framework.** The company organized professional management according to different characteristics of all sorts of risks, based on which a unified and centralized risk management framework was formed. Risk management ideas, measures and standards were unified through uniformly developing risk measuring tools, formulating risk management polices and evaluating risk adjustment performance. With business development strategies as the basis and risk adjustment return rate as major reference index, the company distributed economic capital in each business unit in a unified way and proactively planned composition of overall risk exposure, proving support for value creation of the whole bank.

(4) **Developing applied technologies to realize risk management goals.** The company accelerated the development of risk measuring tools, promoted construction of internal evaluation system of credit risk and established the customer credit rating system based on probability of default.



# Management Discussion and Analysis

(5) **Establishing real-time risk monitoring system.** As per the requirements of establishing risk monitoring and analysis system covering credit assets, non-credit assets and off-balance assets, the Company conducted real-time monitoring on all sorts of risks, preposing risk monitoring, timely sending risk early warning, and realizing whole process following up of the risk condition.

(6) **Cultivating advanced risk management culture.** The Company gradually cultivated and perfected the risk management culture for the purposes of capital constraint, risk and profit balance, promoting health business development and realizing the maximum value for the shareholders; advocated by the Board of Director and senior management layers, the risk management culture had been sustained throughout the whole process of all risks management. Moreover, through risk education, risk management ideas as pursuing uniformity, balance, independence, rationality, stability and prudence had enjoyed popular support.

(7) **Building risk management team.** Subject to the requirement of risk management strategies building, the Company carried out training and education on executive abilities and ethical conduct by levels, specialties and positions, allocated risk management talents according to supervision requirements and built a risk management team with good integrity, risk business experience and advanced ideas and professional skills.

## (II) Main risks in business operation and countermeasures

Within the reporting period, the company was continuously strengthening overall risk management, perfecting overall risk management system, formulating all sorts of risk management rules & regulations, and the risk management structure of the company was further perfected; as a result, risk management foundation and assets quality were continuously improved, and the risk management indexes maintained good. In business operation, the company was mainly faced with credit risk, market risk, operation risk, liquidity risk, compliance risk and reputation risk; the following presents corresponding handling measures:

### 1. Credit risk management

Reforming examination and approval system on credit conferring, and adopting specialized approver system; carrying out deep-going research on macro policies and risks in sensitive fields, strengthening policy guidance on credit loan and improving institutional system; popularizing new post-loan examination mode, optimizing credit loan management information system, starting construction of internal non-retail grading system, credit risk data mart system, and decision-making system for consumer financial credit loan, improving system support guarantee capacity; investigating credit conferring risk, implementing differentiated customer management, analyzing group customer genealogy and preventing concentration risk; strengthening differentiated authorization management, improving risk quota management system, enhancing timely early-warning of credit risk, and strengthening classification accuracy of risks in credit assets.

### 2. Operation risk management

Implementing internal control compliance and operation risk management consulting projects, improving

operation risk management framework, designing and implementing data loss collection, analyzing, diagnosing and improving institutional system, starting construction of internal control, compliance and operation risk management systems; formulating policies on information technology management to determine recovery strategies for key information systems and carry out emergency practice of information system; making outsourcing risk management policies to strengthen initiative in outsourcing risk management.

### 3. Market risk management

Establishing market risk quota management system, optimizing and upgrading market risk management system and making periodical analysis reports on market risks; improving fundamental systems of market risk management, differentiating trading accounts and banking account, strengthening revaluation on market value of trading products and carrying out periodical pressure test on market risk; further enhancing authority management, graded examination and approval and market value supervision; enhancing investigation on market trend, studying situations in monetary, bonds and foreign exchange markets periodically as well as supervision on interest rate risk of banking account; moreover, by integrating and analyzing national policies, macro-economy, market segment, market linkage and other factors, changing trends in financial market are estimated, so as to timely adjust trading strategies and allocate asset portfolio in advance.

### 4. Liquidity risk management

Strengthening integrative position management of Renminbi and foreign currencies, and optimizing liquidity management operation mechanism and early warning mechanism; strengthening internal funds management, accurately calculating fund position, maintaining reasonable provision level, ensure to pay off the reserves against deposit for Renminbi and foreign currencies, and ensuring safety and smoothness of fund payment; establishing and perfecting liquidity quota system and early warning system, dynamically monitoring liquidity index condition, timely getting known about cash flow, centralizing management of bond trading, bill business and financing products, reasonably regulating term structure of credit assets, striving to improve fund application effectiveness, and intensively regulate liquidity risk; making periodical analysis report and pressure test on liquidity, accurately estimating financial policies and monetary market trends, timely adjusting operation strategies and launching emergency mechanism; striving to improve perspectiveness and foreseeability of liquidity risk management.

### 5. Information technology risk management

Aiming at "independent control, sustainable development and technological innovation", information technology sub-strategy being highly adapted to business strategies were made to improve both technology management and business development. The Company also enhanced input in information technology, unified informatization standards, enhanced information technology framework construction, carried out data governance, strengthened infrastructure construction, gradually improved independent research and development as well as operation and maintenance capacities, and adopted technical measures to promote

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business development and transformation. Other measures include: correctly understanding connotation of information technology risk management, improving information technology management framework, defining management responsibilities, enriching technical teams, establishing scientific decision-making, authorization, supervision and communication mechanisms, adopting the best practice and industrial standards, improving information technology system, standardizing information technology process and improving comprehensive management level in information technology.

## 6. Compliance risk management

Carrying out operation and management activities strictly in accordance with the laws, regulations and rules, setting compliance ideas as initiative compliance and creating value compliantly in the whole bank, implementing honest professional integrity and value in the Company, integrating compliance culture into the whole process of enterprise cultural construction; consummating the compliance risk management system adapted to business scope, organization structure and business scale of the Company. Perfecting internal control system related to compliance risk management, enhancing rules, regulations and product process management, and striving to prevent compliance risk from the source. Attaching importance to compliance training and education, carrying out continuous compliance supervision and risk evaluation, supervising and urging compliant operation of all lines, institutions and positions; strengthening compliance performance assessment on operation and management personnel according to the value of advocating compliance and punishing violation. Enhancing the efforts in compliance accountability, strictly confirming and ascertaining responsibilities in illegal behaviors and taking effective corrective measures to timely improve operation and management process and revise related policies, procedures and operation instruction.

## 7. Reputation risk management

Establishing and improving reputation risk management mechanism, optimizing reputation risk management methods, strengthening efforts in investigating and eliminating potential reputation risk, further improving reputation risk management capacity and level, building a finance brand image of intelligence and responsibility. The Company also made emergency plan for reputation risk events and defined work process and carrying out public sentiment management, so as to avoid reputation loss. Other measures include: formulating reputation risk management manual, popularizing knowledge about reputation risk management in the company to enhance reputation risk prevention consciousness of all the staff.



## Shareholders and Share Capital

# Shareholders and Share Capital

## I. Share capital

As at December 31, 2013, Bank of Jiangsu Co., Ltd, had had RMB10.39 billion of paid-in capital; wherein, the number corporate share holders were 981, holding 9,952,560,698 shares (RMB), accounting for 95.79%, while the number of individual share holder were 23,537, holding 437,439,302 shares (RMB), accounting for 4.21%.

## II. Top-ten Shareholders

### (I) Top-10 shareholders as at the end of the reporting period

Ranking	Shareholders	Number of shares	Proportion
1	Jiangsu International Trust Corporation Limited	910000000.00	8.76%
2	Jiangsu Phoenix Publishing & Media Group Co., Ltd.	890000000.00	8.57%
3	Huatai Securities Co., Ltd.	640000000.00	6.16%
4	Wuxi Construction & Development Investment Company	557015540.00	5.36%
5	Jiangsu Shagang Group Co., Ltd.	350000000.00	3.37%
6	China Orient Asset Management Corporation	301300000.00	2.90%
7	Jiangsu Huaxicun Co., Ltd.	248809215.00	2.39%
8	Jiangsu Radio and Television Group Co., Ltd.	228086140.00	2.20%
9	Nantong State-owned Assets Investment Holdings Co., Ltd.	222448644.00	2.14%
10	Jiangsu Communications Holding Co., Ltd.	200000000.00	1.92%
10	Jiangsu Expressway Company Limited	200000000.00	1.92%

### (II) Top-10 shareholders before and after share capital increasing in 2013

Ranking before increasing	Ranking after increasing	Shareholders	Number of shares before increasing	Number of shares after increasing
1	1	Jiangsu International Trust Corporation Limited	910,000,000	910,000,000
2	3	Huatai Securities Co., Ltd.	640,000,000	640,000,000
3	2	Jiangsu Phoenix Publishing & Media Group Co., Ltd.	551,000,000	890,000,000
4	4	Wuxi Construction & Development Investment Company	487,015,540	557,015,540
5	6	China Orient Asset Management Corporation	301,300,000	301,300,000
6	5	Jiangsu Shagang Group Co., Ltd.	300,000,000	350,000,000
7	7	Jiangsu Huaxicun Co., Ltd.	248,809,215	248,809,215
8	9	Nantong State-owned Assets Investment Holdings Co., Ltd.	222,448,644	222,448,644
-	8	Jiangsu Radio and Television Group Co., Ltd.	72,086,140	228,086,140
9	-	Fengli Group Co., Ltd.	150,000,000	150,000,000
9	-	Suning Appliance Co., Ltd.	150,000,000	150,000,000
-	10	Jiangsu Communications Holding Co., Ltd.	-	200,000,000
-	10	Jiangsu Expressway Company Limited	-	200,000,000

### III. Shareholders holding more than 5% shares

#### (I) Jiangsu International Trust Corporation Limited

As at December 31, 2013, Jiangsu International Trust Corporation Limited (hereinafter referred to as "Jiangsu International Trust") has held 8.76% shares of the company, becoming the first majority shareholder. Established in 1981, Jiangsu International Trust is a large-scale financial institution established under approval of Jiangsu People's Government, People's Bank and China Banking Regulatory Commission and completed re-registration in August 2002. Jiangsu Guoxin Investment Group Limited holds holding power of Jiangsu International Trust. Since establishment, through insisting on prudent operation and its own business, compliant operation, steady growth of economic benefit and practically protecting interest of the beneficiaries, Jiangsu International Trust has become a trust company with high quality of assets, standard management, compliant operation, transparent information and strong risk control capability.

#### (II) Jiangsu Phoenix Publishing & Media Group Co., Ltd.

As at December 31, 2013, Jiangsu Phoenix Publishing & Media Group Co., Ltd. (hereinafter referred to as "Phoenix Media") has held 8.57% shares of the company. Established in 2001 and with overall economic scale and strength both ranking the first in press and publishing industry, Phoenix Group has had the largest scale and strongest strength in publication industry. The Group has two listed companies, i.e. Phoenix Media and Phoenix Share; wherein, Phoenix Media is the only culture media company listed in Shanghai Stock Exchange 180 index and Shanghai and Shenzhen 300 index. The Group has been rated as "Top 30 cultural enterprises in China" for 5 successive years and ranked the 23rd in Top 50 publication enterprise in the World in 2013. The Group has had public publication taking the leading in Chinese publication industry and had obtained the most national publishing awards in China; in education publication field, the Group has become the No. 2 publisher of primary and secondary textbooks; furthermore, comprehensive publication capacity and capacity growth both rank the first in China.

#### (III) Huatai Securities Co., Ltd.

As at December 31, 2013, Huatai Securities Co., Ltd. has held 6.16% shares of the company. With Jiangsu Security Company as the predecessor, Huatai Securities was established in April 1991 and is a comprehensive securities trader firstly approved by China Securities Regulatory Commission and also one of securities traders firstly obtaining innovation pilot qualifications in China; it is rated as class A grade AA securities trader in the newest securities traders classification and supervision rating. In February 2010, Huatai Securities was successfully listed in Shanghai Stock Exchange. Moreover, it is the holding company and joint stock company of many financial enterprises, including China South Asset Management Co., Ltd., Huatai-PineBridge Investments Co., Ltd., Huatai United Securities Co., Ltd., Huatai Great Wall Futures Co., Ltd. and GP Capital Co., Ltd. In addition, it has solely funded Huatai Finance Holding (Hong Kong) Limited. and

## Shareholders and Share Capital

Huatai Zijin Investment LLC. and become a securities holdings group involved in securities, funds, futures and investment. At present, Huatai Securities administrates over 220 securities business outlets in 29 provinces, cities or municipalities.

### (IV) Wuxi Construction & Development Investment Company

As at December 31, 2013, Wuxi Construction & Development Investment Company (hereinafter referred to as "Wuxi Construction & Development") has held 5.36% shares of the company. Wuxi Construction & Development was established in April 1991 with Wuxi Investment Development Corporation as this predecessor, which was reorganized into Wuxi Construction & Development under approval of Wuxi People's Government, while the contributor was Wuxi State-owned Asset Management Commission. In September 2012, the Company was restructured as a wholly state-owned company and renamed to Wuxi Construction & Development Investment Company. Through years of development, Wuxi Construction & Development becomes increasingly strong in asset size, while the business scope is gradually expanded to engineering contracting, project construction, foreign investment, house lease, parking management and advertising space operation; by the end of 2013, Wuxi Construction & Development has had 5 holding companies and 8 joint stock companies with scope of investment covering water affairs, rail transit, airport and other field segments of public utilities. Furthermore, Wuxi Construction & Development has gradually developed into an investor and operator of municipal infrastructures with large scale and full range.



Directors, Supervisors, Senior Management  
Executives and Employees



## I. Directors, supervisors and senior management executives

### (I) Directors

**Mr. XIA Ping**, born in August 1963, a member of the Communist Party of China, is the secretary of the Party Committee and Chairman of the Board. Graduated from Nanjing University of Science and Technology with a Master's Degree in Management Science and Engineering and as a senior economist, XIA Ping once served as vice general manager of International Business Department of Nanjing Branch, China Construction Bank, president of Luhe Sub-branch, president of the first sub-branch, general manager assistant, vice general manager, vice president and party committee member and general manager of business department in Jiangsu Branch, president and party committee secretary of Suzhou Branch, China Construction Bank, and president and deputy secretary of Bank of Nanjing.

**Mr. HU Changzheng**, born in July 1962, a member of the Communist Party of China, is a director, the president and deputy secretary of the party committee. He is a master who graduated from the Department of Economics of Fudan University, major in political economy and has senior professional title major in economics. Mr. HU Changzheng once served as the vice-president of People's Bank of China, Wuxi Branch, deputy director-general of State Administration of Foreign Exchange in Wuxi county branch, deputy general manager of Wuxi Securities Company, general manager of Liangxi Cooperative Bank in Wuxi, director of City Credit Cooperatives in Wuxi city, chairman, president and deputy secretary of the Party Committee of Wuxi City Commercial Bank and vice-president of Bank of Jiangsu.

**Mr. ZHU Dashu**, born in August 1961, a member of the Communist Party of China and senior economist, is a director, the vice president. Graduated from Department of Geophysics in Peking University with Bachelor of Science degree and School of Economics and Management in Xi'an Jiaotong University with Master and Doctoral degrees in system engineering, Mr. ZHU Dashu once served as the deputy section chief of Jiangsu Government Economic Research Center, project manager of China International Center for Economic and Technical Exchanges of Ministry of Foreign Trade and Economic Cooperation, deputy director of Credit Operations Department, Section II and Comprehensive Business Section of Bank of China, director of Company Business Department, Section II of Bank of China, assistant general manager, vice general manager, deputy general manager (in charge of presiding work) and general manager of Bank of China in Canada.

**Mr. ZHU Qilong**, born in February 1964, a member of the Communist Party of China, is a director, the vice-president and secretary of the board of directors. He has obtained the lawyer qualification and has senior professional title major in economics. He graduated from Anhui Normal University major in Chinese and obtained the Bachelor of Arts and also from Nanjing University major in economic law and obtained the Bachelor of Law. Then he studied in Nanjing Agricultural University as a postgraduate major in finance and obtained the master's degree in economics. Mr. ZHU Qilong once served as the chief of the law section of office of People's Bank of China, Jiangsu branch, deputy director of the office and also director of legal affairs

## Directors, Supervisors, Senior Management Executives and Employees

office of People's Bank of China, Nanjing branch, deputy director of the office (at the director level) of People's Bank of China, Nanjing branch, director of supervision division of City Commercial Bank of China Banking Regulatory Commission, Jiangsu Office and assistant of the president of Bank of Jiangsu.

**Mr. JIANG Kai**, born in November 1962, a member of the Communist Party of China, is the director of the company. He graduated from Computer Science Department and Department of Economics in Nanjing University and obtained bachelor's degrees with a double major. He has senior professional title major in economics. Mr. JIANG Kai once served as the director and general manager of Jiangsu International Trust Co., Ltd. and now is the vice general manager of Jiangsu Guoxin Investment Group Limited.

**Mr. YANG Yingchun**, born in February 1950, is the director of the company. He obtained the college degree from Correspondence College of Party School of Central Committee major in economic management. He has professional title major in accounting. Mr. YANG Yingchun once served as the accountant and principal staff member of Jiangsu Press and Publication Bureau and now is the director of Fund Settlement Center of Financial Department of Jiangsu Phoenix Publishing & Media Group Co., Ltd.

**Mr. JIANG Jian**, born in November 1966, a member of the Communist Party of China, is the director of the company and graduated from Nanjing Agricultural University with Master's degree majoring in economic management. JIANG Jian once served as director of training and education section of Human Resources Department of Huatai Securities, vice manager of stock department of Huatai Securities Investment Bank, vice general manager, senior manager of section I, vice general manager of investment bank and general manager of distribution department of investment bank, general manager of asset management department of Huatai Securities, general manager of Nanjing Branch of Huatai Securities, business director and general manager of Nanjing Branch of the investment bank, president assistant of Huatai Securities, general manager of Shanghai Branch and general manager of customer service head office of Huatai Securities. At present, JIANG Jian holds the positions of vice president, secretary of the board and party committee member of Huatai Securities; director of Huatai United Securities Co., Ltd.; director of China Southern Asset Management Co., Ltd. and chairman of Jiangsu Equity Exchange Center.

**Mr. TANG Jingsong**, born in August 1969, a member of the Communist Party of China, is the director of the company. He graduated from Finance and Economics School of Soochow University major in accounting and has senior professional title major in accounting. With 22 years of experience in economics, Mr. TANG Jingsong once served as the director of Economic Construction, Section II of Wuxi Finance Bureau and director of Wuxi Financial Investment Evaluation Center and now is the chairman of the board and general manager of Wuxi Construction & Development Investment Company, associate director (in charge of presiding work) of Wuxi Land Reserve Center and director of Wuxi Government Investment Review & Management Office.

**Mr. SHEN Bin**, born in September 1979 and graduated from Staffordshire University with Master's Degree in Economics, is an economist and also the director of the company. Mr. SHEN Bin now is the standing executive director, secretary of the party committee, executive vice president and chief accountant of board of directors

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of Shagang Group and director of Jiangsu Shagang Group Co., Ltd., Changjiang Runfa Machinery Co., Ltd. and Bank of Suzhou Co., Ltd.

**Ms. YUAN Weijing**, born in July 1963, a member of the Communist Party of China, is the director of the company. She obtained the college degree from Finance and Economics School of Soochow University major in accounting and then obtained the bachelor's degree from Correspondence College of Party School of Central Committee major in economic management. She has senior professional title major in accounting. She once served as the party branch secretary and general manager of Suzhou Yingcai Investment Group Co., Ltd. and now is the director, member of the party committee and chief accountant of Suzhou International Development Group Co., Ltd. and director of Suzhou Trust Co., Ltd., Soochow Securities, Co., Ltd., Suzhou Guofa Small & Medium Enterprises Guarantee Investment Co., Ltd., and Suzhou International Development Venture Capital Holding Co., Ltd.

**Mr. ZHANG Qu**, born in June 1947, a member of the Communist Party of China, is the independent director. He has postgraduate and doctor degree major in economics. Mr. ZHANG Qu once served as the president and secretary of the party committee of Industrial & Commercial Bank of China, Zhejiang branch and Guangdong branch and vice president and member of the party committee of Industrial & Commercial Bank of China and chairman of Supervisory Board of ICBC Credit Suisse Asset Management Co., Ltd.

**Ms. ZHOU Suming**, born in December 1949, a member of the Communist Party of China, is the independent director. She graduated from Department of Economics of Nanjing University major in economic management and then obtained the postgraduate degree in Party School of the Central Committee. As a senior professional title major in economics, she is the member of the standing committee of Jiangsu CPPCC (Chinese People's Political Consultative Conference) and associate director of Committee for Economic Affairs.

**Mr. JI Huaguang**, born in August 1942, a member of the Communist Party of China, is the independent director. He obtained the college degree from Shanghai University of Finance and Economics major in finance. He has senior professional title major in economics. He once served as the general manager of Assets and Liabilities Department of Head Office of Agricultural Bank of China, secretary of the party committee and president of Agricultural Bank of China, Jiangsu branch, associate director of Committee for Economic Affairs of Jiangsu CPPCC (Chinese People's Political Consultative Conference), president of Rural Finance Association in Jiangsu province and vice president of Economic Association in Jiangsu province.

**Mr. ZHONG Wei**, born in February 1969, is the independent director. He achieved a doctor's degree in Beijing Normal University. Mr. ZHONG Wei once engaged in postdoctoral research in Tongji University and served as the doctoral tutor in Beijing Normal University and Xiamen University and deputy editor of "Chinese Foreign Exchange" of State Administration of Foreign Exchange. Now he is the director and professor of Financial Research Center of Beijing Normal University and independent director of Fudian Bank Co., Ltd.

**Mr. GU Yingbin**, born in March 1963, a member of the Communist Party of China, is the independent director.

He obtained the bachelor's degree in Southwest University of Political Science & Law major in law and senior professional title major in law affairs. Mr. GU Yingbin once served as the director and lawyer of Jiangsu Jinxinda Law Office as well as director and lawyer of Beijing Jianyuan Law Office, Nantong branch. Now he is the senior partner of Beijing Dacheng Law Offices and director of Beijing Dacheng (Nantong) Law Offices.

### (II) Supervisors

**Mr. LIU Changji**, born in May 1955, a member of the Communist Party of China, is the chief supervisor. As a senior economist, he has once served as the section chief of foreign exchange management department of People's Bank of China, Nantong branch, vice-president of People's Bank of China, Nantong branch, Haimen sub-branch, office director of People's Bank of China, Nantong branch, vice-president of People's Bank of China, Nantong branch, chairman, president and secretary of the party leadership group of Nantong City Commercial Bank and chief supervisor, vice president and executive director of Bank of Jiangsu.

**Mr. ZHENG Jian**, born in August 1946, a member of the Communist Party of China, is the external supervisor. He obtained the college degree and professional title major in accounting, professional title major in tax, and senior professional title major in economics. Mr. ZHENG Jian once served as the deputy director-general of Suzhou Finance Bureau, director general of Suzhou Taxation Bureau, deputy secretary-general of Suzhou municipal government, deputy secretary of Kunshan Municipal Committee of the CPC, mayor of Kunshan city, director general of Jiangsu Local Taxation Bureau, associate director of Committee for Economic Affairs of Jiangsu CPPCC (Chinese People's Political Consultative Conference) and independent director of the first board of directors of Bank of Jiangsu.

**Ms. YI Renping**, born in August 1943, a member of the Communist Party of China, is the external supervisor. She obtained the bachelor's degree and is a researcher enjoying government allowance issued by the State Council, senior professional title major in audit, CPA (certified public accountant) and CIA (certified internal auditor). Ms. YI Renping once served as the teacher and vice dean of Beijing Commercial College, director and deputy director-general of National Audit Office, secretary of the party committee and dean of Nanjing Audit University, member of Jiangsu CPPCC (Chinese People's Political Consultative Conference), associate director of Science, Education, Culture and Public Health Committee of Jiangsu CPPCC as well as vice president and secretary-general of China Institute of Internal Audit. Now she is the supervisor of Everbright Securities Co., Ltd. and independent director of China Shouhang Resources Saving Co., Ltd.

**Mr. YU Jiaqin**, born in March 1958, a member of the Communist Party of China, an economist with graduate degree, is a supervisor. He has once served as deputy director of Business Department of Jiangsu Branch, deputy director of credit loan department of Jinling Branch, deputy director of credit loan department of Nanjing Branch of Bank of China, manger of Bank of China (Hong Kong) Limited, director of credit loan department, president assistant of Nanjing Branch, president of Nanjing Chengbei (under administration) Sub-branch of Bank of China; manager of assets appraisal department of Nanjing Office, senior manager, senior manager of

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Assets Management Section II, vice general manager and discipline inspection commission secretary of China Orient Asset Management Corporation. At present, he is general manager of Nanjing Office of China Orient Asset Management Corporation; president of Nanjing Xinbang Science and Technology Small Loan Co., Ltd., president of Jiangsu Dongxing Industry Co., Ltd. and director of Shanghai Meishan Steel Co., Ltd.

**Mr. XU Dayou**, born in February 1953, a member of the Communist Party of China, is the supervisor and accountant. He obtained the college degree and professional title major in accounting. He has ever served as vice general manager of Changzhou Hi-tech Industrial Development Zone General Development INC. (Holdings), general manager of Changzhou State-owned Assets Investment & Management Corporation and secretary of the party committee of Black Peony (Group) Co., Ltd.

**Mr. CAI Yuliang**, born in May 1965, a member of the Communist Party of China, is the supervisor. He obtained the bachelor's degree and professional title major in economics. Now he is the vice general manager of Yangtze Investment & Development Group Co., Ltd. in Yangzhou city, executive director and executive vice president of Yangzhou Modern Financial Investment Group and chairman of Yangzhou Thermolectric Co., Ltd. and Yangzhou Venture Investment Co., Ltd.

**Ms. GE Weiqin**, born in January 1954, a member of the Communist Party of China, is the supervisor. She is a master, has senior professional title major in accounting and senior professional title major in economics. Ms. GE Weiqin once served as the director general and deputy secretary of the party committee of Xuzhou Textile Bureau, director general and secretary of the party leadership group of Xuzhou Audit Bureau and director general and secretary of the party leadership group of Xuzhou Finance Bureau. Now she is the vice-chairman of Xuzhou CPPCC (Chinese People's Political Consultative Conference) and deputy secretary of the party leadership group of Xuzhou CPPCC.

**Mr. LUO Feng**, born in June 1972, a member of the Communist Party of China, is the supervisor. He is a master, obtained a master's degree, professional title major in audit and CPA (certified public accountant). Mr. LUO Feng once served as the principal staff member and deputy director of Financial Audit Section of the Office of Special Commissioner of National Audit Office in Nanjing and now is the general manager of Internal Audit Department of Bank of Jiangsu.

**Mr. ZHAO Jie**, born in April 1959, a member of the Communist Party of China, is the supervisor. He obtained the bachelor's degree and once served as the office director of Huai'an City Commercial Bank and Bank of Jiangsu, Huai'an branch as well as the general manager of Human Resources Department of Bank of Jiangsu, Huai'an branch. Now he is the secretary of Committee for Discipline Inspection and chairman of Labor Union of Bank of Jiangsu, Huai'an branch.

### (III) Senior management executives other than directors and supervisors

**Mr. JI Ming**, born in July 1962, a member of the Communist Party of China, is the secretary of Committee

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for Discipline Inspection and vice president. He has senior professional title major in economics and also obtained the lawyer qualification. He graduated from Department of Geology, Nanjing University, majoring in hydrogeology and engineering geology and obtained the B.S. degree and also from Department of Law, Nanjing University, majoring in law and obtained the Bachelor of Law. Mr. JI Ming once served as the section-level secretary of Party-masses Department of Nanjing Municipal Committee Policy Research Office, section-level organizer of City and County Cadres Section and Office of Jiangsu Provincial Committee Organization Department, inspector at the deputy-director level and associate director of the Office of Jiangsu Provincial Committee Organization Department, deputy director of Cadres Section I and director of Youth Cadres Division of Jiangsu Provincial Committee Organization Department as well as vice supervisor and deputy secretary of the party committee of Bank of Jiangsu.

**Ms. GU Xian**, born in September 1963, a member of the Communist Party of China, is the assistant president. She graduated from Peking University major in ideological and political education and obtained the Bachelor of Law. She has senior professional title major in economics. Ms. GU Xian once served as the deputy director and director of Retail Business Department of Bank of China, Jiangsu branch, general manager of Bank Card Department of Bank of China, Jiangsu branch and general manager of Retail Business Department of Bank of Jiangsu.

**Mr. WANG Yi**, born in February 1965, a member of the Communist Party of China, is the technical products director and general manager of Information & Technology Department. He obtained a bachelor's degree in Nanjing University major in computer software and then a master's degree in Sino-Dutch International Business Center of Nanjing University, majoring in business administration. He has senior professional title major in engineering. Mr. WANG Yi once served as the deputy director of Information & Technology Division of Bank of China, Jiangsu branch, general manager of E-Banking Department of Bank of China, Jiangsu branch and general manager of Information & Technology Department of Bank of Jiangsu.

**Mr. ZHANG Rongsen**, born in October 1968, a member of the Communist Party of China, is a member of the party committee, president and party committee secretary of Beijing Branch. Graduated from Renmin University of China with a doctoral degree in economics and majoring in economic history, ZHANG Rongsen has ever serve as vice president of Beijing Shouti Sub-branch of China Minsheng Bank, president of Beijing Hangtianqiao Sub-branch, president and Fund Department general manager of Beijing Branch of Guangdong Development Bank, president and party committee secretary of Beijing Branch, Bank of Jiangsu.

**Mr. ZHAO Hui**, born in June 1965, a member of the Communist Party of China, is the chief operating officer and general manger of Operation Department. Graduated from Party School of the CPC Central Committee with major in laws and as a senior MBA (Master of Business Administration) from Nanjing University of Science and Technology and also has senior professional title major in economics. Mr. ZHAO Hui has once served as the deputy director of Receiving & Paying and Liquidation Division of Bank of China, Jiangsu branch, deputy director, deputy director (only in charge of presiding work) and director of Liquidation Division of Bank of China,

# Directors, Supervisors, Senior Management Executives and Employees

Jiangsu branch, general manager of Operation Department of Bank of China, Jiangsu branch, president of Bank of China, Suqian branch and general manager of Operation Department of Bank of Jiangsu.

**Mr. LI Min**, born in February 1963, a member of the Communist Party of China, is the president assistant, and president and party committee secretary of Shenzhen branch. He obtained the bachelor's degree of Shenzhen University major in international finance. He has professional title major in economics. Mr. LI Min once served as the vice president and president of Shenzhen Development Bank, Shanghai branch, president assistant of Shenzhen Development Bank and president of Shenzhen Development Bank, Beijing branch, standing vice manager of Shenzhen Management Department of Shenzhen Development Bank, standing vice president of Shenzhen Development Bank, Shenzhen branch, president and party committee secretary of Bank of Jiangsu, Shenzhen branch.

## II. Remunerations and shareholding of directors, supervisors and senior management executives in the company during the reporting period

The company issued the remunerations of directors, supervisors and senior management executives in accordance with "Senior Management Executives Salary Management Rules in Bank of Jiangsu", "Senior Management Executives Performance Assessment Rules in Bank of Jiangsu" and "Independent Directors and External Supervisors Remuneration Management Rules in Bank of Jiangsu". During the reporting period, the company paid a total of RMB296,873 million to its directors, supervisors and senior management executives as their remunerations, of which a total of RMB 113,372 million was paid to directors, RMB58,127 million to supervisors and RMB125,374 million to other senior management executives. The amount also contained a deferred payment of salaries of previous years issued during the reporting period.

Mr. HU Changzheng, the director and president of the company, held 468,579 shares; Mr. LIU Changji, the chief supervisor, held 194,964 shares; and Mr. ZHAO Jie, the staff supervisor, held 15,000 shares.

## III. Dismissal and appointment of directors, supervisors and senior management executives during the reporting period

On March 11, 2013, in the first extraordinary general meeting of 2013, it was approved to dismiss LIU Changji from the position of director and appoint ZHU Dashu as director of the second Board of Directors of the Company.

On March 25, 2013, in the 12th meeting of the second board of supervision, the request of GU Xinming on resigning from chief supervisor of the second board of supervision was approved, and LIU Changji was elected as chief supervisor of the second board of supervision.

On April 10, 2013, as per S.Y.J.F [2013] No. 132 Approval of Jiangsu Banking Supervisory Bureau on

qualification of ZHU Dashu, Jiangsu Bureau of China Banking Regulatory Commission approved to appoint ZHU Dashu as director of Bank of Jiangsu.

On April 20, 2013, in Annual General Meeting of 2012, XIA ping was elected as director of the second Board of Directors of the Company.

On April 20, 2013, in the 19th meeting of the second Board of Directors, XIA Ping was elected as the chairman of the Board of Directors.

In June 2013, as per S.Y.J.F [2013] No. 266 Approval of Jiangsu Banking Supervisory Bureau on qualification of LIU Changji, Jiangsu Bureau of China Banking Regulatory Commission approved to appoint LIU Changji as chief supervisor of Bank of Jiangsu.

On July 18, 2013, as per S.Y.J.F [2013] No. 348 Approval of Jiangsu Banking Supervisory Bureau on qualification of XIA Ping, Jiangsu Bureau of China Banking Regulatory Commission approved to appoint XIA Ping as director and chairman of Board of Directors of Bank of Jiangsu.

In August 2013, the Bank issued the Circular on appointment of XU Linqiao (S.Y.R [2013] No. 39) to appoint XU Linqiao as senior expert (president assistant level of head office) of Bank of Jiangsu Co., Ltd. and dismissed his position as president assistant of Bank of Jiangsu Co., Ltd.

### IV. Employees

At the end of the reporting period, the company had a total of 13,400 employees, among which, on-the-job employees were 12,909, accounting for 96.34% of all staff and early retirees (including employees taking long sick leave) were 491, accounting for 3.66% of all staff. Among the all the employees, 891 have doctors' or masters' degrees, accounting for 6.65% of all staff; 11,120 have college degrees or bachelors' degrees, accounting for 82.99% of all staff; 1,389 employees were graduated from technical secondary schools, accounting for 10.36% of all staff; and 1,414 employees were dispatched to the company, accounting for 10.55% of all staff. In 2013, employee trainings were carried out for 124,513 person/time; wherein, face-to-face training time was 635,000 hours and internet training time was 145,000 hours, namely per capita time of 47.46 hours.





# Corporate Governance Structure and Mechanism

## I. Corporate governance

The Company has always been dedicated to building a company governance system of integrity, fairness, transparency and responsibility according to supervisory standards and been striving to improve governance structure, mechanism and efficiency. In 2013, strictly adhering to supervisory rules, the Company adjusted business structure, further enhanced internal control, prevented and controlled various risks, made efforts to improve disclosure quality, took social responsibility, promoted brand building, further optimized member structure of the Board of Directors, enhanced business coordination of the Board of Directors, improved information delivery channel between the Board of Directors and different management layers, perfected resolution execution and feedback mechanism of the Board of Directors, and further standardized the company governance, so that prominent improvement was made in governance of the Company.

### (I) Shareholders and general meeting of the shareholders

In the reporting period, as per relevant laws, regulations, Articles of Association, rules of procedure of shareholders meeting, the Company further standardized convening, holding, deliberation and voting procedures of shareholders' meeting, so as to ensure rights to know, participate and vote of the shareholders and make sure all shareholders can enjoy equal position and fully exercise their rights.

In 2013, the Company held the first extraordinary general meeting of 2013, annual general meeting of shareholders of 2012 and the second extraordinary general meeting of 2013, which all complied with relevant legal procedures, ensuring the shareholders could participate in and exercise right in the meetings.

### (II) Directors and Board of Shareholders

The Company current has 15 directors, including 4 executive directors, 5 independent directors and 6 shareholder directors; the number of member, composition as well as director qualification and appointment procedures of the Board of Directors all complied with Articles of Association, laws and regulations. All members of the Board of Shareholders performed their duties in an honest, diligent, professional and efficient manner and executed decision-making function of the Board of Directors and undertaken the responsibilities in commercial bank operation and management strictly according to relevant regulations and governance procedures of the Company, which facilitated building of good and honest enterprise culture and social image. The directors carefully reviewed and read conference materials and fully grasped the information before holding the board meeting and seriously reviewed and discussed undetermined matters, gave independent, professional and objective opinions, made independent judgment and decision. In 2013, the Company held a total of 10 meetings of the Board of Directors, including 3 communication meetings and 7 on-site meetings, in which 34 proposals were approved. The directors made careful preparation and actively spoke in the meetings. The details about meeting attendance of company directors were given in the following table:

## Corporate Governance Structure and Mechanism

Name	Number of meetings attended	Personal attendance	Delegated attendance	Absence
XIA Ping	7	7	0	0
HU Changzheng	10	10	0	0
ZHU Dashu	9	9	0	0
ZHU Qilong	10	9	1	0
JIANG Kai	10	8	2	0
JIANG Jian	10	7	3	0
YANG Yingchun	10	10	0	0
TANG Jingsong	10	10	0	0
SHEN Bin	10	7	3	0
YUAN Weijing	10	10	0	0
ZHANG Qu	10	10	0	0
ZHOU Suming	10	10	0	0
JI Huaguang	10	10	0	0
ZHONG Wei	10	9	1	0
GU Yingbin	10	10	0	0

Some directors who failed to attend meetings personally due to public affairs, personal health conditions and other reasons authorized other directors or independent directors to attend meetings in written form in accordance with the relevant laws and regulations, which guaranteed the effectiveness of board meetings and efficiency of decision making. When the board of directors was not in session, directors paid attention to and knew the operation and management conditions of the company through the delivery of company information and put forward suggestions and opinions through the office of board of directors, meetings of special committee of board of directors and other forms.

The special committees of the board of directors consisted of strategic development committee, audit committee, related party transactions control committee, risk management committee and nomination and remuneration committee. The strategic development committee members included Mr. XIA Ping, Mr. HU Changzheng, Mr. ZHANG Qu (independent director), Mr. ZHONG Wei (independent director), Mr. JIANG Jian, Mr. YANG Yingchun and Mr. SHEN Bin and the head of this committee was the chairman of the board, Mr. XIA Ping. The audit committee members included Ms. ZHOU Suming, Mr. JI Huaguang and Mr. ZHU Dashu and the head of this committee was Ms. ZHOU Suming. The related party transactions control committee members included Mr. GU Yingbin, Ms. ZHOU Suming and Mr. ZHU Qilong and the head of this committee was Mr. GU Yingbin. The risk management committee members included Mr. HU Changzheng, Mr. ZHU Dashu, Mr. ZHANG Qu, Mr. Jiang Kai and Mr. TANG Jingsong and the head of this committee was Mr. HU Changzheng. The nomination and remuneration committee members included Mr. JI Huaguang, Mr. ZHONG Wei and Mr. ZHU Qilong and the head of this committee was Mr. JI Huaguang.

### (III) Supervisors and Board of Supervisors

The board of supervisors of the company had 9 supervisors, including 3 employee supervisors, 2 external

## Corporate Governance Structure and Mechanism

supervisors and 4 shareholders' supervisors. The number of people, composition and qualification of supervisors and selection and appointment procedures of the board of supervisors were all in accordance with the Articles of Association, laws and regulations. There were supervision committee and nomination committee under the board of supervisors. There were a total of 5 members in the supervision committee, including Mr. ZHENG Jian (external supervisor), Mr. YU Jiaqin, Mr. XU Dayou, Mr. CAI Yuliang and Mr. LUO Feng and the head of this committee was Mr. ZHENG Jian (external supervisor). There were a total of 3 members in the nomination committee, including Ms. YI Renping (external supervisor), Ms. GE Weiqin and Mr. ZHAO Jie and the head of this committee was Ms. YI Renping (external supervisor). All supervisors earnestly played the supervisory role of the board of supervisors towards the work fulfillment and due diligence of senior management and members of the board of directors, financial activities, authenticity of operating results, risk prevention and internal control development, conscientiously performed their duties stipulated by the "Articles of Association" and played due role in improving the corporate governance level and promoting standardized operation and scientific development of the company. In 2013, the board of supervisors held a total of 8 meetings, approved a total of 11 resolutions and listened to 7 special reports. All supervisors were diligent and responsible. The details about meeting attendance of company supervisors were given in the following table:

Name	Number of meetings attended	Personal attendance	Delegated attendance	Absence
LIU Changji	4	4	0	0
ZHENG Jian	4	4	0	0
YI Renping	4	4	0	0
YU Jiaqin	4	4	0	0
XU Dayou	4	3	1	0
CAI Yuliang	4	4	0	0
GE Weiqin	4	4	0	0
LUO Feng	4	2	2	0
ZHAO Jie	4	4	0	0

### (IV) Senior management

The senior management of the company consisted of 1 president, 3 vice presidents, 2 president assistants, 1 technical products director and 1 chief operation director. Under leadership of the Board of Directors, management executives of the Company worked corporately to make achievements, positively reacted to market changes, continuously enhanced and improved corporate governance, accelerated transformation in business structure and profit model, controlled operation risks, improved capital efficiency and return on investment, built favorable enterprise brand and social image, withstood the challenges brought by complicated and changeable external situations and increased unfavorable factors, and effectively accomplished the business targets made by the Board of Directors.

## (V) Information disclosure and transparency

The company disclosed the information strictly in accordance with the relevant laws & regulations, conscientiously did a good job in information disclosure of the annual report and other regular reports, enhanced the validity and compliance of external disclosure, enlarged the content of regular reports, abided by time limit provisions and confidential discipline of information disclosure and comprehensively and accurately reflected the company's operating and management information. During the reporting period, the work of information disclosure met true, accurate, timely and complete requirements, which ensured that all shareholders had equal access to get the information.

## II. Performance of independent directors and external supervisors

The second Board of Directors of the company had 5 independent directors whose specialty widely covered economy, accounting and finance and they enjoyed high social prestige and reputation. In 2013, with a sense of responsibility towards all shareholders, the independent directors who were diligent and responsible safeguarded the whole interests of the company and the legitimate rights and interests of small and middle shareholders and played a positive role in objective and scientific decision making of the board of directors. The independent directors established the routine working system and basically, independent directors in Nanjing went to the company and did office work on-site each week, referred to documents, exchanged information with management, grasped business situation in time and put forward valuable opinions and suggestions. The heads of the nomination and remuneration committee, audit committee and related party transactions control committee were respectively Mr. JI Huaguang, Ms. ZHOU Suming and Mr. GU Yingbin who were all independent directors and all other independent directors served as members of each special committee. In the work of special committee, each independent director fully made use of professional knowledge and skills, actively offered advices and suggestions, discussed and researched motions in depth and issued independent opinions on important matters. They played an important role in improving the decision-making efficiency of board of directors. Mr. ZHENG Jiang and Ms. YI Renping who were external supervisors of the company were respectively the heads of supervision committee and nomination committee. These two external supervisors who were diligent and responsible, adhered to independent, prudent and objective principles, attended the meetings of the board of supervisors and board meetings on time, conscientiously reviewed and discussed each subject, utilized their accounting, auditing and other expertise and actively offered advices and suggestions. These two external supervisors convened and presided over meetings of the special committee in accordance with their respective responsibilities, assisted the board of supervisors to make scientific decisions as well as fulfilled and carried out supervision and evaluation work. They played their roles in legal performance of duties of the board of supervisors. In the reporting period, no independent director ever had any objection to proposals or other affairs of the Board of Directors.

## III. Decision-making system

The general meeting of shareholders is the highest authority institution of the company. The board of directors performed the decision-making management and the board of supervisors exercised supervisory functions. The president who was employed by the board of directors took complete charge of daily operation and management of the company. The company took its head offices as its legal persons only and all its branches were dependent accounting units. The operation and management activities of its branches were carried out under the authorization of the head office and branches were responsible for the head office.

## IV. Independent operation of the Company

The company didn't have the majority shareholder or actual controller. Its business, personnel, assets, institutions and finance were completely independent from each other on the basis of the provisions of Company Law and Commercial Banking Law. As an independent legal entity which operated independently and assumed sole responsibility for its own profits or losses, the company had entirely independent and complete business and independent operation capability. The board of directors, board of supervisors and internal institutions of the company all operated independently.

## V. Performance assessment and incentive of senior management executives

The nomination and remuneration committee of the board of directors was responsible for the performance assessment and incentive of senior management executives. The board of directors did rewards and punishments towards senior management executives strictly in accordance with performance assessment procedures and adhered to principle of rewarding the good and punishing the bad. The board of directors would base the post appointment, wage level adjustment and annual salary distribution of senior management executives on performance assessment results.

## VI. Internal control system

### (I) Basic composition of internal control system

The company established an internal control system which included five elements, namely, internal control environment, risk identification and assessment, internal control measures, supervision evaluation and correction as well as information exchange and feedback in accordance with "Commercial Banking Law of the People's Republic of China", "Commercial Bank's Internal Control Guidelines", "Fundamental Norms of Corporate Internal Control" and other laws and regulations together with the New Basel Agreement and relevant contents of " 'COSO Mode' of Overall Framework of Internal Control" and constantly endeavored in the improvement and promotion of the internal control. The company established a governance framework

# Corporate Governance Structure and Mechanism

with the general meeting of shareholders, board of directors, board of supervisors and senior management as its main body and formed a governance mechanism, by which company institution each performed its own functions, assumed own responsibilities and balanced each other. The governance mechanism of "three meetings and one level" (three meetings meant general meeting of shareholders, board of directors and board of supervisors and one level meant senior management level) was improved gradually. The internal control management framework consisted of internal control decision making level, construction execution level and supervision and evaluation level. The company established "three lines of defense" of internal control, including line management department, risk management department, internal audit and inspection and supervision department, and formed an internal control management framework which was under the charge of principal persons of banks at all levels and all functional departments and was participated in by all the staff.

## (II) Brief information about construction of internal control system

The company attached great importance to the construction of internal control system and continued to optimize it. In 2013, on the basis of strengthening achievements made in the activity of "the year of improving internal control" in the previous year, and adhering to the corporate culture concept of "compliance, performance and responsibility", the Company made practical improvements in risk prevention capacity, promoted system executive ability development, and further enhanced internal control and case prevention level throughout the whole bank, which ensured that since the bank went into operation, there were no major accidents and cases occurred due to negligence and created favorable internal and external environments for sound and rapid development of all businesses of the Company.

First, further rationalizing internal control system and strengthening risk management and control of the Company. The Bank has been devoted to build internal control system with favorable internal control environment as the platform, reasonable organization structure and the base, sufficient information communication as the link and efficient internal control process and the main line, integrating all the positions and promoting healthy and sustainable development of the bank through independent, all-round and effective audit supervision. In this year, through deepening reform in risk management system and improving risk management organization structures of the head office and branches, a comprehensive risk management system was established.

Second, promoting the activity of "the year of improving internal control" in a comprehensive and deepened manner. In 2013, as per supervision requirements and the demand in enhancing internal control and management, focusing on the activity of "the year of improving internal control" and driven by deepened risk system reform, the Bank provided strong support for healthy and stable business development with advanced inspection and supervision technologies as the guarantee, problem rectification as the basis and improving internal control capacity as the target. The activities were carried out in six stages, i.e. starting and deployment, system improvement, internal control inspection, internal control rectification, strict accountability, summary and improvement, so that a long-term mechanism for case prevention was built.

## Corporate Governance Structure and Mechanism

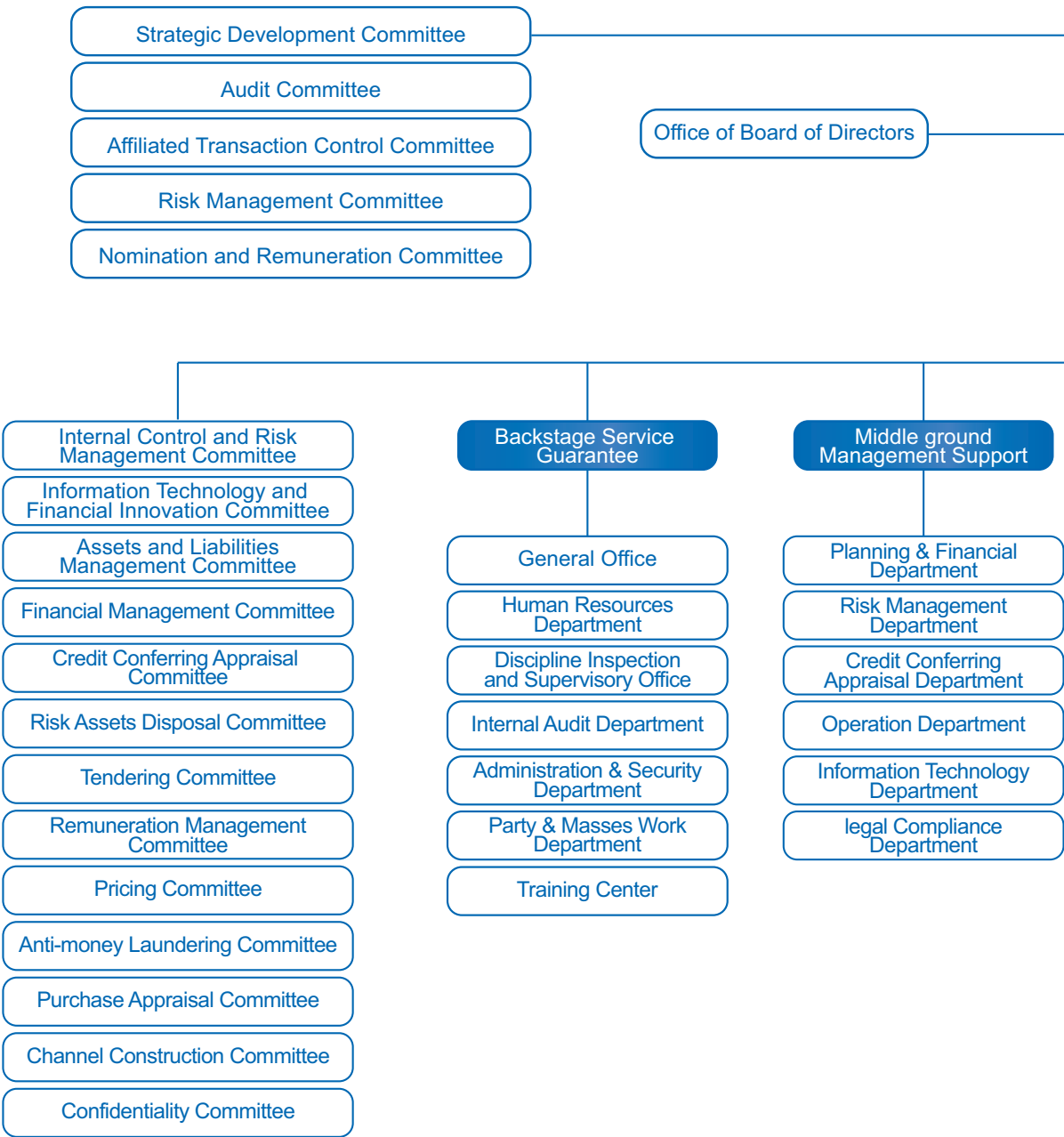
Third, further enhancing construction of "three lines of defense". Especially the self error correction and risk self-examination ability of the first line of defense was improved obviously. Taking the activity of "the year of improving internal control" as an opportunity, inspection and supervision were enhanced on implementation of rules and regulations in all business lines; moreover, internal audit department actively fulfilled its audit and supervision duties.

Under the direction of the board of directors and special committee, the management of the company put risk prevention and prudent management as the starting point, gradually established and improved a series of system, procedures and methods of risk prevention and formed a comprehensive, prudent, effective, independent and appropriate internal control system. The internal control measures covered all main business areas and the execution of internal control was basically effective, which played an effective role in maintaining the constant and stable development of all businesses of the company and preventing financial risks. The branches at all levels conscientiously fulfilled the management responsibilities within the scope, firmly took its head office as its legal person only, refined system and process and strengthened the implementation of system and measures in accordance with the requirements of the head office and actual situation of company business development and ensured that all control measures played constant and effective roles. Through strengthening system implementation and inspection and rectification, the internal control system of the company was improved constantly and the effectiveness of enforcement of internal control system was improved continuously. Since its establishment, the company had no major risk events occurred, constantly created value for its shareholders, provided its customers with high-quality service as well as effectively guaranteed and secured the legitimate rights and interests of customers. The possible risks caused by general defects discovered in self-examination were brought under control, which did not constitute substantial or major consequence towards the quality of business activities and achievement of financial reporting aim of the company.

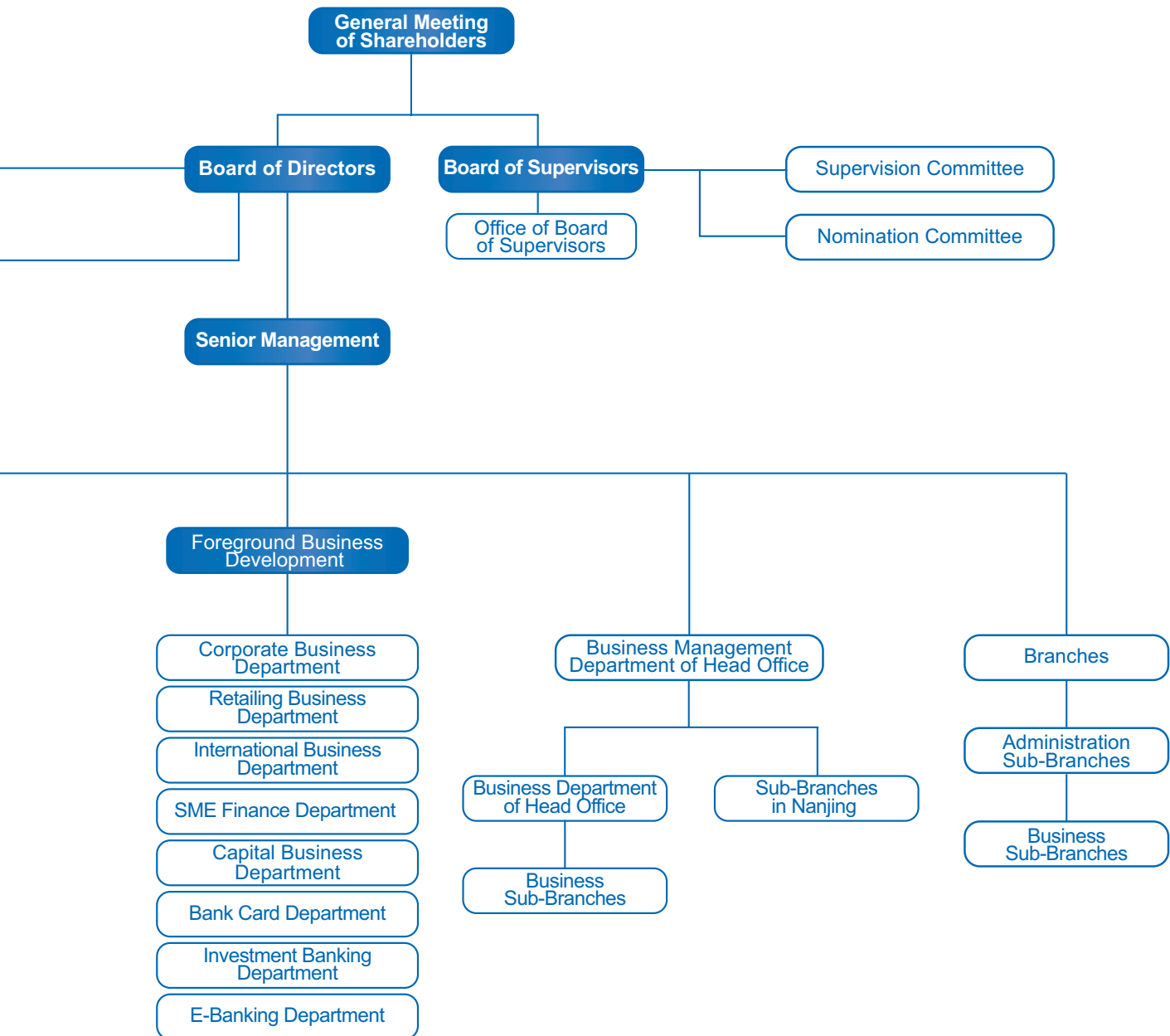


# Corporate Governance Structure and Mechanism

## VII. Organizational Chart of Bank of Jiangsu



# Corporate Governance Structure and Mechanism





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## General Meeting of Shareholders

# General Meeting of Shareholders

## General Meeting of Shareholders

In 2013, three annual general meetings of shareholders were held with 12 proposals being discussed and approved.

The first extraordinary shareholders' meeting of 2013 was convened by the Board of Directors and held on-site in Nanjing on March 11, 2013. Presided over by the Chairman of the Board of Directors, the shareholders' meeting was attended by a total of 24 shareholders and representatives, representing 4,788,053,843 voting shares, accounting for 52.62% of total share capital of the Company, which complied with provisions of the Company Law, other laws and regulations and Articles of Association of the Bank. In the meeting, 4 proposals, i.e. proposal about replacing accounting firm of Bank of Jiangsu, proposal on extending period of validity of the resolution about IPO of Renminbi ordinary shares (A shares) in China and listing, proposal about replacing directors of the second Board of Directors of Bank of Jiangsu and the proposal about replacing supervisors of the second Board of Supervisors of Bank of Jiangsu, were discussed and approved through voting by open ballot.

Annual general meeting of shareholders of 2012 was convened by the Board of Directors and held on-site in Nanjing on April 20, 2013. Presided over by the Chairman of the Board of Directors, the general meeting of shareholders was attended by a total of 38 shareholders and representatives, representing 5,980,961,178 voting shares, accounting for 65.72% of total share capital of the Company, which complied with provisions of the Company Law, other laws and regulations and Articles of Association of the Bank. In the meeting, 7 proposals, i.e. proposal about report of the Board of Directors in 2012 of Bank of Jiangsu, proposal about report of the Board of Supervisor in 2012 of Bank of Jiangsu, proposal about final financial settlement of 2012 and financial budget of 2013 of Bank of Jiangsu, proposal about profit distribution plan of Bank of Jiangsu in 2012, proposal about report of affiliated transaction of Bank of Jiangsu in 2012, proposal about capital and share increase plan of Bank of Jiangsu in 2013 and proposal about electing directors of Bank of Jiangsu Co., Ltd., were discussed and approved through voting by open ballot.

The second extraordinary shareholders' meeting of 2013 was convened by the Board of Directors and held on-site in Nanjing on August 27, 2013. Presided over by the Chairman of the Board of Directors, the general meeting of shareholders was attended by a total of 23 shareholders and representatives, representing 5,407,804,689 voting shares, accounting for 52.05% of total share capital of the Company, which complied with provisions of the Company Law, other laws and regulations and Articles of Association of the Bank. In the meeting, the proposal about issue to write-down qualified secondary capital instrument by Bank of Jiangsu Co., Ltd. was discussed and approved through voting by open ballot.



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## Report of the Board of Directors

# Report of the Board of Directors

## I. Management discussion and analysis (see Chapter 3)

## II. Meetings of board of directors and special committees in 2013

In 2013, a total of 10 meetings of the Board of Directors were held, including 3 communication meetings and 7 on-site meetings, in which 34 proposals were discussed and approved.

On January 23, 2013, the 16th meeting (communication meeting) of the second Board of Directors was held, in which the proposal on extending period of validity of the resolution about IPO of Renminbi ordinary shares (A shares) in China and listing was discussed and approved.

On March 25, 2013, the 17th meeting of the second Board of Directors was held, in which 6 proposals, i.e. proposal about work report of the president of Bank of Jiangsu in 2012, proposal about profit distribution plan of Bank of Jiangsu in 2012, proposal about financial audit report of Bank of Jiangsu in 2012, proposal about capital adequacy ratio plan from 2013 to 2018 of Bank of Jiangsu, proposal about self-assessment on performance of the Board of Directors and its directors of Bank of Jiangsu in 2012 and proposal about remuneration assessment method for senior management executives of Bank of Jiangsu, were discussed and approved.

On April 1, 2013, the 18th meeting of the second Board of Directors was held, in which 8 proposals, i.e. proposal about report of the Board of Supervisor in 2012 of Bank of Jiangsu, proposal about final financial settlement of 2012 and financial budget of 2013 of Bank of Jiangsu, proposal about annual report of Bank of Jiangsu in 2012, proposal about report of affiliated transaction of Bank of Jiangsu in 2012, proposal about capital and share increasing plan of Bank of Jiangsu in 2013, proposal about nomination and election of directors of Bank of Jiangsu Co., Ltd., proposal about suggestions on assessment and remuneration of senior management executives of Bank of Jiangsu in 2013 and proposal about annual general meeting of shareholders of Bank of Jiangsu Co., Ltd. in 2012, were discussed and approved.

On April 20, 2013, the 19th meeting of the second Board of Directors was held, in which the proposal about election of Chairman of the Board of Directors of Bank of Jiangsu Co., Ltd. was discussed and approved.

On May 13, 2013, the 20th meeting of the second Board of Directors was held, in which 5 proposals, i.e. proposal about work report of the president of Bank of Jiangsu Co., Ltd. in the first quarter of 2013, proposal about issue to write-down qualified secondary capital instrument by Bank of Jiangsu Co., Ltd., proposal about adding and adjusting internal organizations of the head office, proposal about adjusting members of special committee of the second Board of Directors of Bank of Jiangsu Co., Ltd. and the proposal about holding the second extraordinary shareholders' meeting of Bank of Jiangsu Co., Ltd. in 2013, were discussed and approved.

On June 30, 2013, the 21st meeting (communication meeting) of the second Board of Directors was held, in which the proposal about capital and share increasing plan of Bank of Jiangsu in 2013 was discussed and approved.

## Report of the Board of Directors

On July 16, 2013, the 22nd meeting of the second Board of Directors was held, in which 4 proposals, i.e. proposal about work report of the president of Bank of Jiangsu in the first half year of 2013, proposal about modifying registered capital and revising Articles of Association of Bank of Jiangsu, proposal about share capital reconstruction of shareholders holding more than 5% shares of Bank of Jiangsu and the proposal about construction of new office Building of Bank of Jiangsu, were discussed and approved.

On August 27, 2013, the 23rd meeting of the second Board of Directors was held, in which the proposal about dismissing president assistant of Bank of Jiangsu was discussed and approved.

On October 21, 2013, the 24th meeting (communication meeting) of the second Board of Directors was held, in which the proposal about purchasing business office for Beijing Branch was discussed and approved.

On November 7, 2013, the 25th meeting of the second Board of Directors was held, in which 6 proposals, i.e. proposal about work report of the president of Bank of Jiangsu in the 3rd quarter of 2013, proposal about investment to Clearing Center for City Commercial Banks, proposal about proposal management method (trial) of Board of Directors of Bank of Jiangsu, proposal about amending internal audit system of Bank of Jiangsu, proposal about renewing employment of accounting firm of Bank of Jiangsu and the proposal about cash dividend distribution of 2012, were discussed and approved.

In 2013, 14 meetings of special committees of the Board of Directors was held, including 2 meetings of strategic development committee, 3 meetings of audit committee, 2 meetings of affiliated transaction control committee, 3 meetings of risk management committee and 4 meetings of nomination and remuneration committee.

On March 25, 2013, strategic development committee of the second Board of Directors held the 6th meeting, in which the proposal about capital adequacy ratio plan from 2013 to 2018 of Bank of Jiangsu and the proposal about branch construction of Bank of Jiangsu in 2013 were discussed.

On December 23, 2013, strategic development committee of the second Board of Directors held the 7th meeting, in which the proposal about amending working rules of strategic development committee of the Board of Directors was discussed.

On March 19, 2013, audit committee of the second Board of Directors held the 7th meeting, in which financial audit report of Bank of Jiangsu in 2012, annual audit work summary of Bank of Jiangsu in 2012 and work plan in 2013 were discussed.

On October 11, 2013, audit committee of the second Board of Directors held the 8th meeting, in which work summary of internal audit department in the first half year in 2013, the proposal about amending Internal audit system of Bank of Jiangsu and the proposal about amending Working rules of audit management committee of the Board of Directors were discussed.

On November 15, 2013, audit committee of the second Board of Directors held the 9th meeting, in which the proposal about renewing employment of accounting firm of Bank of Jiangsu was discussed.

## Report of the Board of Directors

On May 13, 2013, risk management committee of the second Board of Directors held the 6th meeting, in which the proposal about adjusting risk management organization structure of Bank of Jiangsu was discussed and approved and the report on overall risk management of Bank of Jiangsu in 2012 was made.

On September 26, 2013, risk management committee of the second Board of Directors held the 7th meeting, in which the proposal about amending working rules of risk management committee of the Board of Directors and the risk restriction plan of Bank of Jiangsu in 2013 were discussed, and overall risk management report of Bank of Jiangsu in the first half year of 2013 was made.

On December 15, 2013, risk management committee of the second Board of Directors held the 8th meeting, in which the proposal about increasing VAR quota of available-for-sale accounts was discussed.

On April 1, 2013, affiliated transaction control committee of the second Board of Directors held the 6th meeting, in which the report about affiliated transactions of Bank of Jiangsu in 2012, proposal about seven affiliated transactions (including assembled funds trust plan about Wuxi Chemical Warehouse) between Bank of Jiangsu and Jiangsu Trust and the audit report about affiliated transactions in 2012 were discussed and approved.

On November 18, 2013, affiliated transaction control committee of the second Board of Directors held the 7th meeting, in which the following reports and proposals were discussed: report on major affiliated transaction with Jiangsu Danyang Baode Rural Bank Co., Ltd., report on affiliated transaction with Suzhou International Development Group Corporation (working capital loans), report on affiliated transaction with Black Peony (Group) Co., Ltd. (comprehensive credit conferring), report on affiliated transaction with Jiangsu International Trust Corporation Limited (Changzhou Youth City), report on affiliated transaction with Jiangsu International Trust Corporation Limited (Jiangsu urbanization construction Phase 10), report on affiliated transaction with Jiangsu International Trust Corporation Limited (Jiangsu urbanization construction Phase 19), report on affiliated transaction with Jiangsu International Trust Corporation Limited (Jiangsu urbanization construction Phase 12), report on affiliated transaction with Jiangsu International Trust Corporation Limited (county development Phase 3 in Jiangsu), report on affiliated transaction with Huatai Securities Co., Ltd. (stand-alone trust of not on discount), report on affiliated transaction with Huatai Securities Co., Ltd (Jiangsu urbanization construction Phase 18), report on affiliated transaction with Huatai Securities Co., Ltd (Shennan No. 2 trust), report on affiliated transaction with Huatai Securities Co., Ltd (Wuxi Metro Group), report on affiliated transaction with Jiangsu International Trust Corporation Limited (stand-alone trust of bond investment) and proposal about amending working rules of affiliated transaction control committee of the Board of Directors.

On March 18, 2013, nomination and remuneration committee of the second Board of Directors held the 7th meeting, in which the proposal about self-assessment report the Board of Directors and its directors of Bank of Jiangsu in 2012 and the proposal about remuneration assessment method of senior management executives of Bank of Jiangsu were discussed.



# Report of the Board of Directors

On March 28, 2013, nomination and remuneration committee of the second Board of Directors held the 8th meeting, in which the proposal about nomination and election of directors of Bank of Jiangsu Co., Ltd. and the proposal about suggestions on assessment and remuneration of senior management executives of Bank of Jiangsu in 2012 were discussed.

On May 10, 2013, nomination and remuneration committee of the second Board of Directors held the 9th meeting, in which the proposal about adjusting some special committee of the Board of Directors of Bank of Jiangsu Co., Ltd. was discussed.

On August 27, 2013, nomination and remuneration committee of the second Board of Directors held the 10th meeting, in which proposal about amending working rules of nomination and remuneration committee of the Board of Directors, proposal about remuneration management work report of Bank of Jiangsu in 2012 and the proposal about special audit on remuneration management of Bank of Jiangsu in 2012 were discussed.

## III. Appointment and dismissal of accounting firm

As per requirements of relevant supervision organization and as approved by the Board of Directors and in general meeting of shareholders, the company decided to appoint BDO China Shu Lun Pan Certified Public Accountants LLP as its audit institution for company financial reports.

## IV. Punishment imposed on the Company and its Board of Directors, Board of Supervisors and senior management executives

In the reporting period, no punishment was imposed to the Board of Directors or any of its directors, the Board of Supervisors or any of its supervisors, or senior management executives.

## V. Profit Distribution Plan

### (I) Profit distribution sequence in 2013

As per relevant regulations of Financial Rules for Financial Enterprises (Ministry of Finance Order No. 42) and Articles of Association of Bank of Jiangsu Co., Ltd., profit distribution sequence of the company in 2013 was as follows:

1. Legal surplus accumulation funds withdrawal
2. General risk provisions withdrawal
3. Discretionary surplus accumulation funds withdrawal
4. Dividends distribution

### (II) Profit distribution plan

1. Statutory surplus reserve was withdrawn by 10% of net profit realized in current year, i.e. RMB817,950,000.
2. General risk reserve was withdrawn by 1.5% of increase in amount of risk assets, i.e. RMB1,035,060,000, according to Regulations on Creation and Management of Provisions by Financial Institutions (C.J. [2012] No. 20).
3. Discretionary surplus reserve was withdrawn by 10% of net profit realized in current year, i.e. RMB817,950,000.
4. Dividend in 2013 was distributed as cash dividend with payment ratio of 8%, i.e. RMB0.08/share, totally RMB831,200,000.

As per the plan above, annual profit distribution amount in 2013 was RMB3,502,160,000 and the balance was RMB4,677,310,000 which were retained in undistributed profit subjects.



# Report of the Board of Supervisors

In 2013, the Board of Supervisors carefully analyzed economic and financial situations and carried out supervision according to laws, regulations and Articles of Association, aiming at interests of the shareholders and depositors, focusing on risk supervision, internal control supervision, financial and performance supervision. All supervisors fulfilled the supervision functioning targets and accomplished all missions diligently and scrupulously. Meanwhile, suggestions were proposed for decision-making in some important affairs areas for the Board of Directors and senior management executives; therefore, the Board of Supervisors had played due role in further improving corporate governance and promoting healthy and sustainable development of the Bank.

## I. Main duties of the Board of Supervisors in 2013

(I) **Performing duties diligently, enhancing and promoting performance continuously.** In the whole year, the Board of Directors and its special committees totally held 8 meetings, in which 10 proposals were discussed and approved and 7 special reports were released; moreover, the proposals and reports involved performance assessment on directors and supervisors, financial audit, risk management, internal control and case prevention, affiliated transaction and system construction, etc. In strict accordance with Articles of Association and procedures of the Board of Supervisors, reelection of chief supervisor and relevant shareholder supervisors was accomplished. Supervisors were organized to attend general meetings of the shareholders, on-site meetings of the Board of Directors and some relevant special meetings of senior management executives. By attending above meetings, the supervisors got sufficient information about operation and management of the Bank, so as to carefully perform supervision duty, promote standardized operation and robust department construction and safeguard overall interests of the Bank and shareholders.

(II) **Focusing on key issues and innovating performance measures.** Focusing on risk supervision, internal control and financial supervision, the Board of Supervisors had made great achievements in exploring new performance measures. Firstly, organizing of supervision team. Aiming at prominent problems existing in operation and management, special audit was organized on responsibility confirmation of non-performing loans, seal management and information technology outsourcing management; furthermore, as the head in supervising multiple projects, the chief supervisor assigned backbone personnel from relevant departments to form special work team to participate in the entire supervision process, which turned out with remarkable achievements. Secondly, interview carried out for supervision. Interviews were carried out with the office of Board of Directors, Credit conferring management department and Corporate business department on affiliated transaction, non-performing assets and credit assets transferring; moreover, for auditing of annual financial report, interview was carried out with BDO China Shu Lun Pan Certified Public Accountants LLP., so as to propose supervision opinions and listen to implementation report on relevant work. Thirdly, supervision opinions in written form. For proposal management, outsourcing management and other issues, the Board of Supervisors had gave written opinions to the Board of Directors and senior management executives to supervise and urge them to improve institutional system functioning and define department responsibilities.

# Report of the Board of Supervisors

(III) **Strengthening guidance and enriching performance content continuously.** Through continuously strengthening inspection and guidance on key businesses and effective supervision, the Board of Supervisors improved business process and enhanced risk prevision and internal management and control. As per corporate governance guidance newly issued by China Banking Regulatory Commission and work guidance of the Board of Supervisors, performance assessment was carried out on directors; moreover, proposals on profit distribution and annual report were initially discussed, so that the performance content was continuously enriched.

(IV) **Enhancing studying and strengthening self-construction.** As per supervision requirements, the Board of Supervisors analyzed and modified relevant institutions; meanwhile, integrating practical conditions of the Bank, concrete implementation measures were proposed aiming at specific problems; moreover, Suggestion on implementing corporate governance guidance and supervision work guidance, and further strengthening supervision of the Bank was formulated, which defined action plan for future work. Study and training communication activities were carried out; furthermore, the Board of Supervisors organized all supervisors to participate in interpretation of Working guidance for board of directors of commercial banks, corporation governance practice training and new capital method implementation experience sharing: understanding, influence and response of new capital management methods of China Banking Regulatory Commission on commercial banks; exchange activities were carried out with many banks on work of the board of supervisors, so as to learn from each other and enhance working communication.

In 2014, focusing on enhancing performance efficiency and improving supervision standards, the Board of Supervisors will make positive exploration and innovation, further improve work system and mechanism, enrich work content, enhance supervision, in order to give full play to functions of the Board of Directors.

## II. Meetings of the Board of Supervisors in 2013

The following meetings were held by the Board of Directors in 2013:

On March 25, 2013, the second Board of Supervisors held the 12th meeting in Nanjing. In the meeting, the following reports and proposals were discussed and approved: Annual work report of chief supervisor of Bank of Jiangsu in 2012, Annual work report of the Board of Supervisors of Bank of Jiangsu in 2012, Proposal about profit distribution plan of Bank of Jiangsu in 2012 and Proposal about by-election of supervision committee member of the Board of Supervisors of Bank of Jiangsu in 2012; furthermore, chief supervisor of the second Board of Supervisors of Bank of Jiangsu was elected.

On April 19, 2013, the second Board of Supervisors held the 13th meeting in Nanjing. In the meeting, the following proposals were discussed and approved: Proposal about performance assessment results of directors of Bank of Jiangsu in 2012, Proposal about performance assessment results of supervisors of Bank of Jiangsu in 2012, Proposal about annual work plan of Board of Supervisors of Bank of Jiangsu in 2013 and Proposal about special audit report on real estate credit conferring business of Bank of Jiangsu in 2012.

On November 17, 2013, the second Board of Supervisors held the 14th meeting in Nanjing. In the meeting, Proposal about special audit report on information technology outsourcing of Bank of Jiangsu was discussed and approved; moreover, work report on credit risk management and case prevention of Bank of Jiangsu was given.

On December 16, 2013, the second Board of Supervisors held the 15th meeting in Nanjing. In the meetings, the participants learned Corporate governance guidance for commercial banks and Work guidance for board of directors in commercial bank, studied implementation schemes of the Board of Directors of the Bank and listened to the report about financial situation of Bank of Jiangsu.

### III. Opinions of the board of supervisors on related major issues

The Board of Supervisors performed the supervision duties according to the laws. Besides supervision activities carried out as planned, the Board of Supervisors also listened to the special reports on affiliated transaction, non-performing assets management and credit asset transfer in 2013 as well as presentation made by external audit organization on financial auditing, and supervised compliance and authenticity of major business activities and financial situation. Independent supervision opinions about the following affairs are shown as follows:

#### (I) Operation compliance

With steady operation and standardized management, the Company implemented business activities in accordance with "Company Law", "Commercial Bank Law", "Articles of Association of Bank of Jiangsu Co., Ltd." and other laws, regulations and rules. The decision-making procedures of business were legitimate and the business performance was objective and true. The board of directors and senior management executives were conscientious and diligent. None of the board of directors and senior management executives was in violation of laws, regulations and articles of association as well as the interests of shareholders and the company when they assumed their responsibilities.

#### (II) Financial report

The 2013 annual financial report of the company was audited by BDO China Shu Lun Pan Certified Public Accountants LLP which also gave a standard audit report with unqualified opinion. The financial report was authentic and objective, accurately reflecting financial conditions and operating results of the company.

#### (III) Capital raising, acquisition and assets sale

In the reporting period, under approval, the Company increased 1.29 billion shares, raising RMB6.45 billion, which was used for replenishing capital fund of the Company.

# Report of the Board of Supervisors

Capital and share increasing of the Company complied with relevant laws, and no event violating the laws and rules was found.

In the reporting period, there's no major assets acquisition.

## (IV) Affiliated transaction

The company carried out affiliated transaction in accordance with the normal business procedures and regulations. No behavior violating the rights and interests of shareholders and the company was found.

## (V) Internal control

The company has emphasized great importance to internal control system and no major defects were found in internal control system or its execution.

## (VI) Information disclosure

The company initiatively accepted social supervision and disclosed its annual reports to the public in accordance with the law. No false records, misleading statements or major omissions were found in information disclosed.

## (VII) Execution of resolutions of shareholders' meeting

The Board of Supervisors supervised execution of resolutions discussed and approved in the general meetings of shareholders during the reporting period and considered that the board of directors of the company conscientiously executed the resolutions of the general meetings of shareholders.





# Significant Issues

## I. Establishment, withdrawal and merging of branches and internal institutions

Branches	Business address	Tel.	Number of Sub-branches
Head Office of Bank of Jiangsu	No. 55, Hongwu North Road, Nanjing	025-58588111	23
Bank of Jiangsu, Wuxi Branch	No. 8, Gongyun Road, Wuxi	0510-82326150	114
Bank of Jiangsu, Suzhou Branch	No. 6, Sanxiang Road, Suzhou	0512-68636863	47
Bank of Jiangsu, Nantong Branch	No. 300, South Street, Nantong	0513-85123031	40
Bank of Jiangsu, Changzhou Branch	No. 500, Yanling Middle Road, Changzhou	0519-88101228	30
Bank of Jiangsu, Huai'an Branch	No. 34, Huaihai North Road, Huai'an	0517-83915824	32
Bank of Jiangsu, Xuzhou Branch	No. 81, Pengcheng Road, Xuzhou	0516-83100982	32
Bank of Jiangsu, Yangzhou Branch	Building 4, No. 525, Wenchang West Road, Yangzhou	0514-82931733	25
Bank of Jiangsu, Zhenjiang Branch	No. 152, Zhengdong Road, Zhenjiang	0511-84423206	37
Bank of Jiangsu, Yancheng Branch	No. 269, Jiefang South Road, Yancheng	0515-66665801	34
Bank of Jiangsu, Lianyungang Branch	No. 56, Hailian Middle Road, Lianyungang	0518-85510034	27
Bank of Jiangsu, Suqian Branch	No. 17, Qinghai Lake Road, Suqian	0527-81001983	9
Bank of Jiangsu, Taizhou Branch	No. 10, Dongjin East Road, Taizhou	0523-86223901	9
Bank of Jiangsu, Shanghai Branch	East Direction, 1/F and Room 01-04, 7/F, Zhendan Building, No. 99, Fucheng Road, Pudong New Area, Shanghai	021-50639999	13
Bank of Jiangsu, Shenzhen Branch	1/F, 2/F, 3/F and 20/F, Zhonglu Building, No. 4011 port, Shennan Avenue, Futian District, Shenzhen	0755-22660687	9
Bank of Jiangsu, Beijing Branch	1-5/F, Huarong Building, No. 8, Financial Street, Xicheng District, Beijing <sup>1</sup>	010-56986086	15
Bank of Jiangsu, Hangzhou Branch	1-3/F, East of Zhejiang Publishing Group Building, No. 38-42, Tianmu Mountain Road, West Lake District, Hangzhou	0571-88359566	3

In the reporting period, as per business development requirements, the Company expanded investment banking department and e-banking department.

13 sub-branches newly established in 2013 include: Kunshan Qiandeng Sub-branch, Shanghai Zhabei Sub-branch, Beijing Zhongguancun Sub-branch, Taizhou Chengdong Sub-branch, Shenzhen Qinghu Sub-branch, Beijing Zhongguancun West Sub-branch, Beijing Yayuncun Sub-branch, Nanjing Sub-branch in High-tech Development Zone, Beijing Sub-branch in Headquarter Base, Shenzhen Shajing Sub-branch, Suzhou Sub-branch in Science and Technology Town, Beijing Sub-branch on East Third Ring Road, Nanjing Sub-branch in Jiangning Development Zone; Yancheng Dongzha Sub-branch was withdrawn.

<sup>1</sup> On February 17, 2014, Beijing Branch, Bank of Jiangsu was moved to new address located at No. 1, Guangxi Jiayuan, Chaoyang District, Beijing; Tel: 010-56986950.

### II. Major Litigations and Arbitration

Many legal and arbitration affairs exist in normal business of the Company. Through consulting professional legal adviser, senior management executives of the Company do not think such legal or arbitration affairs will have adverse impact on business, financial situation or operation performance of the Company.

### III. Increase or decrease of registered capital, division or merger

In the reporting period, as approved, the Company increased 1.29 billion shares, raising RMB6.45 billion, which will be used to supplement capital fund of the Company; there' s no division or merging issues.

### IV. Major acquisition, merger, assets sale or consolidation

During the reporting period, the company had no major acquisitions or mergers, assets sale or absorption occurred.

### V. Significant contracts and performance

The company' s significant contracts didn' t include items of trusteeship, contracting or leasing of other companies' assets or items of other companies' trusteeship, contracting or leasing of this company' s assets beyond normal businesses. The relevant guarantee contracts of the company were made within the scope of its guaranty business. No significant guaranty matters occurred.

### VI. Affiliated transaction

The company did not have related parties who had a controlling interest in the company. During the reporting period, the company granted the credit to all related parties in accordance with relevant provisions of the law and company loan conditions and approval procedures and the loan principal & interest were repaid normally. All financing products and bonds of related parties were purchased in accordance with general business principles and conducted under the conditions no better than similar transactions with non-related parties, and no negative impact on the company' s operating results and financial conditions.



# FINANCIAL REPORT AND DOCUMENTS FOR REFERENCE

## Financial Report and Documents for Reference

### I. Financial reports

- (I) Standard audit report with unqualified opinion given by BDO China Shu Lun Pan Certified Public Accountants LLP towards the 2013 annual financial report of the company.
- (II) Accounting statements.
- (III) Note to accounting statement.

### II. Catalog of documents for reference

- (I) Annual report signed by the chairman of the Board of Directors.
- (II) Accounting statements signed and sealed by the legal representative, president and financial administrator
- (III) Original audit report sealed by the accounting firm, and signed and sealed by certified public accountant

Board of Directors, Bank of Jiangsu Co., Ltd.  
March 31, 2014

# Auditor's Report

PCPAR (2014) No. 111414

To the shareholders of Bank of Jiangsu Co., Ltd.:

We have audited the accompanying financial statements of Bank of Jiangsu Co., Ltd ((hereinafter referred to as "the Bank"), which comprise the balance sheet as at December 31, 2013, the income statement, the cash flow statement for the year then ended, the statement of changes in equity , and notes to the financial statements.

## I. Management's responsibility for the financial statements

The Company's management is responsible for the preparation of the financial statements. This responsibility includes: (1) the preparation of the financial statements should be in accordance with the Chinese Accounting Standards (CASs) and give a true and fair view. (2) designing, implementing and maintaining internal control relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

## II. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with the Chinese Certified Public Accountants Auditing Standards. Those standards require that we comply with professional ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

management, as well as evaluating the overall presentation of the financial statements.

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

### III. Auditing opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Shu Lun Pan Certified Public Accountants Co., Ltd.



Shanghai, China

Certified Public Accountant of China

Certified Public Accountant of China

Date: 31 March, 2014

*This auditors' report and the accompanying notes to the financial statements are English translation of the Chinese auditors' report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.*

# Financial reports

## Balance Sheet

31 December 2013

Presents by: Bank of Jiangsu Co., Ltd.

Monetary Unit: 1,000 CNY

Item	Note	31 December 2013	31 December 2012
Assets:			
Cash and balances with central banks	VII.1	125,961,631	120,840,383
Deposits with banks and other financial institutions	VII.2	70,938,605	70,430,872
Precious metal			
Placements with banks and other financial institutions	VII.3	6,505,595	13,897,973
Financial assets held for trading	VII.4	1,642,982	5,197,663
Derivative financial assets	VII.5	787	
Financial assets held under resale agreements	VII.6	62,840,457	25,853,449
Interest receivable	VII.7	3,417,997	2,311,970
Loans and advances to customers	VII.8	399,973,869	342,827,271
Available-for-sale financial assets	VII.9	10,746,775	11,175,371
Held-to-maturity investment	VII.10	40,020,539	23,050,120
Receivables	VII.11	30,226,101	24,184,939
Long-term equity investment	VII.12	126,313	116,681
Investment property			
Fixed assets	VII.13	3,026,520	3,203,353
Intangible assets	VII.14	723,204	724,738
Deferred tax assets	VII.15	2,154,630	1,861,026
Other assets	VII.16	4,927,688	4,562,096
Total assets		763,233,693	650,237,905

Legal representative:

Executive President in  
charge of finance and  
accounting:

Head of finance  
and accounting  
Department:

## Balance Sheet ( Continued )

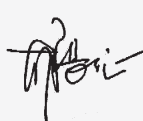
31 December 2013

Presents by: Bank of Jiangsu Co., Ltd.

Monetary Unit: 1,000 CNY

Item	Note	31 December 2013	31 December 2012
Liabilities:			
Borrowing from the central banks			
Deposits from banks and other financial institutions	VII.18	64,300,763	46,304,206
Placements from banks and other financial institutions	VII.19	6,695,748	16,597,927
Financial liabilities held for trading			
Derivative financial liabilities			
Financial assets sold under repurchase agreement	VII.20	28,532,835	1,705,990
Due to customers	VII.21	596,195,600	532,492,070
Accrued staff costs	VII.22	3,226,029	2,864,359
Taxes payable	VII.23	1,366,384	1,845,279
Interest payable	VII.24	7,287,142	5,554,765
Provisions	VII.25	51,385	6,596
Bonds payable	VII.13	5,000,000	7,000,000
Deferred tax liabilities	VII.26	147,214	155,210
Other liabilities	VII.27	2,684,588	1,571,858
<b>Total liabilities</b>		<b>715,487,688</b>	<b>616,098,260</b>
Shareholders' equity			
Share capital	VII.28	10,390,000	9,100,000
Capital reserves	VII.29	9,822,320	4,957,426
Less: Reserved stocks			
Surplus reserves	VII.30	5,601,909	4,080,387
General risk reserves	VII.31	8,431,561	7,396,497
Retained earnings	VII.32	13,500,215	8,605,335
<b>Total shareholders' equity</b>		<b>47,746,005</b>	<b>34,139,645</b>
<b>25</b>		<b>763,233,693</b>	<b>650,237,905</b>

Legal representative:


Executive President in  
charge of finance and  
accounting:

Head of finance  
and accounting  
Department:




# Financial reports

## Income statement

31 December 2013

Presents by: Bank of Jiangsu Co., Ltd.

Monetary Unit: 1,000 CNY

Item	Note	31 December 2013	31 December 2012
I. Operating income		22,274,571	19,805,578
Net interest income		19,757,645	17,601,837
Interest income	VII.33	37,682,270	32,398,639
Interest expense	VII.33	17,924,625	14,796,802
Net fees and commission income		2,382,346	1,707,893
Fee and commission income	VII.34	2,458,730	1,798,834
Fee and commission expense	VII.34	76,384	90,941
Investment income	VII.35	31,737	383,673
Including: income from investment in associates and joint ventures		9,632	6,254
Gains/losses on fair value changes	VII.36	-27,994	-18,328
Foreign exchange gains/losses	VII.37	110,055	109,531
Other operating income	VII.38	20,782	20,972
II. Operating expenses		11,415,519	10,280,686
Business tax and surcharges	VII.39	1,519,260	1,360,561
Operating and administrative expenses	VII.40	7,194,784	6,617,403
Impairment losses of assets	VII.41	2,698,653	2,292,461
Other operating expenses	VII.42	2,822	10,261
III. Operating profit		10,859,052	9,524,892
Add: non-operating income	VII.43	174,951	121,573
Less: non-operating expenses	VII.44	21,845	20,588
IV. Profit before income tax		11,012,158	9,625,877
Less: income tax	VII.45	2,832,692	2,590,126
V. Net profit		8,179,466	7,035,751
VI. Earnings per share:			
Basic earning per share	VII.46	0.86	0.79
VII. Other comprehensive income	VII.47	-295,105	20,364
VIII. Total comprehensive income		7,884,361	7,056,115

Legal representative:

Executive President in  
charge of finance and  
accounting:

Head of finance  
and accounting  
Department:

## Cash flow statement

31 December 2013

Presents by: Bank of Jiangsu Co., Ltd.

Monetary Unit: 1,000 CNY

Item	Note	31 December 2013	31 December 2012
I. Cash flows from operating activities			
Net increase in customer deposits and due to banks		81,972,933	115,214,094
Net increase in borrowing from the PBO		524,890	-276,397
Net increase in borrowing from other financial institution		29,656,581	10,952,396
Cash received from interest ,fee and commission		36,654,315	32,295,889
Other cash receipts relating to operating activities	VII.48	945,623	667,744
Sub-total of cash inflows from operating activities		149,754,342	158,853,726
Net increase in loans and advances to customers		58,347,919	61,389,978
Net increase in deposit with the PBO and due from banks		16,417,209	15,624,460
Cash paid for interest,fee and commission		15,850,232	12,807,815
Cash paid to and on behalf of employees		3,828,122	3,316,719
Payments of taxes		4,891,847	3,942,226
Cash payment relating to other operating activities	VII.48	2,523,430	2,383,976
Sub-total of cash outflows from operating activities		101,858,759	99,465,174
Net cash flows from operating activities		47,895,583	59,388,552
II. Cash flows from investing activities			
Cash received from disposal of investment		108,921,668	128,688,999
Cash received from return on investment		3,442,359	1,263,913
Other cash received relating to investing activities		236,335	50,797
Sub-total of cash inflows from investing activities		112,600,362	130,003,709
Cash paid to acquisition of investments		133,391,727	168,943,055
Cash paid to acquisition of fixed assets,intangible assets and other long-term assets		1,195,556	845,717
Cash payment relating to investing activities			
Sub-total of cash outflows from investing activities		134,587,283	169,788,772
Net cash flows from investing activities		-21,986,921	-39,785,063
III. Cash flows from financing activities			
Cash received from investments		6,450,000	
Cash received from issuance of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		6,450,000	
Cash repayments of borrowings		2,000,000	
Cash paid for distribution of dividends or profit and interest expends		1,143,191	711,205
Cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		3,143,191	711,205
Net cash flows from financing activities		3,306,809	-711,205
IV. Effect of foreign exchange rate changes on cash and cash equivalents		110,061	109,531
V. Net increase in cash and cash equivalents	VII.48	29,325,532	19,001,815
Add:Opening balances of cash and cash equivalents		99,144,010	80,142,195
VI. Closing balances of cash and cash equivalents	VII.48	128,469,542	99,144,010

Legal representative:


Executive President in  
charge of finance and  
accounting:

Head of finance  
and accounting  
Department:


# Financial reports

## Statement of changes in shareholders' equity

2013

Presents by: Bank of Jiangsu Co., Ltd.

Monetary Unit: 1,000 CNY

Item	Note	2013						
		Share capital	Capital reserve	Less: reserved stock	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' capital
I. Balance at 31 December 2012		9,100,000	4,957,426		4,080,387	7,396,497	8,605,335	34,139,645
Add: Changes in accounting policies								
Errors corrected								
Others								
II. Balance at 1 January 2013		9,100,000	4,957,426		4,080,387	7,396,497	8,605,335	34,139,645
III. Changes in the current year		1,290,000	4,864,894		1,521,522	1,035,064	4,894,880	13,606,360
1. Net profit							8,179,466	8,179,466
2. Other synthetical income	VII.47		-295,106					-295,106
3. Capital invested or reduced by shareholders		1,290,000	5,160,000					6,450,000
a) Capital invested by shareholders	VII.28	1,290,000	5,160,000					6,450,000
b) Amount of dividend payment recognized as shareholders' equity								
c) others								
4. Distribution of profit					1,521,522	1,035,064	-3,284,586	-728,000
a) Appropriation to surplus reserve	VII.30				1,521,522		-1,521,522	
b) Appropriation to general risk reserve	VII.31					1,035,064	-1,035,064	
c) Distribution to shareholders	VII.32						-728,000	-728,000
d) others								
IV. Balance at 31 December 2013		10,390,000	9,822,320		5,601,909	8,431,561	13,500,215	47,746,005

Legal representative:



Executive President in charge of finance and accounting:



Head of finance and accounting Department:



## Statement of changes in shareholders' equity (Continued)

2013

Presents by: Bank of Jiangsu Co., Ltd.

Monetary Unit: 1,000 CNY

Item	Note	2012						
		Share capital	Capital reserve	Less: reserved stock	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' capital
I. Balance at 31 December 2011		9,100,000	4,937,062		2,793,424	3,822,233	7,158,811	27,811,530
Add: Changes in accounting policies								
Errors corrected								
Others								
II. Balance at 1 January 2012		9,100,000	4,937,062		2,793,424	3,822,233	7,158,811	27,811,530
III. Changes in the current year			20,364		1,286,963	3,574,264	1,446,524	6,328,115
1. Net profit							7,035,751	7,035,751
2. Other synthetical income	VI.47		20,364					20,364
3. Capital invested or reduced by shareholders								
a) Capital invested by shareholders	VI.28							
b) Amount of dividend payment recognized as shareholders' equity								
c) others								
4. Distribution of profit					1,286,963	3,574,264	-5,589,227	-728,000
a) Appropriation to surplus reserve	VI.30				1,286,963		-1,286,963	
b) Appropriation to general risk reserve	VI.31					3,574,264	-3,574,264	
c) Distribution to shareholders	VI.32						-728,000	-728,000
d) others								
IV. Balance at 31 December 2012		9,100,000	4,957,426		4,080,387	7,396,497	8,605,335	34,139,645

Legal representative:



Executive President in charge of finance and accounting:



Head of finance and accounting Department:



# Notes to the Financial Statements

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

## I. Company profile

### 1. General information

Bank of Jiangsu Co., Ltd., hereinafter referred to as the "Bank", was established by merger of 10 former commercial banks: Wuxi city commercial bank, Suzhou city commercial bank, Nantong city commercial bank, Changzhou city commercial bank, Huai'an city commercial bank, Xuzhou city commercial bank, Yangzhou city commercial bank, Zhenjiang city commercial bank, Yancheng city commercial bank and Lianyungang city commercial bank, as approved by the China Banking Regulatory Commission (CBRC) in accordance with "Instruction about Construction of Bank of Jiangsu Co., Ltd." (Yin Jian Fu [2006] No.379) in December 2006. The Bank obtained its business license issued by Jiangsu Province Business and Administration Management Bureau on 22 January 2007. The ten former commercial banks cancelled their own legal person qualification after merger, and all credit claims and debts are inherited by the newly established Bank of Jiangsu Co., Ltd.

The Bank's business license is No. 32000000022189 and its financial business license is No. B0243H232010001. The legal representative of the Bank is Xia Ping, and the registered office is located at No.55 Hongwu Road North, Nanjing City.

The registered capital of the Bank during applying for the registration of establishment was RMB 7,850 million.

In August 2009, according to the first extraordinary general meeting in 2009 and the revised articles, the Bank raised funds by private placement through issuing 550 million ordinary shares to Jiangsu Shagang Group Co., Ltd, Sanbao Group Co., Ltd, and Suning Appliances Co., Ltd in cash. Its par value was RMB 1.00 per share and the offering price was RMB 3.60 per share. The registered capital of the Bank increased to RMB 8,400 million.

Meanwhile, in March 2010, according to the first extraordinary general meeting in 2010 and the revised articles, the Bank raised funds by private placement through issuing 700 million common stocks to Huatai Security Co., Ltd, Jiangsu Phoenix Publishing and Media Group Co., Ltd, Wuxi Construction and Development Investment Co., Ltd, Jiangsu Tiangong Group Co., Ltd, Jiangsu Jinying Industrial Equipment Installation Co., Ltd, Heilan Group Co., Ltd, Jiangsu Sunshine Group Co., Ltd, Jiangsu Nongken Group Co., Ltd, Jiangsu Govtor Capital Group Co., Ltd, Jiangsu High Hope International Group Co., Ltd, Jiangsu Grains Group Co., Ltd in cash. The offering price was RMB 5.00 per share and par value was RMB 1.00 per share. The registered capital of the Bank increased to RMB 9,100 million.

In August 2013, according to the resolutions of shareholders' meeting in 2012, the Bank raised funds by private placement through issuing 1,290 million common stocks to Jiangsu Phoenix Publishing and Media Group Co., Ltd, Jiangsu Communications Holding Co., Ltd, Jiangsu Expressway Co., Ltd, Jiangsu Broadcasting Television Group Co., Ltd, Wuxi Construction and Development Investment Co., Ltd, Jiangsu Shagang Group Co., Ltd, Jiangsu Jinying Industrial Equipment Installation Co., Ltd, Jiangsu Xinhua Daily Media Group Co., Ltd, Jiangsu

# Notes to the Financial Statements

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

Yueda Investment Co., Ltd, Jiangsu Pengxin Investment Co., Ltd, Jiangsu Cultural Industry Group Co., Ltd, Jiangsu International Tender Co., Ltd, Yancheng Municipal State-Owned Assets Investment Group Co., Ltd, Suzhou Wujiang City Investment and Development Co., Ltd, Suzhou Wujiang Communications Investment Group Co., Ltd, Nanjing Ruitongxiang Commercial Trading Co., Ltd and Hongdou Group Co., Ltd in cash. The offering price was RMB 5.00 per share and the par value was RMB 1.00 per share. The registered capital of the Bank increased to RMB 10,390 million.

As at 31 December 2013, Jiangsu International Trust Co., Limited is the Bank's largest shareholder with a shareholding interest of 8.76%.

## 2. Operating institution installation information

As of 31 December 2013, the Bank has set up headquarter business department, 16 branches which are Wuxi, Suzhou, Nantong, Changzhou, Xuzhou, Huai' an, Yangzhou, Zhenjiang, Yancheng, Lianyungang, Suqian, Taizhou, Shanghai, Shenzhen, Beijing and Hangzhou, along with 16 sub-branches in Nanjing

## 3. Prime operation and services provided from the Bank

As at 31 December 2013, the licensed business items of the Bank are as follows: absorbing public deposits; offering short-term, medium term and long-term loans; arranging domestic settlement; handling acceptance and discount of negotiable instruments; issuing financial bonds; proxy issue, payment, sales of government bonds; underwriting short-term financing bonds; buying and selling government bonds, financial bonds, corporate bonds; undertaking interbank borrowing or lending; providing letters of credit service and guarantee; agency receipts and payments, insurance agent, managing fund for clients; agency fund sales; agency precious metal sales; agency receipts and payments, safeguarding trust plan of assembled funds; providing safe boxes services; handling entrusted deposit and loan; engaging in bank card business; foreign exchange deposit; foreign exchange loan; foreign exchange remittance; foreign currency exchange; foreign exchange settlement and sale; agency forward foreign exchange settlement and sales; international settlement; self trading and valet foreign exchange trading; foreign exchange interbank lending; trading and buying and selling securities other than stocks; credit investigation, consultation and witness services; online banking; other businesses as approved by China Banking Regulatory Commission .

The Bank has no general business item.

The financial statements have been approved by the 1<sup>st</sup> meeting of the 3<sup>rd</sup> session Board of Directors of the Bank on 31 March 2014.

## II. Basis of preparation

The financial statements are prepared on the hypothesis of going concern, based on actual transactions and events occurred, in accordance with the Chinese Accounting Standards (CASs) issued by the Ministry of

# Notes to the Financial Statements

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

Finance (MoF) on 15 February 2006 and thirty-eight specific accounting standards, accounting application guidelines, interpretations as well as the following significant accounting policies and estimations.

## III. Statements of compliance with CASs

The financial statements of the Bank have been prepared in accordance with CASs, and present truly and completely, the Bank's financial position as at 31 December 2013, and the Bank's results of operations and cash flows for the year ended 2013.

## IV. Summary of significant accounting policies and accounting estimate

### 1. Accounting year

The Bank has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

### 2. Functional and presentational currency

The functional and presentational currency of the Bank is RMB and all values are rounded to the nearest thousand except when otherwise indicated.

### 3. Basis of accounting and principle of measurement

The Bank's financial statements are prepared on accrual basis of accounting. And it adopts history cost system method measurement except derivatives and the financial assets and liabilities measured at fair value and changes recorded into current profit and loss. The Bank has adopted the historical cost as the principle of measurement of the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

### 4. Recognition criteria of cash and cash equivalents

Cash displayed in cash flow statement comprises cash on hand and deposits that are readily available for payment, including cash in stock, can be used to pay from the unlimited deposits of central bank and current deposits with bank; cash equivalents are short-term, highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, including the contracts of deposit with banks and other financial institutions maturing within three months, bonds investment and securities held under resale agreements, etc.

# Notes to the Financial Statements

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

## 5. Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognized in the current "foreign exchange gains or losses" account; Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions; Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined. Exchange differences arising from measurement at historical cost or fair value are recognized in the "foreign exchange gains or losses" account or "other comprehensive income" account of income statement based on the character of non-monetary items. Amount of impact of exchange rate fluctuation on cash amount is separated in cash flow statement.

## 6. Consolidated financial statement compiling method

The scope of consolidated financial statement of the Bank is on the basis of the control; all subsidiaries are included in the consolidated financial statements.

Accounting policy and accounting period adopted by all subsidiaries should be in line with the Bank.

Consolidated financial statement formed on the basis of the Bank and its subsidiaries' financial statement, along with other relevant data, is formulated by the Bank in adjusting long-term equity investment to subsidiaries by employing the equity method,

The impact of the internal transactions, whether between the Bank and its subsidiaries or among the subsidiaries, will be offset on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in owners' equity, when consolidating financial statement.

The Balance from current period loss of minority shareholders of subsidiary over the minority shareholders share holding at the beginning of owners' equity, should reduce the equity of minority shareholders.

In the reporting period, when the Bank disposed subsidiaries, the subsidiaries' income, expense, profit from the beginning of period to the disposal date should be booked in the consolidated income statement; cash flow from the beginning of period to the disposal date should be booked in the consolidated cash flow statement.

## 7. Business combination accounting method under the same controller and not under the same controller

### 7.1 Business combination under the same controller

The assets and liabilities of the combined party should be measured pursuant to their carrying amount on the



# Notes to the Financial Statements

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combining date. When the accounting policy adopted by the combined party is not consistent with the Bank, the Bank should adjust it according to the Bank's accounting policy on the combining date, and confirm the book value after the adjustment.

As for the balance between the carrying amount of net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional capital reserve (capital stock premium) should be adjusted. If the additional capital reserve (capital stock premium) is not sufficient to be offset, the retained earnings shall be adjusted.

Direct expenses related to enterprise merger are booked into current profit and loss at the time of incurrence, including audit expenses, assessment expenses, legal expenses, etc. Transaction expense from issuing equity securities for the purpose of enterprise merger, is deducted from the surplus of equity securities. When surplus is not sufficient, retained earnings is reduced.

## 7.2 Business combination not under the same controller

Merger consideration paid and the net assets acquired by the merger party are valued by book value. The difference between fair value and book value is booked into current profit and loss on the purchase day.

On purchase day, acquirer allocates the combination cost and ensures the identifiable assets, liabilities and contingent liabilities at fair value of the purchased.

The difference of the merger cost larger than fair value of the recognizable assets of the purchased on purchase day is confirmed as goodwill. The difference of the merger cost smaller than fair value of the recognizable assets of the purchased on purchase day is booked into current profit and loss.

In consolidation, for other assets acquired from the purchased except intangible assets (not only the assets that have confirmed), its economic benefits are probably brought into the merger party and its fair value can be reliably measured, separately recognized and measured at fair value. Those fair values of intangible assets can be reliably measured, separately recognized as intangible assets and measured at fair value. Other liabilities except contingent liability acquired from the purchased, to perform the obligations is likely to lead the economic benefits flowing out the merger party, should be separately recognized and measured at fair value. Those contingent liability from the purchased, their fair value can be reliably measured should be separately recognized as liability and measured at fair value.

The deductible temporary differences acquired by the merger party from the purchased which could not be confirmed as it does not meet the conditions for deferred income tax assets on purchase day. Within 12 month, if new or further information indicates that this situation has already existed, deferred income tax assets are confirmed when the deductible temporary difference is able to realize the economic benefits in future, and reduce goodwill at the same time, if goodwill is not sufficient then the difference is booked into current profit and loss. Except as aforesaid, the deferred income tax assets should be confirmed and booked into current profit and loss.

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Commissions and other relevant administrative expenditures incurred from business combinations, including audit fees, legal service charges, valuation and consultancy costs, etc., shall be recognized in profit and loss for the current period. Transaction costs incurred from issuance of equity securities or debt securities as part of consideration for business combinations shall be booked in the initial costs of relevant securities

## 8. Financial instruments

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

### 8.1 Recognition and derecognition

An entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the assets have expired; or (2) the Bank has transferred its rights to receive cash flows from the assets; or has retained its rights to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and (3) the Bank has transferred substantially all the risks and rewards of ownership of the financial asset; or the Bank has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has abandoned control of the asset.

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

The Bank derecognizes a financial asset when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to the transferee. Whereas, the financial asset cannot be derecognized if the risks and rewards of ownership of the asset have been retained.

When the Bank neither transfers nor retains substantially all risks and rewards of ownership of the financial asset, but has retained control of the financial asset, the Bank continues to recognize the relevant financial assets to the extent of the Bank's actual control, and recognize a financial liability. Otherwise, if the Bank has not retained the control of the financial asset, then derecognize such financial asset and recognize relevant arisen assets and liabilities.

### 8.2 Measurement and classification of financial assets

On initial recognition, financial assets shall be classified into the following four categories: (1) Financial

# Notes to the Financial Statements

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assets at fair value through profit or loss; (2) Held-to-maturity investments; (3) Loans and receivables; and (4) Available-for-sale financial assets. All financial assets are measured initially at their fair value.

## (1) Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss by management upon initial recognition. Financial assets classified as held for trading include those financial assets that meet one of the following conditions: 1) they are acquired principally for the purpose of selling in the near term; 2) they are part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short term profit-taking; or 3) they are derivative instruments unless they are designated as effective hedging instruments. After initial recognition, these financial assets are measured at their fair values. All related realized and unrealized gains or losses are included in current profit and loss. Interest from holding the financial assets which designated as at fair value through profit or loss is accrued in interest income.

## (2) Held-to-maturity financial investments

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

## (3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Bank has no intention of trading the assets immediately or in the near term. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment losses. Gains and losses are recognized in the income statement when such assets are derecognized or impaired, as well as through the amortization process.

## (4) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Premiums and discounts on available-for-sale financial assets are amortized using the effective interest method and are taken to the income statement as interest income or expense. Changes in fair value of available-for-sale financial assets are recognized as a separate component

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of capital reserve until the financial asset is derecognized or determined to be impaired at which time the cumulative gains or losses previously recorded in capital reserve are transferred to the income statement. Interest and dividend revenues from available-for-sale financial assets are recorded in the income statement.

If the Bank changes the intention or ability to hold it to maturity, or the fair value is not able to be measured reliably, or the holding period has been overdue (current accounting period and previous two fiscal years), and available-for-sale financial assets measured at fair value is no longer suitable, the Bank changed into amortized cost method.

If the financial assets have a fixed maturity date, gain or loss arising from them which originally recorded in equity, they should be amortized using the effective interest rate during the remaining period and recorded into current profit and loss account. The difference between the amortized cost and the amount at expiring date should be amortized using the effective interest method in the remaining period, and recorded into profit and loss account.

If the financial assets do not have fixed maturity date, gain or loss arising from them which originally recorded in equity should be still retained in equity and is transferred out through profit and loss when the financial assets are disposed.

## 8.3 Measurement and classification of financial liability

On initial recognition, financial liabilities shall be classified into the following two categories: (1) financial liabilities at fair value through profit or loss; and (2) other financial liabilities.

Transaction costs of financial liabilities at fair value through profit or loss are directly recorded to the current income statement. However, transaction cost of other financial liabilities is directly attributable to the initial measurement of financial liabilities.

### (1) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired or incurred for the purpose of repurchasing in the near term; Derivatives are held for trading unless they are designated as effective hedging instruments. Financial liabilities held for trading are subsequently recorded in the balance sheet at fair value. Any realized and unrealized profit or loss is recorded in current income statement.

### (2) Other financial liabilities

Other financial liabilities are carried at amortized costs using the effective interest method.

## 8.4 Financial guarantee contracts

The Bank initially measures all financial contracts at fair value. Financial guarantee contracts that are not

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designated as financial liabilities at fair value through profit or loss are initially recognized at fair value, and are subsequently measured at the higher of the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in *Accounting Standard for Business Enterprises No.14-Revenue*.

## 8.5 Derivatives

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently premeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. However, for the derivative financial instruments must be settled by delivery of the equity instruments and those related equity instrument are not quoted in an active market and whose fair value cannot be reliably measured are measured at cost. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recorded directly to the income statement.

## 8.6 Fair value of financial instrument

The fair value of financial asset or financial liability traded in active markets at the balance sheet date is based on its current offer or charge. For all other financial instruments not listed in an active market; the fair value is determined by using appropriate valuation techniques. The result obtained by adopting valuation techniques shall be able to reflect the transactions prices that may be adopted in fair dealings on the valuation date. Valuation techniques include making reference to the prices from recent arm's length market transactions between knowledgeable and willing parties, if available, current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing model. To determine the fair value of financial instrument, the Bank chose the valuation techniques which are generally acknowledged by market participants and have been proved as reliable by past actual transaction prices of the market. To determine the fair value of financial instrument, one shall adopt, if possible, all the market parameters that are taken into account by market participants in pricing financial instruments, and the observable transaction price in the current market of same financial instruments, in order to test the effectiveness of the said valuation techniques.

## 8.7 Impairment of financial assets

The Bank checked the book value of financial assets at balance sheet date, if there is objective evidence that an impairment loss has been incurred, and then it should raise the provision. The objective evidence indicated that event of financial assets occurred after the initial recognition and whether that event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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## (1) Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The amount of reduction is recognized as an impairment loss in the income statement. Present value of estimated future cash flows is discounted at the financial asset's original effective interest rate and includes the value of any related collateral.

The Bank first individually takes the impairment test for financial assets that are individually significant, if there is objective evidence of impairment exists for an individually assessed financial assets, the Bank confirmed the loss of financial assets and booked in the impairment loss of assets. Financial assets which are not individually significant or for which there is no evidence of impairment after individual assessment are included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which and impairment loss is, or continues to be recognized are not included in a collective assessment of impairment.

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

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

## (2) Available-for-sale financial assets

If an available-for-sale asset is impaired, the cumulative loss arising from the decline in fair value that had been recognized directly in owners' equity shall be removed from owners' equity and recognized in the income statement. The cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously should be recognized in the income statement.

A provision for impairment is made for available-for-sale equity instruments when there has been a significant or prolonged decline in the fair value below its cost or where objective evidence of impairment exists. In conducting an impairment analysis, the Bank considers the quantitative and qualitative evidence. More specifically, the Bank collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Bank

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considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged.

The Bank independently reviewed various equity instruments at the balance sheet date. If the fair value of the equity instruments was more than 50% (including 50%) below its cost or the fair value of the equity instruments was below its cost for a period of more than one year (including one year), then the decline in value is considered impairment. If the fair value of the equity instruments was more than 20% (including 20%) but not reached 50% below its cost, the Bank would consider other related factors such as price volatility evaluating whether the equity instruments impaired.

If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss shall be reversed, with the amount of the reversal recognized in the income statement. Impairment losses recognized for an investment in an equity instrument classified as available for sale shall not be reversed through the income statement.

### (3) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of that financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The carrying amount of the asset is reduced through the use of an impairment provision account and the amount of the loss is recognized in the income statement. Impairment losses on these assets are not reversed.

According to "Accounting Standards No.2-Long-term equity investment", the long-term equity investment accounted for using the equity method, which is not quoted in an active market and its fair value cannot be reliably measured, its impairment is also treated as former principle.

## 9. Financial assets held under resale agreements and financial assets sold under repurchase agreements

Assets (securities, bills and loans) held under agreements to resale at a specified future date are not recognized on the balance sheet. The corresponding cash paid, including accrued interest, is recognized on the balance sheet as a "Financial assets held under resale agreements". The difference between the purchase and resale prices is treated as an interest income in profit or loss over the agreement period using the effective interest method.

Conversely, assets (securities, bills and loans) sold under agreements to repurchase at a specified future date are not recognized from the balance sheet. The corresponding cash received, including accrued interest, is recognized on the balance sheet as "Financial assets sold under repurchase agreements", reflecting its economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as an interest expense in profit or loss over the agreement period using the effective interest method.

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## 10. Long term equity investment

Long term equity investment including: long term equity investment into the joint undertaking; long term equity investment for which the Bank exercises no control or co-control over the investee company, with no quotation on active market, whose fair value cannot be reliably valued

Long term equity obtained is initially recorded at the initial investment cost. As of long-term equity investments from enterprise merger: long-term equity investment obtained from the merger of enterprises under the same controller, investment costs are recognized by the share of the owner's equity book value as of the merger date; long-term equity investment obtained from the merger of enterprises not under the same controller, investment costs are recognized by the costs of merger. The costs of merger include the sum of the fair value of assets, liabilities and issuing equity securities. As of long-term equity investments from other ways rather than enterprise merger: initial investment costs of long-term equity investment obtained from paying cash, directly relevant expense, taxes and other necessary expenses are recognized by the actual purchase price; as of long-term equity investments from issuing equity securities, their initial costs are recognized by the fair value of the issued equity securities. The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

For long-term equity investments in which the Bank has no joint control or significant influence over the investees, and for which there are no quoted prices in the active market, nor can their fair value be reliably measured, they are measured by the cost method. Employing the cost method, the enterprise can implement control for the invested entity of a long-term equity investment and use cost method accounting in the enterprise's individual financial statement. Control means having the power to decide on investee's financial and operating policies, and thus obtaining gains from its operation.

Under the cost method, a long term equity investment is measured at its initial investment cost. The enterprise's share of cash dividends or profits declared by the investees shall be recognized as the investment income of the current period, except cash dividends or profits declared but not yet distributed which are included in the payments or consideration of the investments. Meanwhile, according to the relevant asset impairment policy, long-term investment should be considered to be impaired or not.

Long-term equity investments in which the investors have joint control or significant influence over the investees are measured under the equity method. Joint control means enjoying control over certain economic event according to contract, which only exists when investors unanimously agree who share the control over the financial and operating policies only concerning the said economic event. Significant effect means that the company possesses the right of decision-making participation in the financial and operating policies of the investee but is not able to control or co-control with other party the making of such policies.

As of long-term equity investment based on equity, when the initial investment cost is larger than the share



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of the fair value of recognizable net assets enjoyed of the investee at the time of the investment, long-term equity investment cost is recognized by the initial investment cost; when initial investment cost is smaller than the share of the fair value of recognizable net assets enjoyed of the investee at the time of the investment, the difference is included in current profit and loss, and long-term equity investment cost is adjusted to increase accordingly.

In equity method, gains/losses of investment are recognized by the amount of investee's current period net profit or net loss share enjoyable or bearable by merger party, and adjust the book value of long-term equity investment. The confirmed investee's net profit/loss, based on fair value of investee's kinds of identifiable assets, according to the accounting policy and accounting period of merger party, and profit/loss from internal transactions between the merger party and the joint venture enjoyed by the merger party according to proportion of share-holding are confirmed as investment profit/loss after setoff is made (when loss from internal transaction belongs to asset impairment loss, the loss is fully confirmed). Thus it confirms the net profit of investee after adjustment. The announced investee's distributed profit or cash dividends shall correspondingly deduct the book value of long term equity investment of the merger party at the time of the announcement. For the movement of investee's equity other than net gains/losses, when proportion of hold remains unchanged, the merger party calculates the part that enjoys or bears in accordance with its proportion of share holding and directly book it into capital reserve.

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in the income statement. For a long-term equity investment accounted for using the equity method, is transferred to the income statement on a pro-rata basis according to the proportion disposed of.

Impairment test method and the impairment of long-term equity investment depreciation methods in subsidiaries and associates can be seen in NOTE IV. (18). No quotation on active market and fair value cannot be reliably valued of other impairment test method and the impairment of long-term equity investment depreciation methods can be seen in NOTE IV. (8).

## 11. Investment property

Investment property is held to earn rentals or for capital appreciation or both. The location of the Bank's investment property does not all have active real estate market; therefore, the Bank's investment property is measured under cost model.

## 12. Fixed assets and depreciation

### 12.1 Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods and services, for

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rental to others, or for administrative purposes and have useful lives more than one accounting year.

A fixed asset shall be recognized only when both of the following conditions are satisfied:

- (1) It is probable that economic benefits associated with the asset will flow to the enterprise; and
- (2) The cost of the asset can be measured reliably.

## 12.2 Classification of fixed assets

Fixed assets can be classified into: buildings, transportation equipment, electronic equipment, other equipment etc.

## 12.3 Measurement of fixed assets

Fixed assets are recorded at actual cost on acquisition.

The cost of a purchased fixed asset consists of the purchase price, the relevant taxes, freight, loading and unloading fees, service fees and other expenses that bring the fixed asset to the expected conditions for use.

Subsequent cost incurred on an asset upon its initial recognition shall be recognized as addition to the asset if it meets the recognition; or it's recognized as expense in current income statement.

## 12.4 Depreciation for fixed assets

The depreciation of fixed assets is measured by using straight-line method, and the depreciation rate is determined according to their classification, expected service life and expected net residual rate.

The decoration costs of fixed assets, which meet the conditions of capitalization, use the straight-line method for depreciation, based on the shorter between consecutive renovations and the available service life of the fixed assets.

According to the classification, expected service life and expected net residual value (expected net residual rate at 5% ) of the various fixed assets, the Bank determines the depreciation rate of various fixed assets as follows:

Classification	Estimated service life(years)	Expected net residual rate	Depreciation rate
Houses and buildings	20	3%-5%	4.75%-4.85%
Electronic equipment	3-5	3%-5%	19.00%-31.67%
Transportation equipment	4-5	3%-5%	19.00%-23.75%
Office and other equipment	5	3%-5%	19.00%-19.40%

The useful life, expected net residual rate and depreciation methods applied for the fixed assets, are reviewed by the Bank at each balance sheet date, and adjusted prospectively, if appropriate.

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## 13. Construction in progress

Construction in progress is priced at its real cost which incurred in the construction and classified for measurements.

Items classified as construction in progress are transferred to fixed assets when such assets are ready for their intended use and stated as estimated value when the settlement is not completed.

## 14. Intangible assets

### 14.1 Recognition of intangible assets

Intangible assets refer to the identifiable non-monetary assets possessed or controlled by the Bank which have no physical shape. Intangible assets can only be recognized when they meet the following conditions simultaneously:

- (1) The economic benefits related to intangible assets are likely to flow into the enterprise; and
- (2) The cost of intangible assets can be measured reliably.

### 14.2 Measurement of intangible assets

Intangible assets are measured initially at its real cost in general.

The cost of purchased intangible assets includes the purchase price, relevant taxes and other necessary expenditures that are directly attributable to intangible assets for the expected purpose.

### 14.3 Useful life and amortization of intangible assets

The Bank determines the service life of intangible assets when it obtains them. If service life of intangible assets is finite, the Bank estimates the duration of its service life. If it is unable to forecast the period that intangible assets can bring economic benefits to the enterprise, the intangible assets are regarded as that with indefinite useful life.

The amortization amount of intangible assets with finite useful lives shall be used straight-line amortization method over its useful life. Intangible assets with indefinite useful lives shall not be amortized.

## 15. Long-term deferred expense

Long-term deferred expenses represent expenses already incurred but will be amortized over a period of more than one year (excluding one year). They are recorded at the amount of incurred and amortized evenly in beneficiary periods as follows:

### 15.1 Prepaid operating lease rental is amortized on straight-line basis during the terms of

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the respective leases agreed on the contracts;

15.2 Operating lease charges are amortized on a straight-line basis over the shorter between the residual leasing period and estimated useful period.

## 16. Foreclosed assets

Foreclosed assets are recorded at the fair value at the time when those acquired. At the same time, the Bank writes off the carrying value of corresponding assets including outstanding loans principal and interest recorded in financial statements, other receivables, corresponding impairment allowance of the loans, corresponding bad debts reserves of the receivables etc.

Gains and cost incurred in relation to the foreclosed assets in custody period are booked into other operating revenue and other operating expenses.

## 17. Fiduciary activities

Where the Bank acts in a fiduciary capacity, such as trustee or agent, assets held for fiduciary activities together with related undertakings to return such assets to customers, are recoded off-balance sheet, as risks and gains of such assets are assumed by customers, the Bank will charge related fees according to the contracts only.

## 18. Impairment of main assets

Except for investment real estate, deferred income tax and financial assets measured at fair value as well as long-term equity investments which are unquoted in an active market and cannot be reliably measured and which are measured at cost, impairment for other assets shall be determined as follows:

The Bank assesses at each date of balance sheet whether there is any indication that an asset may be impaired. If any such indication exists, the Bank makes an estimate of the asset's recoverable amount and performs impairment assessment. An impairment assessment is carried out on goodwill caused by corporate combination and intangible assets with uncertain useful life at least once at year end, no matter whether there is an indication of impairment or not. Intangible assets which have not been ready for use are also required to be annually assessed for impairment.

An asset's recoverable amount is the higher of its fair value less net amount after disposal and the present value of expected future cash flow. The recoverable amount is estimated on the basis of an individual asset or on the basis of a group of financial assets which such asset belongs to if its recoverable amount is unable to be estimated. A group of financial assets is recognized by determining whether the primary cash flows rising from such group are independent from those on other asset or group of assets.

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Where the carrying amount of an asset or a group of assets exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement and an impairment provision is recorded.

The above impairment losses, once recognized, will not be reversed in the following accounting years.

## 19. Provisions

An obligation related to a contingency is recognized as a provision when all of the following conditions are satisfied:

19.1 The obligation is a present obligation of the Bank;

19.2 It is probable that an outflow of economic benefits will be required to settle the obligation; and

19.3 The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of expenditure required to fulfill present obligations as a result of a past event, and taken the risks time value of money and uncertainties of contingent issues and other factors into account. The Bank has to review the book value of provisions at each balance sheet date. Where there is objective evidence that the book value does not reflect the current best estimates, the Bank shall adjust its book value into amount of current best estimate.

## 20. Employee benefits

Employee benefits refer to all kinds of payment and other relevant expenditures given by the Bank in exchange of the services rendered by the employees. For the accounting period in which an employee has rendered services to the Bank, the Bank recognizes the employee benefits (except the retirement benefit) as a liability. For those more than one year after the balance sheet date and its discount value has significant influence, and should be represented in present value.

The Bank participates in social security systems required by the local government and pays for employees the payments of social security contributions, including contributions on pension insurance, medical insurance, housing funds, unemployment Insurance and etc. Such expenses are recorded into current profit and loss on an accrual basis.

## 21. Recognition of income and expense

Revenue is the transaction related economic benefits that are likely to flow into the Bank and its amount of relevant income can be measured reliably, according to the following benchmark:

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

## 21.1 Interest income and expense

The income and expense of interest is recognized in income statement by method of effective interest on accrual basis. Effective interest method is applied in calculating amortized cost of some financial asset or liabilities and its amortized interest income and expense in relevant period. Effective interest rate is applied to discount the future cash flow of a financial instrument as book net value on a scheduled expiry date or during a properly short period. In estimation of future cash flow, the Bank will take all contract terms of financial instruments into account, but with no consideration of future credit loss. In calculation of effective interest rate, items such as transaction cost, discount/ premium price and all fees relating to effective interest rate paid and received by contracted parties should be considered.

When an individual or a group of similar financial assets impair, it should continue to confirm the interest income according to the discount rate that used to measure impairment losses to the discounted future cash flow.

## 21.2 Fee and commission income

The Bank earns fee and commission income from a diverse range of services it providing to its customers. Fee income is mainly divided into two categories:

### (1) Fee income earned from services that are provided over a certain period of time:

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

### (2) Fee income from providing transaction services:

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or component of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria

## 21.3 Dividend income

Dividend income is confirmed when the right of the Bank to receive the dividend is established.

## 22. Government grants

### 22.1 Classification

Government grants refer to the monetary or non-monetary assets is obtained by the Bank from the government for free. Government grants are classified into asset-related government grants and income-related government grants.

# Notes to the Financial Statements

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

## 22.2 Accounting treatments

Government grants relating to purchase or construction of long-term assets, such as fixed assets and intangible assets, etc., shall be recognized as deferred income and amortized over the useful lives of assets constructed or purchased and charged to non-operating income by stage.

Government grants relating to income to compensate future expenses or losses shall be recognized as deferred income and shall be charged to non-operating income during the period when the relevant expenses are incurred. The government grants relating to income to compensate incurred expenses or losses shall be directly charged as non-operating income in the current period.

## 23. Income taxes

Income tax comprises current tax and deferred tax. Except the adjustment due to consolidation goodwill, or in connection with transactions or events directly recorded in other comprehensive income related income tax included in other comprehensive income, other current tax expenses or current tax income should be recognized in profit and loss for the current period.

### 23.1 Current tax

The Bank will draw tax payable at the applicable tax rate on the basis of total profit recognized in the financial statements, while making relevant adjustment on tax-free revenue and non-refundable expenses according to explanations in current tax laws and regulation.

### 23.2 Deferred tax

There may be temporary difference between assets and liabilities when calculate for purpose of accounting and tax, based on which, liability approach will be adopted to recognize the asset and debt, on which the deferred income tax will be collected. The temporary difference will produce payable tax in the future. Temporary difference refers to the difference between book value of asset or debt and tax base. For items which have not been counted as asset or debt but may be recognized as tax base according to tax laws, the difference between the tax base and the book value belongs to temporary difference.

At the balance sheet date, the Bank reviews the carrying amount of a deferred tax asset. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilized.

## 24. Leases

A lease that transfers in substance all the risks and rewards incident to ownership of an asset is classified as a finance lease. An operating lease is a lease other than a finance lease.

# Notes to the Financial Statements

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

## 24.1 As a lessee under operating leases:

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of another related asset or charged to profit or loss for the period.

## 24.2 As a lessor under operating leases:

Lease income from operating leases is recognized by the lessor in profit or loss for the period on a straight-line basis over the lease term.

## 25. Trade date accounting

All carried out in accordance with the conventional way of buying and selling of financial assets were confirmed in the trading date, the Bank has the obligation to buy or sell assets to confirm the date of transaction. The means of conventional way is that, the delivery of financial assets in buying and selling should under the market rules within the time limited.

## 26. Offset

As the Bank has the legal right with to offset the corresponding amount with the same counterparties and both of two parties are settled in net amount, then financial assets and financial liabilities will be offset each other.

## 27. Dividend payable

Cash dividends approved by general annual meeting are confirmed as liabilities within the period of the approval, and deducted from equity. The interim dividend should be deducted from equity at the announcement day that the Bank cannot change optionally. The dividend distribution scheme determined by the resolutions after the balance sheet date should be exposed as the post balance sheet events.

## 28. Debt restructuring

Debt restructuring refers to the financial difficulties of the debtors; creditors should make the concessions in accordance with an agreement with the debtors or the court's reports.

As a creditor

When a debt is liquidated by cash, the creditor shall include the difference between the book balance of the debt to be restructured and the cash received in the current profits and losses. When a debt is liquidated by non-cash asset, the difference between the book balance of the debt to be restructured and the fair value of the non-cash asset received in the current profit and losses. When a debt is converted into capital, the creditor shall handle the difference between the book balance of the debt to be restructured and the fair value of the shares in the current profit and losses. The difference between the carrying amount of the debts and the fair



# Notes to the Financial Statements

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

valued of the debts after restructuring based on agreed terms and conditions is recognized in the profit or loss for the period if terms and conditions are amended. Where a debt restructuring is made by a combination of the liquidation of a debt by assets, the liquidation of a debt by non-cash asset, the conversion of a debt into capital and the modification of other terms of a debt, the creditor shall offset, one by one, the cash received, the fair value of the non-cash asset received, and the fair value of the shares to which the creditor becomes entitled, against the book balance of the debt to be restructured, and finally settlement of debts based on terms and conditions agreed.

If provision has been made to the debts under restructuring, the difference results from the above is offset against the provision with net change recognized in profit or loss for the current period.

## 29. Related parties

When making finance and business decisions, if a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control, jointly control or significant influence from the same party.

Related parties to a company are as follows:

- 1) Parent company;
- 2) Subsidiaries;
- 3) Other entities controlled by the same parent company;
- 4) Investors which have joint control;
- 5) Investors which give significant influence;
- 6) Joint ventures;
- 7) Associated companies;
- 8) Key investors and close members of their families;
- 9) Key management personnel of the company or its parent company, and close members of their families;
- 10) Other entities that are controlled, jointly controlled or significantly influenced directly or indirectly by key investors, key management personnel or close members of their families.

The Bank shall not be regarded as affiliated parties simply because they are all under the control of the state.

## V. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgments and made

# Notes to the Financial Statements

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

assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgments and key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

## 1. Impairment losses of loans

The Bank determines periodically whether there is any objective evidence that impairment losses on loans have occurred. If any such evidence exists, the Bank assesses the amount of impairment losses. The amount of impairment losses is measured as the difference between the carrying amount and the present value of estimated future cash flows. Assessing the amount of impairment losses requires significant judgment on whether the objective evidence for impairment exists and also significant estimates when determining the present value of the expected future cash flows.

## 2. Fair value of financial instruments

The Bank determines the fair value of financial instruments which are quoted in an active market through inquiry; whereas, the Bank uses the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and universal pricing models.

## 3. Impairment losses of available-for-sale and held-to-maturity investments

To a large extent the impairment determination depends on the judgment of management, in the process of judgment, the Bank needs to evaluate the extent and duration of fair value of investment lower than the costs, and whether other objective evidence of impairment exists based on the investee's financial conditions and short-term business prospects, including industry environment, change of technology, credit rating, default rate, coverage rate of losses and counterparty risk.

## 4. Impairment of non-financial assets

The Bank assesses periodically whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its present values of estimated future cash flows. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

# Notes to the Financial Statements

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

## 5. Held-to-maturity investments

According to the CAS No.22, the Bank recognizes non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to maturity investments when the Bank has the positive intention and ability to hold the investments to maturity. Accordingly, in evaluating whether a financial asset shall be classified as a held-to-maturity investment, significant management judgment is required. During the judgment the Bank has to assess its intention and ability to hold the investments to maturity.

## 6. Provisions

The Bank has to evaluate whether there is a present obligation (legal or constructive) as a result of a past event, and has to judge the probability that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## 7. Termination benefits

The Bank treats the welfare of retired employees as liabilities, the expense of the welfare and amount of the liabilities are calculated according to assumptions. When there are differences between actual results and assumed ones, accounts must be reviewed and included the current expenses. The Bank's management considers the assumptions are reasonable, and changes of the value of practical experience as well as the assumptions will affect the expense of the welfare of dismissed employees and the balance of liabilities.

## 8. Income taxes

The Bank paid income taxes in the mainland. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. Accordingly, in evaluating the deduction standard of provision for doubtful debts and evaluating whether the provision for doubtful debts write-offs and loss on disposal of on-performing loans can be deducted before tax, significant management judgment is required. In addition, deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions on the period during which such a determination is made.

# Notes to the Financial Statements

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

## VI. Taxation

### 1. Business tax

Business tax is levied at 5% on taxable operating income.

Operating income comprises interests due from loans and advances, income due from transfer of financial products, fee and commission income and other operating income etc, however, excluding the income arises from settlements and business operations between financial institutions.

The business tax is paid by branches locally.

### 2. City maintenance and construction tax

City maintenance and construction tax at 5% or 7% of the business tax accrued is paid by branches locally.

### 3. Education surcharge

Education surcharge at 3% of the business tax accrued and local education surcharge at 2% of the business tax accrued are paid to the local tax bureau by branches locally.

### 4. Corporate income tax

Corporate income tax applied 25% tax rate, the tax accrued by the Bank's headquarter, Shanghai Branch, Shenzhen Branch, Beijing Branch and Hangzhou Branch are paid to the local tax bureau. The headquarters plays the role as the closing center on an aggregate basis.

## VII. Notes to significant of items of financial statements

### 1. Cash and balance with central banks

Items	Dec31,2013	Dec31,2012
Cash	2,284,287	2,624,634
Mandatory reserve deposit with central banks	102,275,577	93,559,904
Surplus deposit with central banks	20,488,704	23,944,458
Fiscal deposits with central banks	913,063	711,387
Total	125,961,631	120,840,383

# Notes to the Financial Statements

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

The Bank places mandatory reserve deposits with the Central Bank in accordance with the requirements from the People's Bank of China (PBC). The mandatory reserve deposits are not available for the Bank's daily operations. As at 31 December 2013, mandatory reserve deposits with the PBC were calculated at 18.0% (2012:18%) of eligible RMB deposit, and 5% (2012:5%) of foreign currency deposits from customers respectively.

## 2. Deposits with banks and other financial institutions

Items	Dec31,2013	Dec31,2012
Due from domestic banks and financial institution	69,124,205	67,770,693
Due from oversea banks and financial institution	1,814,400	2,660,179
Total	70,938,605	70,430,872

## 3. Placements with banks and other financial institutions

Items	Dec31,2013	Dec31,2012
Placements with domestic banks and other financial institutions	199,545	9,408,177
Placements with domestic non-banking financial institutions	6,306,050	4,365,190
Placements with oversea banks and other financial institutions		124,606
Less: allowances for impairment losses		
Net amount	6,505,595	13,897,973

## 4. Financial assets held for trading

Items	Dec31,2013		Dec31,2012	
	Cost	Changes in fair value	Cost	Changes in fair value
Government bonds	829,502	-12,604	1,000,000	-3,100
Financial bonds	604,968	-6,356	2,201,095	-262
Corporate bonds	239,938	-12,466	2,000,000	-70
Total	1,674,408	-31,426	5,201,095	-3,432

## 5. Derivative financial instrument

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Bank uses derivative financial instruments mainly in forward contracts in 2013.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Bank but does not reflect the risk.

# Notes to the Financial Statements

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

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

At the balance sheet date, the Bank has positions in the following types of derivative:

Item	Notional amounts with remaining lives of			Total	Fair value	
	Within3month	3mto1year	1yearto5year		Assets	Liability
Forward foreign exchange contracts	1,192,338	2,663,695		3,856,033	787	
Total	1,192,338	2,663,695		3,856,033	787	

The Bank did not apply the derivative financial instrument in 2012.

## 6. Financial assets held under resale agreements

### 6.1 Distribution in transaction parties

Item	Dec31,2013	Dec31,2012
Inter-bank	62,840,457	22,083,449
Other financial institutions		3,770,000
Total	62,840,457	25,853,449

### 6.2 Distribution in guarantee types

Items	Dec31,2013	Dec31,2012
Bonds	5,397,890	
Bills	50,268,182	22,378,729
Beneficial right of trust	7,174,385	3,474,720
Total	62,840,457	25,853,449

## 7. Interest receivable

Items	Dec31,2013	Dec31,2012
Interest receivable from loans and advances	1,005,018	899,178
Interest receivable from lending to banks and other financial institutions	9,563	6,123
Interest receivable from bonds	1,157,952	839,039
Interest receivable from reverse repurchase agreement	141,207	28,377
Interest receivable from due from banks and other financial institutions	971,083	498,051
Interest receivable from wealth management products	133,174	41,202
Total	3,417,997	2,311,970

# Notes to the Financial Statements

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

## 8. Loans and advances to customers

### 8.1 Distribution of loans and advances to individuals and corporate entities

Items	Dec31,2013	Dec31,2012
Loans and advances to individuals	59,917,281	40,232,199
- Credit card	2,280,813	1,335,833
-Housing mortgage	45,479,769	30,376,288
-Other	12,156,699	8,520,078
Loans and advances to corporate entities	350,645,731	311,982,894
-Loans	306,520,181	264,922,911
-Discounted bills	32,694,464	24,559,756
-Trade financing	11,431,086	22,500,227
Total amount of loans and advances	410,563,012	352,215,093
Less: Provision for loans impairment	10,589,143	9,387,822
Including: Individual provision	1,235,339	1,894,155
Collective provision	9,353,804	7,493,667
Carrying value of loans and advances	399,973,869	342,827,271

- (1) As at 31 December 2013, there were RMB 1,715,408 thousand discounted bills (31 December 2012: RMB 1,705,990 thousand) that had been pledged for amount.
- (2) In addition, as at 31 December 2013, the Bank transferred out (without recourse) discounted bills amounting to RMB 11,862,557 thousand (31 December 2012: RMB 9,313,918 thousand) that had not yet matured at period end.

## Notes to the Financial Statements

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

### 8.2 Distribution of loans and advances by industries

Industry distribution	Dec31,2013	Proportion(%)	Dec31,2012	Proportion(%)
Agriculture, forestry, animal husbandry and fishery	5,443,024	1.32	3,492,861	0.99
Mining industry	993,373	0.24	938,769	0.27
Manufacturing	112,802,174	27.43	95,355,820	26.97
Energy, gas and water supply	5,711,677	1.39	5,054,197	1.43
Construction	25,956,641	6.31	25,238,528	7.17
Transportation, warehouse and postal service	11,465,287	2.79	11,196,641	3.18
Information transfer, computer service and software	2,899,109	0.7	1,975,800	0.56
Wholesale and retail sales	86,828,067	21.11	72,389,252	20.55
Hotel and restaurant	2,659,197	0.65	2,683,488	0.76
Finance	1,307,559	0.32	10,366,586	2.94
Real estate	37,220,831	9.05	30,987,982	8.80
Leasing and commercial service	30,069,881	7.31	26,169,173	7.43
Scientific research, technology service and geological reconnaissance	1,753,719	0.43	917,384	0.26
Water resource, environment and public facilities management	19,834,685	4.82	17,482,147	4.96
Residential service and other services	2,625,669	0.64	1,777,341	0.50
Education	5,086,523	1.24	6,129,985	1.74
Sanitation, social security and welfare	3,444,758	0.84	2,923,821	0.83
Culture, sports and entertainment	2,415,438	0.59	1,941,721	0.55
Public management and social organization	2,261,710	0.55	1,783,524	0.51
Personal loan(not included personal operation loan)	50,491,100	12.27	33,771,763	9.59
Less: adjustments from discount interest	707,410		361,690	
Total amount of loans and advances	410,563,012	100.00	352,215,093	100.00
Less: Provision for loans impairment	10,589,143		9,387,822	
Including: Individual provision	1,235,339		1,894,155	
Collective provision	9,353,804		7,493,667	
Carrying value of loans and advances	399,973,869		342,827,271	



# Notes to the Financial Statements

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

## 8.3 Distribution of loans and advances by regions

Regions	Dec31,2013	Proportion(%)	Dec31,2012	Proportion(%)
Nanjing	40,235,155	9.80	32,826,881	9.32
Wuxi	79,869,230	19.45	72,125,207	20.48
Suzhou	52,685,013	12.83	44,916,544	12.75
Nantong	35,384,180	8.62	30,490,804	8.66
Changzhou	22,277,823	5.43	19,723,466	5.60
Xuzhou	25,164,488	6.13	21,940,330	6.23
Yangzhou	16,118,460	3.93	13,929,430	3.95
Zhenjiang	16,881,782	4.11	14,601,931	4.15
Huai'an	14,920,112	3.63	12,801,233	3.63
Lianyungang	15,944,588	3.88	13,868,926	3.94
Yancheng	13,964,639	3.40	11,808,524	3.35
Suqian	9,341,661	2.28	7,029,729	2.00
Taizhou	8,736,562	2.13	7,245,626	2.06
Shanghai	18,544,259	4.52	17,978,384	5.10
Shenzhen	13,934,788	3.39	11,656,775	3.31
Beijing	18,449,828	4.49	13,570,533	3.85
Hangzhou	8,110,444	1.98	5,700,770	1.62
Total amount of loans and advances	410,563,012	100.00	352,215,093	100.00
Less: Provision for loans impairment	10,589,143		9,387,822	
Including: Individual provision	1,235,339		1,894,155	
Collective provision	9,353,804		7,493,667	
Carrying value of loans and advances	399,973,869		342,827,271	

## 8.4 Distribution of loans and advances by guarantee types

Items	Dec31,2013	Dec31,2012
Unsecured loans	20,537,721	19,636,224
Guaranteed loans	177,755,049	170,093,170
Secured loans	212,270,242	162,485,699
Including: Mortgage loans	157,069,818	113,432,737
Pledged loans	55,200,424	49,052,962
Total amount of loans and advances	410,563,012	352,215,093
Less: Provision for loans impairment	10,589,143	9,387,822
Including: Individual provision	1,235,339	1,894,155
Collective provision	9,353,804	7,493,667
Carrying value of loans and advances	399,973,869	342,827,271

## Notes to the Financial Statements

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

### 8.5 Overdue loans

Items	Dec31,2013				Total
	Overdue 1 day to 90 days	Overdue 90 days to 360 days	Overdue 360 days to 3 years	Overdue over 3 years	
Unsecured loans	64,730	95,983	50,643	2,918	214,274
Guaranteed loans	1,300,772	1,704,569	872,585	45,697	3,923,623
Secured loans	954,263	1,319,449	1,334,496	215,949	3,824,157
Including: Mortgage loans	706,131	1,175,494	1,331,658	215,949	3,429,232
Pledged loans	248,132	143,955	2,838		394,925
Total	2,319,765	3,120,001	2,257,724	264,564	7,962,054

Items	Dec31,2012				Total
	Overdue 1 day to 90 days	Overdue 90 days to 360 days	Overdue 360 days to 3 years	Overdue over 3 years	
Unsecured loans	31,623	90,429	35,709	4,598	162,359
Guaranteed loans	867,132	1,335,544	117,793	234,311	2,554,780
Secured loans	1,044,218	850,697	205,230	356,800	2,456,945
Including: Mortgage loans	1,025,735	846,402	205,230	356,700	2,434,067
Pledged loans	18,483	4,295		100	22,878
Total	1,942,973	2,276,670	358,732	595,709	5,174,084

Overdue loans refer to the loans with either principal or interest being overdue by one day or more. For the overdue loans presented above, loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

### 8.6 Provision for loans impairment

Items	2013			2012		
	Individual assessment	Collective assessment	Total assessment	Individual assessment	Collective assessment	Total assessment
Balance as at January 1	1,894,155	7,493,667	9,387,822	933,542	6,466,897	7,400,439
Provision during this term	332,515	2,299,457	2,631,972	1,171,182	1,106,311	2,277,493
Transferred to during this term	81,294		81,294		81,319	81,319
Transferred out during this term	-482,888		-482,888		-84,779	-84,779
Amounts written off as uncollectible debts during this term	-475,598	-453,157	-928,755	-160,982	-93,873	-254,855
Return back during this term		13,838	13,838		17,792	17,792
Reversal interest due from impairment loans	-114,140		-114,140	-49,587		-49,587
Balance as at December 31	1,235,338	9,353,805	10,589,143	1,894,155	7,493,667	9,387,822

# Notes to the Financial Statements

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

## 9. Available-for-sale financial assets

Item	Dec31,2013		Dec31,2012	
	Cost	Changes in fair value	Cost	Changes in fair value
Bonds	11,107,446	-372,158	11,142,569	18,081
Includes: Government bonds	2,674,953	-35,482	1,499,560	-2,580
Financial bonds	5,595,265	-187,492	8,324,729	25,331
Corporate bonds	2,837,228	-149,184	1,318,280	-4,670
Equity instrument	6,066	5,421	6,066	8,655
Total	11,113,512	-366,737	11,148,635	26,736

## 10. Held-to-maturity investments

Items	Dec31,2013	Dec31,2012
Government bonds	4,603,033	1,450,208
Financial bonds	21,537,965	13,004,513
Local government bonds	499,775	
Corporate bonds	13,379,767	8,595,399
Total	40,020,539	23,050,120
Fair value of held-to-maturity investments	38,705,256	23,074,680

- (1) As at 31 December 2013, there was RMB 26,817,427 thousand (31 December 2012: RMB 0.00) in the bond investment that had been pledged for repurchase agreements.
- (2) As at 31 December 2013, no bond investments had been pledged for agreements of time deposits from the PBC (31 December 2012: RMB 300,000 thousand).

## 11. Receivables

Items	Dec31,2013	Dec31,2012
Certificated bonds	415,376	813,341
Wealth management products	10,652,280	10,300,000
Subordinated debt	1,349,878	1,349,874
Corporate bonds	1,350,000	1,350,000
Beneficial right of trust	14,535,567	10,341,724
Asset management plan	1,893,000	
Other	30,000	30,000
Total	30,226,101	24,184,939

# Notes to the Financial Statements

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

## 12. Long-term equity investments

Categories	Dec31,2013	Dec31,2012
1.Accounting based on equity method	91,472	81,840
2.Accounting based on cost method	46,492	46,492
Less: allowance for impairment loss	11,651	11,651
Net amount of long-term equity investments	126,313	116,681

### 12.1 Equity investments measured in equity method

On 10 June 2010, the Bank established the Baode Rural Bank Limited Liability Company in Danyang City. As of 31 December 2013, the registered capital of the Baode bank is RMB 180 million, as a sponsor the Bank has a shareholding of 41.00% on Baode and exercises significant influence over it.

### 12.2 Significant equity investments measured in cost method

Items	Amount of initial investment	Dec31,2012	Increase	Decrease	Dec31,2013
China Union Pay Co., Ltd	24,000	24,000			24,000
City Commercial Bank Fund Settlement Center	2,500	2,500			2,500
Guangdong Huaxing Bank Co., Ltd(note1)	19,776	8,125			8,125
Swift organization	US\$34,700	216			216

Note 1: The Bank obtained 0.13% shares of Guangdong Huaxing Bank Co., Ltd through debt restructuring.

## 13. Fixed assets

### 13.1 The details of fixed assets and accumulated depreciation and changes are as follows:

Categories	Jan1,2013	Increase	Decrease	Dec31,2013
1. Original cost of fixed assets				
-Houses and buildings	3,876,800	107,132	150,961	3,832,971
-Electronic equipments	534,543	71,720	15,968	590,295
-Transportation facilities	149,344	17,158	13,097	153,405
-Other equipments	396,213	74,831	6,832	464,212
Subtotal	4,956,900	270,841	186,858	5,040,883
2. Accumulated depreciation				
-Houses and buildings	1,193,574	184,653	65,751	1,312,476
-Electronic equipments	274,176	91,273	15,511	349,938
-Transportation facilities	94,387	19,045	12,583	100,849
-Other equipments	186,630	65,558	5,868	246,320
Subtotal	1,748,767	360,529	99,713	2,009,583

# Notes to the Financial Statements

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

The details of fixed assets and accumulated depreciation and changes are as follows (continue)

Categories	Jan1,2013	Increase	Decrease	Dec31,2013
3. Allowance for impairment				
-Houses and buildings	4,780			4,780
Subtotal	4,780			4,780
4. Net amount for fixed assets				
-Houses and buildings	2,678,446			2,515,715
-Electronic equipments	260,367			240,357
-Transportation facilities	54,957			52,556
-Other equipments	209,583			217,892
Subtotal	3,203,353			3,026,520

Categories	Jan1,2012	Increase	Decrease	Dec31,2012
1. Original cost of fixed assets				
-Houses and buildings	3,612,427	309,953	45,580	3,876,800
-Electronic equipments	470,721	73,739	9,917	534,543
-Transportation facilities	143,455	12,268	6,379	149,344
-Other equipments	317,927	82,265	3,979	396,213
Subtotal	4,544,530	478,225	65,855	4,956,900
2. Accumulated depreciation				
-Houses and buildings	1,030,928	176,531	13,885	1,193,574
-Electronic equipments	201,179	82,427	9,430	274,176
-Transportation facilities	79,706	20,513	5,832	94,387
-Other equipments	138,778	51,358	3,506	186,630
Subtotal	1,450,591	330,829	32,653	1,748,767
3. Allowance for impairment				
-Houses and buildings	4,780			4,780
Subtotal	4,780			4,780
4. Net amount for fixed assets				
-Houses and buildings	2,576,719			2,678,446
-Electronic equipments	269,542			260,367
-Transportation facilities	63,749			54,957
-Other equipments	179,149			209,583
Subtotal	3,089,159			3,203,353

13.2 As at 31 December 2013, there were twenty-one items of the Bank's houses and buildings (original value is RMB 145,655 thousand, book value is RMB 130,003 thousand) which do not have finished processing of conducting the certificate. These issues do not influence the Bank's ownership and rights on these assets.

## Notes to the Financial Statements

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

### 14. Intangible assets

Items	Jan1,2013	Increase	Decrease	Dec31,2013
1. Original cost of intangible assets				
-Land-use right	769,921	1,918	5,983	765,856
-Other intangible assets	103,997	40,757	9,436	135,318
Subtotal	873,918	42,675	15,419	901,174
2. Accumulated amortization				
-Land-use right	60,558	18,899	389	79,068
-Other intangible assets	88,462	19,716	9,436	98,742
Subtotal	149,020	38,615	9,825	177,810
3. Allowance for impairment				
-Land-use right	160			160
Subtotal	160			160
4. Net amount of intangible assets				
-Land-use right	709,203	-	-	686,628
-Other intangible assets	15,535	-	-	36,576
Subtotal	724,738	-	-	723,204

Items	Jan.1,2012	Increase	Decrease	Dec.31,2012
1. Original cost of intangible assets				
-Land-use right	775,694	2	5,775	769,921
-Other intangible assets	93,057	13,455	2,515	103,997
Subtotal	868,751	13,457	8,290	873,918
2. Accumulated amortization				
-Land-use right	41,685	19,366	493	60,558
-Other intangible assets	76,499	14,477	2,514	88,462
Subtotal	118,184	33,843	3,007	149,020
3. Allowance for impairment				
-Land-use right	160			160
Subtotal	160			160
4. Net amount of intangible assets				
-Land-use right	733,849			709,203
-Other intangible assets	16,558			15,535
Subtotal	750,407			724,738

# Notes to the Financial Statements

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

## 15. Deferred tax assets and liabilities

Items	Dec31,2013	Dec31,2012
I. Deferred income tax assets		
1.Allowances for assets impairment losses	1,709,136	1,540,134
2.Changes in fair value from available-for-sale financial assets	91,684	
3.Changes in fair value from held-for-trading financial assets	7,857	858
4.Retirement benefits	66,265	76,136
5.Unpaid employee's salaries	250,000	216,672
6.Others	29,688	27,226
Total	2,154,630	1,861,026
II. Deferred income tax liabilities		
1.Increase in value from fixed assets assessment	130,367	137,128
2.Changes in fair value from available-for-sale financial assets		6,684
3.Changes in fair value from held-for-trading financial assets		
4.Others	16,847	11,398
Total	147,214	155,210

## 16. Other assets

Items	Dec31,2013	Dec31,2012
Other cash and cash equivalents	2,458,342	2,737,677
Other receivable	504,097	519,875
Construction in progress	1,549,385	947,968
Liquidation of fixed assets	6,742	7,053
Long-term deferred expenses	307,398	264,094
Foreclosed assets	25,859	25,359
Others	75,865	60,070
Total	4,927,688	4,562,096

### 16.1 Other cash and cash equivalents

Items	Dec31,2013	Dec31,2012
Refundable deposits	726,504	974,664
Refundable overnight deposits for investment	153,584	608,403
Outward remittance	1,578,254	1,154,610
Total	2,458,342	2,737,677

## Notes to the Financial Statements

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

### 16.2 Other receivables

Other receivables by aging are listed as follows:

Account age	Dec31,2013		Dec31,2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	327,363	54.79	404,649	67.71
1 to 2 years	178,490	29.87	35,873	6.00
2 to 3 years	20,099	3.36	26,248	4.39
Over 3 years	71,551	11.98	130,894	21.90
Total	597,503	100.00	597,664	100.00
Less: bad debts reserves	93,406		77,789	
Net amount	504,097		519,875	

### 16.3 Construction in progress

Items	Dec31,2013	Dec31,2012
Construction in progress	1,549,385	947,968

The Bank considers that there is no impairment for construction in progress as at 31 December 2013. Detailed information of main construction in progress is as follows:

Items	Budget amount	Dec31, 2012	Increase	Transfer to fixed assets	Transfer to intangible asset	Dec31, 2013	Proportion to budget (%)
Beijing branch to purchase the branch office building	534,060	191,039	236,255			427,294	80.01
Main building of the Headquarters(Nanjing)	1,043,162	239,353	186,481			425,834	40.82
Business building of Shanghai Branch	310,000	180,000	100,000			280,000	90.32
New office building of Suzhou branch (yuanqu)	395,669	121,523	65,702	1,143		186,082	47.32
New business building of Zhenjiang Branch	191,170	52,175	54,512			106,687	55.80
New business building of Wuxi Branch	537,664	26,870	29,358			56,228	10.46
Main building of Xuzhou Branch, Xincheng District	290,000	19,504	1,236			20,740	7.15
Business office of Suzhou branch, Wujiang Fenhu sub-branch	43,243	33,993	2,942	36,852		83	85.41

### 16.4 Long-term deferred expenses

Items	Dec.31,2013	Dec.31,2012
Long-term deferred expenses	307,398	264,094



# Notes to the Financial Statements

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

As at 31 December 2013, details of important long-term deferred expenses are as follows:

Item	Original amount	Dec31, 2012	Increase	Amortization	Dec31, 2013
Leasing expenses of Jiangsu Building(Beijing Branch)	30,000	28,000		2,667	25,333
Jinbao Engineering Project(Zhenjiang Branch)	24,758	21,457		2,476	18,981
Violate the traffic law of the separation of data center construction and operational services	15,000	13,958		2,500	11,458
Government office administration (Changzhou, Zhujiang Road sub-branch)	16,000	9,231		2,462	6,769
Construction contract expenses (Hangzhou Branch)	7,971	6,480	8	1,024	5,464
Renovation carried forward(Hangzhou, Xiaoshan sub-branch)	7,461		7,461	976	6,485
Decoration and installation works (Nantong, Rugao sub-branch)	6,177		6,177	772	5,405
Leasing expenses of Nantong, Yijiaqiao sub-branch	4,560		4,560	127	4,433
Decoration project of Shenzhen, Qinghu sub-branch	4,297		4,297	263	4,034
Leasing expenses of Wuxi, Hongshan sub-branch	5,720	5,151		562	4,589

## 16.5 Foreclosed assets

Items	Dec31,2013	Dec31,2012
Foreclosed assets	25,359	25,359
Including: Houses and Buildings	25,359	25,359
Land-use right		
Equipment and others	500	
Less: Depreciation reserves of foreclosed assets		
Net amount of foreclosed assets	25,859	25,359

Details of foreclosed assets as at 31 December 2013 are as follows:

Item	Dec31,2013
Wuxi Guotai Hotel(property)	25,359

## 17. Allowances for impairment losses

Items	Dec31,2013	Dec31,2012
Provision of loans impairment	10,589,143	9,387,822
Provision of long-term equity investment impairment	11,651	11,651
Fixed asset impairment	4,780	4,780
Intangible assets impairment	160	160
Bad debt provision of account receivables	93,406	77,789
Total	10,699,140	9,482,202

## Notes to the Financial Statements

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

### 18. Deposits from banks and other financial institutions

Items	Dec31,2013	Dec31,2012
Due to domestic banks and financial institution	52,359,478	29,504,424
Due to other domestic banks, financial institution	11,941,285	16,799,782
Total	64,300,763	46,304,206

### 19. Placements from banks and other financial institution

Items	Dec31,2013	Dec31,2012
Placements from domestic banks	6,117,435	16,597,927
Overseas inter-bank payment	578,313	
Total	6,695,748	16,597,927

### 20. Financial assets sold under repurchase agreements

Items	Dec31,2013	Dec31,2012
Bonds	26,817,427	
Bills	1,715,408	1,705,990
Total	28,532,835	1,705,990

### 21. Due to customers

Categories	Dec31,2013	Dec31,2012
Treasury deposits		250,000
Demand deposits	219,348,556	191,202,365
-Corporate customers	192,698,498	169,526,745
-Individual customers	26,650,058	21,675,620
Time deposits	270,093,188	226,426,451
-Corporate customers	173,139,239	147,014,597
-Individual customers	96,953,949	79,411,854
Guaranty money for deposit	103,203,657	112,618,387
-Letter of credit deposits	7,462,549	11,383,001
-Bank acceptance deposits	84,153,867	86,894,692
-Guarantee deposits	6,246,067	6,589,490
-Letter of guarantee deposits	1,332,974	1,831,821
-Other deposits	4,008,200	5,919,383
Fiscal deposits	238,662	597,866
Remittance under custody and temporary deposit	524,308	661,584
Outward remittance	1,924,129	105,847
Customer financing fund	863,100	629,570
Total	596,195,600	532,492,070

# Notes to the Financial Statements

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

## 22. Accrued staff costs

Items	Jan1,2013	Increase	Paid during this year	Dec31,2013
Salaries, bonuses and allowances	2,377,211	3,006,015	2,589,566	2,793,660
Employee welfare		125,737	125,737	
Social insurance charges	47,038	572,500	523,814	95,724
Housing fund	4,807	182,572	185,242	2,137
Labour union and education expenditure	61,360	97,727	90,109	68,978
Early retirement benefits	304,544	-4,029	35,454	265,061
Others	69,399	209,271	278,201	469
Total	2,864,359	4,189,793	3,828,123	3,226,029

Items	Jan1,2012	Increase	Paid during this year	Dec31,2012
Salaries, bonuses and allowances	1,794,892	2,891,274	2,308,955	2,377,211
Employee welfare	887	190,155	191,042	
Social insurance charges	61,326	451,662	465,950	47,038
Housing fund	5,089	152,725	153,007	4,807
Labour union and education expenditure	55,632	93,626	87,898	61,360
Early retirement benefits	286,120	69,909	51,485	304,544
Others	30,769	41,012	2,382	69,399
Total	2,234,715	3,890,363	3,260,719	2,864,359

Early retirement benefits have been paid to those employees who voluntarily accept step down from job before the normal retirement date as approved by the management. The related benefits payments are made from the date of early retirement through the normal retirement date. The Bank made proper budgets for the related benefits payments, which the present value of the obligations is determined by discounting estimated future cash outflows using appropriate yield on the PRC government bonds at the balance sheet date.

The Bank has no overdue payment for accrued staff costs as at 31 December 2013.

## Notes to the Financial Statements

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

### 23. Taxes payable

Category of taxes	Dec31,2013	Dec31,2012
Business income taxes	912,549	1,434,610
Business taxes	352,153	308,078
City construction taxes	26,359	22,227
Educational surtax	10,845	9,476
Local educational surtax	7,227	6,320
Property tax	3,545	1,724
Withhold and remit tax	43,025	51,441
Others	10,681	11,403
Total	1,366,384	1,845,279

### 24. Interest payable

Items	Dec31,2013	Dec31,2012
Interest from customer deposits	6,774,596	5,002,016
Bonds interest	78,525	116,234
Interest from deposits from banks and other financial institutions	398,884	429,315
Others	35,137	7,200
Total	7,287,142	5,554,765

### 25. Provisions

Items	Dec31,2013	Dec31,2012
Litigation losses	36,131	6,596
Unexpired acceptance bill provisions	15,254	
Total	51,385	6,596

### 26. Bonds payable

Items	Dec31,2013	Dec31,2012
Subordinated fixed rate bonds maturing in September 2018 (1)		1,000,000
Subordinated fixed rate bonds maturing in September 2018(2)		1,000,000
Subordinated fixed rate bonds maturing in October 2019(3)	2,000,000	2,000,000
Subordinated fixed rate bonds maturing in September 2026(4)	3,000,000	3,000,000
Total	5,000,000	7,000,000

As at 31 December 2013, the subordinated bonds issued by the Bank with different maturities are stated as follows:

- (1) The subordinated fixed rate bonds issued on 8 September 2008 have a maturity of 10 years, with a fixed

# Notes to the Financial Statements

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

coupon rate of 6.20%, payable annually. On 8 September 2013, the Bank chose to exercise the right to redeem all of the bonds at face value for RMB 1,000 million.

- (2) The subordinated fixed rate bonds issued on 16 September 2008 have a maturity of 10 years, with a fixed coupon rate of 6.20%, payable annually. On 16 September 2013, the Bank chose to exercise the right to redeem all of the bonds at face value for RMB 1,000 million.
- (3) The subordinated fixed rate bonds issued on 28 October 2009 have a maturity of 10 years, with a fixed coupon rate of 5.00%, payable annually. The Bank has an option to redeem all of the bonds at face value on 28 October 2014. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 8.00% per annum from 28 October 2014 for the next five years; if not, all things remain.
- (4) The subordinated fixed rate bonds issued on 9 September 2011 have a maturity of 15 years, with a fixed coupon rate of 6.48%, payable annually. The Bank has an option to redeem all of the bonds at face value on 9 September 2021.
- (5) The claims of the subordinated bonds are prior to the Bank's capital but after the Bank's other liabilities. Meanwhile, the subordinated bonds are evolved in supplementary reserves in accordance with the CBRC's regulations when calculating the capital adequacy ratio.

## 27. Other liabilities

Items	Dec31,2013	Dec31,2012
Dividends payable	156,623	177,316
Other account payable	258,145	285,088
Receiving from Vicariously Cashed Securities	28,233	39,645
Liabilities from Vicarious Business	429,126	156,281
Special account payable	1,056,005	463,022
Deferred income	22,726	9,354
Other liabilities	733,730	441,152
Total	2,684,588	1,571,858

### 27.1 Other account payables

Other payables according to ages are listed below:

Account ages	Dec31,2013		Dec31,2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	148,863	57.66	208,863	73.27
1 to 2 years	33,237	12.88	20,443	7.17
2 to 3 years	20,347	7.88	21,136	7.41
Over 3 years	55,698	21.58	34,646	12.15
Total	258,145	100.00	285,088	100.00

# Notes to the Financial Statements

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

## 27.2 Other liabilities

Items	Dec31,2013	Dec31,2012
Long-term account payable	72	72
Settlement funds	733,658	441,080
Total	733,730	441,152

## 28. Share Capital

Shareholders	Dec31,2013		Dec31,2012	
	Amount	Percentage (%)	Amount	Percentage (%)
Jiangsu International Trust Co., Ltd	910,000	8.76	910,000	10.00
Huatai Security Co., Ltd	640,000	6.16	640,000	7.03
Jiangsu Phoenix Publishing and Media Group Co., Ltd	890,000	8.57	551,000	6.05
Wuxi Construction and Development Investment Co., Ltd	557,016	5.36	487,016	5.35
Others	7,392,984	71.15	6,511,984	71.57
<b>Total</b>	<b>10,390,000</b>	<b>100.00</b>	<b>9,100,000</b>	<b>100.00</b>

Other individual shareholders accounted for the proportion of the total equity is less than 5% of the Bank.

In 2013, the Bank raised funds by private placement through issuing 1,290 million common stocks to Jiangsu Phoenix Publishing and Media Group Co., Ltd, Jiangsu Communications Holding Co., Ltd, Jiangsu Expressway Co., Ltd, Jiangsu Broadcasting Television Group Co., Ltd, Wuxi Construction and Development Investment Co., Ltd, Jiangsu Shagang Group Co., Ltd, Jiangsu Jinying Industrial Equipment Installation Co., Ltd, Jiangsu Xinhua Daily Media Group Co., Ltd, Jiangsu Yueda Investment Co., Ltd, Jiangsu Pengxin Investment Co., Ltd, Jiangsu Cultural Industry Group Co., Ltd, Jiangsu International Tender Co., Ltd, Yancheng Municipal State-Owned Assets Investment Group Co., Ltd, Suzhou Wujiang City Investment and Development Co., Ltd, Suzhou Wujiang Communications Investment Group Co., Ltd, Nanjing Ruitongxiang Commercial Trading Co., Ltd and Hongdou Group Co., Ltd in cash. The offering price was RMB 5.00 per share, from which the Bank raised a total amount of RMB 6,450 million. The capital surplus of RMB 5,160 million is booked into the capital reserves.

The above share capital is certificated by Shu Lun Pan Certificated Public Accountants Co., Ltd with the audit report of PCPAR [2013] No. 330059.

## 29. Capital reserves

Items	Jan1,2013	Increase	Decrease	Dec31,2013
Capital surplus	4,937,373	5,160,000		10,097,373
Changes in fair value from available-for-sale financial assets	20,053	35,911	331,017	-275,053
Total	4,957,426	5,195,911	331,017	9,822,320

# Notes to the Financial Statements

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

Items	Jan1,2012	Increase	Decrease	Dec31,2012
Capital surplus	4,937,373			4,937,373
Changes in fair value from available-for-sale financial assets	-311	46,478	26,114	20,053
Total	4,937,062	46,478	26,114	4,957,426

## 30. Surplus reserves

Items	Jan1,2013	Increase	Decrease	Dec31,2013
Statutory surplus reserve	2,279,422	817,947		3,097,369
Discretionary surplus reserve	1,800,965	703,575		2,504,540
Total	4,080,387	1,521,522		5,601,909

Items	Jan1,2012	Increase	Decrease	Dec31,2012
Statutory surplus reserve	1,575,847	703,575		2,279,422
Discretionary surplus reserve	1,217,577	583,388		1,800,965
Total	2,793,424	1,286,963		4,080,387

- (1) In 2012, pursuant to the resolution of the Annual General Meeting held on 2011, the Bank appropriated the discretionary surplus reserve of 10% of net profit for the year 2011;
- (2) In 2013, pursuant to the resolution of the Annual General Meeting held on 2012, the Bank appropriated the discretionary surplus reserve of 10% of net profit for the year 2012;
- (3) The Bank is required to appropriate 10% of its net profit for the year determined under Companies Act and the Bank's Articles of Association, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

## 31. General risk reserves

Items	Dec31,2012	Withdrawal this year	Dec31,2013
General risk reserves	7,396,497	1,035,064	8,431,561

Pursuant to Issues on "Provision for measures for the administration of financial companies reserve" (Caijin [2012] No.20) promulgated by the MOF, the Bank is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. The general risk reserves balance should not be lower than 1.5% of the ending balance of gross risk-bearing assets as defined by the issues. Gross risk-bearing assets; include loans and advances in customers, available for sale financial assets, held to maturity investments, long term equity investments, due from banks, lending funds, foreclosed assets, other receivables and so forth. As at 31 December 2013, the provision appropriated of the Bank has reached 1.5% of the aggregated amount of the gross risk-bearing assets.

## Notes to the Financial Statements

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

### 32. Retained earnings

Items	2013	2012
I. Balance at 1 January	8,605,335	7,158,811
Add: Effects of changes in accounting policies		
Effects of pre-error correction		
II. Balance at 31 December	8,605,335	7,158,811
III. Net profit	8,179,466	7,035,751
IV. Profit distribution		
Less: Appropriation to statutory surplus reserves	817,947	703,575
Appropriation to discretionary surplus reserves	703,575	583,388
Appropriation to general risk reserves	1,035,064	3,574,264
Dividends payable	728,000	728,000
Others		
V. Mutual transformation within shareholders' equity		
1. Surplus reserves offset deficit		
2. Others		
VI. Balance at Dec. 31	13,500,215	8,605,335

#### 32.1 2013 Profit Distribution Proposal was approved by the 1st meeting of the 3rd session Board of Directors of the Bank on 31 March 2014:

- (1) An appropriation to the statutory surplus reserve of 10% of the net profit for the year 2013 amounted to RMB 81,795 ten-thousand. As at 31 December 2013, the statutory surplus reserves recommended to appropriate has been included in the surplus reserves.
- (2) An appropriation to the general risk reserves amounted to RMB 103,506 ten-thousand. As at 31 December 2013, the general risk reserves recommended to appropriate has been included in the general risk reserves.
- (3) Suggest an appropriation to the discretionary surplus reserves of 10% of the net profit for the year 2013 amounted to RMB 81,795 ten-thousand;
- (4) Suggest a cash dividend distribution in 2013; cash of RMB 0.08 per share with 8% payment ratio would be distributed, amounting to RMB 83,120 ten-thousand.

The profit distribution plan above is pending approval of the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme and appropriation of discretionary surplus reserves is not carried out.

#### 32.2 2012 Profit Distribution Proposal of the Bank was approved on 20 April 2013 on the Annual General Meeting of the Bank; the detailed plans are as follows:

- (1) An appropriation to the statutory surplus reserves of 10% of the net profit for the year 2012 amounted



# Notes to the Financial Statements

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

to RMB 70,358 ten-thousand. As at 31 December 2012, the statutory surplus reserves recommended to appropriate has been included in the surplus reserve.

- (2) An appropriation to the general risk reserves amounted to RMB 357,426 ten-thousand. As at 31 December 2012, the general risk reserves recommended to appropriate has been included in the general risk reserves.
- (3) Suggest an appropriation to the discretionary surplus reserves of 10% of the net profit for the year 2012 amounted to RMB 70,358 ten-thousand. Before 31 December 2012, the discretionary surplus reserves recommended to appropriate had been included in the surplus reserves.
- (4) Suggest a cash dividend distribution in 2012; cash of RMB 0.08 per share with 8% payment ratio would be distributed, amounting to RMB 72,800 ten-thousand. As of 31 December 2013, the aforesaid dividend had been distributed.

## 33. Net interest income

Items	2013	2012
Interest income	37,682,270	32,398,639
-Deposits with banks and other financial institutions	3,513,868	3,068,476
-Deposits with PBC	1,703,100	1,474,447
-Lending to banks and other financial institution	650,033	835,935
-Loans and advances	24,639,708	22,391,661
Including: Personal loans and advances	2,974,436	2,127,267
Corporate loans and advances to corporate	19,847,609	17,880,635
Discount	1,423,474	2,160,639
Trading finance	280,049	173,533
Impaired financial assets	114,140	49,587
-Interest income on rediscount	1,054,760	799,185
-Reverse repurchase agreements	3,330,864	2,351,347
-Bonds investment	2,758,255	1,466,809
-Others	31,682	10,779
Interest expenses	17,924,625	14,796,802
-Deposits from banks and other financial institutions	2,744,469	1,861,114
-Placements from banks and other financial institutions	135,125	189,977
-Due to customers	13,313,933	11,432,095
-Financial assets sold under repurchase agreements	1,009,286	422,626
-Issue bonds	380,690	418,718
-Rediscount	299,488	452,935
-Others	41,634	19,337
Net interest income	19,757,645	17,601,837

## Notes to the Financial Statements

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

### 34. Net fee and commission income

Items	2013	2012
Fee and commission income	2,458,730	1,798,834
-Settlement and liquidation service fee	284,688	255,893
-Agency business fee	703,235	324,937
-Credit commitments service fee and commission	515,552	528,739
-Bank card fees	188,388	104,997
-Advisory fees	268,267	203,975
-Custodian and other fiduciary service fees	452,406	319,476
-Others	46,194	60,817
Fee and commission expenses	76,384	90,941
-Settlement and liquidation service fee	33,965	53,788
-Bank card fees	19,678	18,985
-Others	22,741	18,168
Net fee and commission income	2,382,346	1,707,893

### 35. Investment income

Items	2013	2012
Held-for-trading financial assets bid-ask spread	1,925	122,983
Available-for-sale financial assets bid-ask spread	-2,121	251,768
Net income from joint venture based on equity method	9,632	6,254
Dividend income	960	840
Return on disposal of long-term equity investment	19,858	
Other investment income	1,483	1,828
Total	31,737	383,673

### 36. Gains or losses on fair value changes

Items	2013	2012
Changes in fair value of held-for-trading financial assets	-27,994	-18,328
Total	-27,994	-18,328

### 37. Foreign exchange gains or losses

Items	2013	2012
Foreign currency operation income	110,793	109,886
Foreign currency operation expenses	738	355
Total	110,055	109,531

# Notes to the Financial Statements

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

## 38. Other operating income

Items	2013	2012
Rental income	20,771	20,960
Others	11	12
Total	20,782	20,972

## 39. Business tax and surcharges

Items	2013	2012
Business tax	1,357,155	1,215,375
City construction tax	94,247	84,426
Educational surtax	67,858	60,760
Total	1,519,260	1,360,561

## 40. Operating and administrative expenses

Items	2013	2012
Employee benefit	4,189,793	3,890,363
Including: salaries and bonus	3,006,015	2,891,274
welfare	1,183,778	999,089
Business fee	2,119,361	1,950,048
Rental	331,055	245,420
Fixed assets depreciation	360,528	330,829
Low value consumables	11,495	32,698
Intangible asset amortization	38,615	33,843
Renovation cost of network and amortization of long-term deferred expenses	82,937	72,301
Taxes and dues	61,000	61,901
Total	7,194,784	6,617,403

## 41. Impairment losses of assets

Items	2013	2012
Provision for loans impairment	2,631,973	2,277,493
Provision for bad debt	17,841	14,968
Other provision	48,839	
Total	2,698,653	2,292,461

## Notes to the Financial Statements

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

### 42. Other operating expenses

Items	2013	2012
Other operating cost	2,822	10,261

### 43. Non-operating income

Items	2013	2012
Income from disposal of fixed assets	111,749	34,470
Income from disposal of foreclosed assets	805	13,273
Grant income	43,992	60,480
Penalty income	680	551
Transferred in from long-term unused bank account	4	7,621
Others	17,721	5,178
Total	174,951	121,573

### 44. Non-operating expenses

Items	2013	2012
Loss on disposal of fixed assets	3,534	669
Loss on disposal of foreclosed assets		4,844
Expenditure on donation	7,215	4,482
Penalty and late payment fee	1,690	2,360
Others	9,406	8,233
Total	21,845	20,588

### 45. Income tax expense

Item	2013	2012
Current income tax expense	3,035,923	3,260,774
Deferred tax expense	-203,231	-670,648
Total	2,832,692	2,590,126

### 46. Earnings per share and Return on Equity

#### 46.1 Earnings per share:

In accordance with "Rules for the Compilation and Submission of Information Disclosure by Companies That Offer Securities to the Public (No.9)-Calculation and Disclosure of Return on Equity and Earnings per share (revised 2010)" [CSRC (2010) No.2], and "Explanatory Announcement of Information Disclosure by Companies That Offer Securities to the Public (No.1)-Extraordinary gains and losses (2008)" [CSRC (2008) No.43]:

# Notes to the Financial Statements

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

Detailed disclosure of Basic earnings per share is as follows:

Items	2013	2012
Net profit attributable to common shareholders	8,179,466	7,035,751
Net profit after extraordinary gain and losses	8,059,014	6,949,555
Initial shares(in thousands)	9,100,000	9,100,000
New shares issued within report period(in thousands)	1,290,000	
Months of report period	12	12
Accumulated months from the next month of new issuing to the end of report period	4	12
Weighted average of outstanding ordinary shares(in thousands)	9,530,000	9,100,000
Weighted average of earnings per share(RMB)	0.86	0.77
Basic earnings per share after extraordinary gains and losses(RMB)	0.85	0.76

From 2012 to 2013, the Bank has no potential diluted ordinary shares, therefore, the diluted earnings per share equals to the basic earnings per share.

## 46.2 Return on equity:

Item	2013	2012
Net profit	8,179,466	7,035,751
Net profit after extraordinary gains and losses	8,059,014	6,949,555
Balance of common stockholders' equity as at 31 December	47,746,005	34,139,645
Weighted-average of common stockholders' equity	40,231,825	31,339,587
Weighted-average return on equity	20.33%	22.45%
Weighted-average return on equity after extraordinary gains and losses	20.03%	22.18%

## 47. Other comprehensive income

Item	2013	2012
Gain or loss arising from available-for-sale financial assets	-395,594	278,920
Less: Income tax effect on available-for-sale financial assets	-98,899	69,730
Net value of other comprehensive income recorded in the last period transferred into current profit and loss	-1,590	188,826
Total	-295,105	20,364

## Notes to the Financial Statements

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

### 48. Information of cash flows

#### 48.1 Cash and cash equivalent:

Item	Dec312013	Dec312012
I . Cash	32,492,736	44,113,466
Including: cash in hand	2,284,287	2,624,634
Current amount of deposit with banks and other financial institutions	9,719,745	17,544,375
Amount of deposits with the PBO available to pay	20,488,704	23,944,457
II . Cash equivalent	95,976,806	55,030,544
Including: Amounts of deposit with banks maturing within three months	47,675,370	49,580,544
Borrowing from banks and other financial institutions maturing within three months	3,205,596	5,450,000
Reverse repurchase agreement maturing within three months	45,095,840	
III . Balance as at 31 December	128,469,542	99,144,010

#### 48.2 Cash flow from operating activities:

Items	2013	2012
I . Adjustment of net profit to cash flows arising from operating activities:		
Net profit	8,179,466	7,035,751
Add: Assets impairment losses	2,698,653	2,292,461
Depreciation of fixed assets	360,528	330,829
Amortization of intangible assets	38,615	33,843
Amortization of long-term prepaid expenses	82,937	72,301
Losses on disposal of fixed assets, intangible assets and other long-term assets	-112,554	-46,551
Losses on retirement of fixed assets	3,534	477
Losses on fair value changes	-27,994	18,328
Investment losses	-821,116	-383,673
Decrease in deferred tax assets	-293,603	-663,569
Increase in deferred tax liabilities	-7,996	2,196
Decrease in operating receivables	-63,615,959	-79,256,968
Increase in operating payables	101,411,073	129,953,127
Net cash flows arising from operating activities	47,895,583	59,388,552
II . Changes on cash and cash equivalents		
Cash in hand at the end of the year	32,492,736	44,113,466
Less: cash at the beginning of the year	44,113,466	43,150,451
Add: cash equivalents at the end of the year	95,976,806	55,030,544
Less: cash equivalents at the beginning of the year	55,030,544	36,991,744
Net increase in cash and cash equivalents	29,325,532	19,001,815

# Notes to the Financial Statements

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

## 48.3 Other cash receipts relating to operating activities:

Item	2013	2012
Non-operating income	62,397	84,911
Rent income	20,782	20,972
Accrued payables	280,665	318,021
Receivables	581,779	243,840
Total	945,623	667,744

## 48.4 Cash payment relating to other operating activities:

Item	2013	2012
Business fee	2,461,911	2,198,501
Non-operating expenses	18,310	17,727
Accrued payables	27,563	18,400
Receivable	15,646	149,348
Total	2,523,430	2,383,976

## VIII. Segment report

The Bank manages its business both by product segments and service segments, which are comprised of corporate, personal, treasury and other banking as follows:

### 1. Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit activities and various types of corporate intermediary services;

### 2. Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit activities, card business, personal wealth management services and various types of personal intermediary services;

### 3. Treasury operations

The treasury operations segment covers the Bank's treasury operations. The treasury conducts money market or repurchases transactions, investments businesses, foreign exchange for its own accounts or on behalf of customers;

## Notes to the Financial Statements

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

### 4. Others

Others business means those other than corporate banking, personal banking and, treasury operation, which cannot be reported individually, or these assets, liabilities, income and expense that cannot be allocated in a reasonable way.

The transfer price among segments is based on the source of funds and operation maturity, determined by the match of deposit-loan interest rate issued by PBC and inter-banks offering rate. Expenses would be allocated among segments referred to benefit circumstances.

2013	Corporate banking	Personal banking	Treasury operation	Others	Total
Operating income	16,826,913	2,637,257	2,810,401		22,274,571
Net interest income	14,829,152	2,226,905	2,701,588		19,757,645
-External net interest income	12,461,237	-380,378	7,676,786		19,757,645
-Internal net interest income	2,367,915	2,607,284	-4,975,199		
Net fee and commission income	1,863,525	409,491	109,330		2,382,346
Investment income			31,737		31,737
Net gains on fair value changes			-27,994		-27,994
Foreign exchange gains or losses	113,454	861	-4,260		110,055
Other operating income	20,782				20,782
Operating expense	8,633,126	2,385,031	397,362		11,415,519
Business taxes and surcharges	1,323,074	191,023	5,163		1,519,260
Operating and administrative expense	4,940,382	1,862,203	392,199		7,194,784
Impairment losses	2,366,848	331,805			2,698,653
Other operating expense	2,822				2,822
Operating profit	8,193,787	252,226	2,413,039		10,859,052
Net non-operating income				153,106	153,106
Profit before tax	8,193,787	252,226	2,413,039	153,106	11,012,158
Income tax expense	2,107,713	64,881	620,714	39,384	2,832,692
Net profit	6,086,074	187,345	1,792,325	113,722	8,179,466
Supplementary information					
Depreciation and amortization	361,325	113,033	7,723		482,081
Capital expenditure	808,597	252,952	17,283		1,078,832
As at 31 Dec 2013					
Total assets	450,801,404	86,097,408	226,334,881		763,233,693
Total liabilities	481,516,758	127,744,046	106,226,884		715,487,688



# Notes to the Financial Statements

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

2012	Corporate banking	Personal banking	Treasury operation	Others	Total
Operating income	15,410,388	2,184,836	2,210,354		19,805,578
Net interest income	13,932,145	1,919,946	1,749,746		17,601,837
-External net interest income	11,980,531	-425,110	6,046,416		17,601,837
-Internal net interest income	1,951,614	2,345,056	-4,296,670		
Net fee and commission income	1,348,278	264,352	95,263		1,707,893
Investment income			383,673		383,673
Net gains on fair value changes			-18,328		-18,328
Foreign exchange gains or losses	108,993	538			109,531
Other operating income	20,972				20,972
Operating expense	7,955,021	1,956,262	369,403		10,280,686
Business taxes and surcharges	1,219,300	135,187	6,074		1,360,561
Operating and administrative expense	4,696,396	1,557,678	363,329		6,617,403
Impairment losses	2,029,064	263,397			2,292,461
Other operating expense	10,261				10,261
Operating profit	7,455,367	228,574	1,840,951		9,524,892
Net non-operating income				100,985	100,985
Profit before tax	7,455,367	228,574	1,840,951	100,985	9,625,877
Income tax expense	2,006,085	61,505	495,363	27,173	2,590,126
Net profit	5,449,282	167,069	1,345,588	73,812	7,035,751
Supplementary information					
Depreciation and amortization	331,351	102,850	2,772		436,973
Capital expenditure	633,875	198,294	13,548		845,717
As at 31 Dec. 2012					
Total assets	408,911,471	63,397,265	177,929,169		650,237,905
Total liabilities	441,210,475	104,724,411	70,163,374		616,098,260

## IX. Contingency and commitment

### 1. Credit commitments

Item	Dec31,2013	Dec31,2012
Banks acceptances notes	180,801,756	170,333,498
Letters of guarantee	5,853,166	5,958,774
Letters of credit	4,376,001	6,653,672
Loans commitments	2,268,648	2,339,572
Total	193,299,571	185,285,516

## Notes to the Financial Statements

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

### 2. Capital expenditure commitments

Item	Dec31,2013	Dec31,2012
Houses purchase-signed contracts	234,495	219,403
Fitting-out project-signed contracts	563,571	105,677
Electronic systems purchase-signed contracts	21,890	49,165
Others	15,937	
Total	835,893	374,245

### 3. Operating lease commitments

House lease commitments mainly reflect the Bank rents the place of business and office buildings, and pays the rental as required. At the balance sheet date, rental of lease contract is shown as follows:

Age	Dec31,2013	Dec31,2012
Within 1 year	304,473	243,156
1 to 2 years	290,928	258,342
2 to 3 years	235,917	224,893
3 to 4 years	213,888	189,309
4 to 5 years	186,528	166,592
Over 5 years	567,623	580,448
Total	1,799,357	1,662,740

### 4. Assets pledged as collateral

The Bank pledged some assets as collateral under repurchase agreement to other banks. At the end of each year, the party received discounted notes as collaterals has the right to resold or re-pledged those collaterals in connection with sale of assets under repurchase agreements; whereas, the party received government bonds or financial bonds as collaterals do not have the right to do under repurchase agreements.

Item	Dec31,2013	Dec31,2012
Bonds	26,817,427	
Discounted notes	1,715,408	1,705,990

### 5. Fiduciary transactions

#### 5.1 Entrusted loans transactions

Item	Dec31,2013	Dec31,2012
Entrusted deposits	64,078,825	31,950,126
Entrusted loans	64,078,825	31,950,126

# Notes to the Financial Statements

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

Entrusted deposits represent funds that depositors have instructed the Bank to use make loans to third parties as designated by them. The credit risk remains with the depositors.

## 5.2 Entrusted funding transactions

Item	Dec31,2013	Dec31,2012
Entrusted funding	41,276,348	25,089,795
Entrusted assets	41,276,348	25,089,795

Entrusted funding transactions represent the investment and asset management services provided by the Bank to the third parties in accordance with the agreed investment plan. The third parties provide funding for the related investments. Income from such investment activities is collected on behalf of and paid to the third parties according to the relevant contractual term. The investment risk is borne by the third parties.

## 6. Legal proceedings

The Bank is involved in fourteen lawsuits as defendants arising from its normal business operations. Provisions of RMB 14,122.43 ten-thousand were made based on court judgments as at 31 December 2013. The allowance for litigation losses is recognized and disclosed in NOTE VII. 25- "Provisions". Management of the Bank believes that the final result of these lawsuits will not have a significant impact on the financial position or operations of the Bank.

## X. Related parties and related party transactions

### 1. Related parties

When financial or operating decisions are made, a party is considered to be related to another party if the party controls or gives its significant influence over the other party, and two or more parties are considered to be related if they are controlled by one party. Individuals or companies may become the related parties. During the reporting period, the Bank does not have related parties with control.

#### 1.1 Shareholders holding shares more than 5% (including 5%) of the Bank:

(Unit: 1000 share)

Shareholders	AsatDec31,2013		AsatDec31,2012	
	Amount of shares	Percentage (%)	Amount of shares	Percentage (%)
Jiangsu International Trust Co., Ltd.	910,000	8.76	910,000	10.00
Huatai Security Co., Ltd	640,000	6.16	640,000	7.03
Jiangsu Phoenix Publishing and Media Group Co., Ltd.	890,000	8.57	551,000	6.05
Wuxi Construction and Development Investment Co., Ltd	557,016	5.36	487,016	5.35
Total	2,997,016	28.85	2,588,016	28.43

# Notes to the Financial Statements

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

## 1.2 The Bank's subsidiaries and associates

The Bank's associates' general information, registered capital and shareholdings can be seen in NOTE VII. (12).

## 1.3 Other related parties

Other related parties mainly includes the key management personnel (including directors, supervisors and senior management) and their close family members, and the companies that are controlled, or under common control of, or significant influence may be exerted by the key management personnel and their close family members. As at 31 December 2013, there are fourteen companies considered as the Bank's related parties due to chairmen or general managers of these corporations are also the key management personnel of the Bank (mainly its directors).

Other related companies are list below:

Related party	Relationship
Jiangsu Shagang Group Co., Ltd	One of the Bank's directors is the company's director
Yangzhou Thermal Power Co., Ltd	One of the Bank's supervisors is the company's chairman
Yangtze Investment & Development Group Co., Ltd	One of the Bank's supervisors is the company's executive
Yangzhou Electric Power Center	One of the Bank's supervisors is the company's executive
Yangzhou Venture Capital Co., Ltd	One of the Bank's supervisors is the company's chairman
Yangzhou Modern Financial Investment Group Co., Ltd	One of the Bank's supervisors is ever the company's executive
Changjiang Runfa Machinery Co.,Ltd	One of the Bank's directors is the company's director
Changzhou Hi-tech Group Co., Ltd	One of the Bank's supervisors is ever the company's executive
BlackPenoy (Group) Co., Ltd	One of the Bank's supervisors is ever the company's chairman
Changzhou State-owned Assets Investment & Operation Co., Ltd	One of the Bank's supervisors is the company's executive
China Orient Asset Management Corporation, Nanjing office	One of the Bank's supervisors is the company's executive office
Nanjing Bangxin Science & Micro-credit Co., Ltd	One of the Bank's supervisors is the company's chairman
Jiangsu Dongxing Properties Co., Ltd	One of the Bank's supervisors is the company's chairman
Shanghai Meishan Steel Co., Ltd	One of the Bank's supervisors is the company's executive

## 2. Related parties transactions and balance

The transactions carried out with the Bank's related parties are conducted in the normal course of business. These transactions include absorbing deposits and offering loans. The transactions carried out with the aforementioned authorities are conducted in the normal course of business, with prices based on normal transaction prices and under normal commercial terms.

# Notes to the Financial Statements

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

## 2.1 Transactions with shareholders holding 5% share or more of the Bank and their related enterprises:

### (1) Balance of loans and advances

Related party	Dec31,2013	Dec31,2012
Wuxi Construction and Development Investment Co., Ltd	921,981	1,151,829
Total	921,981	1,151,829
Proportion in same kind	0.22%	0.33%
Interest rate range	5.94%~7.83%	5.94%~7.83%

### (2) Interest income from loans and advances

Related party	Dec31,2013	Dec31,2012
Wuxi Construction and Development Investment Co., Ltd	79,671	69,871
Total	79,671	69,871

### (3) Balance of held-for-maturity investments

Related party	Dec31,2013	Dec31,2012
Jiangsu Phoenix Publishing & Media Group Co., Ltd	80,000	80,000
Total	80,000	80,000
Proportion in same kind	0.20%	0.35%
Interest rate range	5.40%	5.40%

### (4) Interest income from held-to-maturity investments

Related party	Dec31,2013	Dec31,2012
Jiangsu Phoenix Publishing & Media Group Co., Ltd	4,320	4,320
Total	4,320	4,320

### (5) Balance of receivables

Related party	Dec31,2013	Dec31,2012
Jiangsu International Trust Co., Ltd	100,000	
Huatai Securities Co., Ltd	50,000	
Total	150,000	
Proportion in same kind	0.50%	
Interest rate range	7.22%~8.2%	

### (6) Interest income from receivables

Related party	Dec31,2013	Dec31,2012
Jiangsu International Trust Co., Ltd	296	
Huatai Securities Co., Ltd	90	
Total	386	

## Notes to the Financial Statements

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

### (7) Balance of deposits from banks and other financial institutions:

Related party	Dec31,2013	Dec31,2012
Jiangsu International Trust Co., Ltd	630,081	82,142
Huatai Securities Co., Ltd	1,328	58,201
Total	631,408	140,343
Proportion in same kind	0.98%	0.30%
Interest rate range	0.385%~6.98%	0.385%~3.00%

### (8) Interest expense on deposit from banks and other financial institutions:

Related party	Dec31,2013	Dec31,2012
Jiangsu International Trust Co., Ltd	412	825
Huatai Securities Co., Ltd	71	243
Total	483	1,068

### (9) Balance of related parties' deposits

Related party	Dec31,2013	Dec31,2012
Wuxi Construction and Development Investment Co., Ltd	2,479,473	1,121,152
Proportion in same kind	0.42%	0.21%
Interest rate range	0.36%~2.86%	0.385%~3.08%

### (10) Interest expense from related parties' deposits

Related party	Dec31,2013	Dec31,2012
Wuxi Construction and Development Investment Co., Ltd	19,393	24,838
Total	19,393	24,838

### (11) Entrusted funding transactions

Related party	Dec31,2013	Dec31,2012
Jiangsu International Trust Co., Ltd	7,670,732	9,522,539
Huatai Securities Co., Ltd	2,300,000	
Total	9,970,732	9,522,539
Intermediary business(commission rate)	0.1% ~ 0.3%	0.05%~2.00%

### (12) Commission income from entrusted funding transactions

Related party	Dec31,2013	Dec31,2012
Jiangsu International Trust Co., Ltd	33,406	19,097
Huatai Securities Co., Ltd	1,475	
Total	34,881	19,097

# Notes to the Financial Statements

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

## (13) Trust services business

Trust service business for Jiangsu International Trust Co., Ltd

Item	Dec31,2013	Dec31,2012
Trust agent and promotion business	590,580	
Trust plan, paying and collecting agent business	750,000	
Trust plan and custody business	9,071,820	
Direct investment structured financing channel service	1,650,000	
Total	12,062,400	

## (14) Commission income from trust services

Related party	Dec 31,2013	Dec 31,2012
Jiangsu International Trust Co., Ltd	17,341	
Total	17,341	

## 2.2 Transactions with associates

As at 31 December 2013, the main transactions carried out with associates by the Bank are stated as follows:

Name of associates Baode Rural Bank	Dec31,2013	Interest rate (%)	Dec31,2012	Interest rate (%)
Due from banks	510,000	4.20~6.00	460,000	3.62~4.50
Interest receivable	23,169		11,152	
Due to banks	36,078	1.62	123,992	1.62
Interest payable	939		832	

## 2.3 Transactions with key management personnel

Item	2013	2012
Remuneration paid to key management personnel	29,687	26,974

According to the relevant authorities, the key management personnel's emoluments have not been finalized, but at the end of 2013, the Bank had expected and withdrew related remuneration, meanwhile the management of the Bank believes, emoluments not accrued will not have significant influence on the financial statements of the Bank as at 31 December 2013.

The key management personnel's emoluments in 2013 had included the certain deferred paid emoluments issued in this year.

# Notes to the Financial Statements

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

## 2.4 Transactions with other related parties

Items	Dec31,2013	Dec31,2012
Loans and advances to customers		56,000
Due to customers	179,402	204,131
Bond investment	500,000	500,000
Credit assets transfer	274,886	

Interest rate range	2013	2012
Loans and advances to customers		5.60%
Bond investments	6.28%	6.28%
Due to customers	0.36%~2.86%	0.385%~3.08%

Items	2013	2012
Interest income from loans and advance		2,521
Interest Income from bond investment	31,400	31,400
Interest expense from customer deposits	196	1,530

## XI. Risk management

### 1. Credit risk

Credit risk refers to the risks where borrowers or trading counterparties cannot perform their obligations in accordance with agreements reached in advance. Under the plan of internal control and risk management committee, through the collaboration of the head office, other branches and sub-branches, the Bank formed the whole procedure in before investigation, loan verification, post loan supervision, assets recovery and preservation. Meanwhile, the Bank carried out complete oversight of the credit risk control mechanism in internal and external business.

During the reporting period, the Bank continued to build and improve the system of credit risk. The Bank revised the credit risk management system in several aspects, including the top leader be in charge of the quality of credit assets, communicated with clients, the customer managers full-time and part-time be in charge of assets recovery, monitor and warn before the loan matures. Moreover, strengthen credit risk management and quota management, implement the key monitoring to the key industries, clients and business, implement the quota management to the real estate loan and government financing vehicles, strengthen the quality management of credit assets, strengthen the management of major credit risk issues report, carry out the survey of credit risk and management check of credit basis, strengthen the construction of credit risk control technology, improve the credit business related system function, promote the clients rating and risk pre-warning of the Bank's system construction.

According to the five –grade loans classification issued by CBRC, the Bank's credit assets are classified into



# Notes to the Financial Statements

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

five categories, which are normal, concerned, secondary concerned, doubtful and losing. The Bank applies different management policies to the loans in accordance with their respective loan categories.

Risks arising from financial guarantees and contingent liabilities are similar to those associated with loans and advances. Transactions of financial guarantees and contingent liabilities are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

## 1.1 Maximum credit risk exposure

Without considering the available collaterals or other credit enhancements, the amount of maximum credit risk exposure at the balance sheet date means the book value that is set after deducting impairment provisions from book balance of financial assets. Amount of maximum credit risk exposure of the Bank are listed as follows:

Items	Dec31,2013	Dec31,2012
Amounts of deposits with banks and other financial institutions	70,938,605	70,430,872
Placements with banks and other financial institutions	6,505,595	13,897,973
Financial assets held for trading	1,642,982	5,197,663
Derivative financial assets	787	
Reverse repurchase agreement	62,840,457	25,853,449
Interest receivable	3,417,997	2,311,970
Loans and advances	380,157,866	321,926,639
Available-for-sale financial assets	10,746,775	11,175,371
Held-to-maturity investment	40,020,539	23,050,120
Long-term equity investment	126,313	116,681
Receivables	30,226,101	24,184,939
Other assets	3,038,304	3,239,833
On-balance sheet credit risk exposure	609,662,321	501,385,510
Financial guarantee and other contingent liability about creditworthiness	79,213,802	59,956,736
Loan commitment and other commitment about creditworthiness	2,268,648	2,339,572
Off-balance sheet credit risk exposure	81,482,450	62,296,308
Total	691,144,771	563,681,818

## 1.2 Risk concentration of the maximum exposure to credit risk

When a certain amount of clients are concentrated on the same operating activity, geographic location or have comparable economic characteristics on industry, the capacity of the client to fulfill the contracts that will be affected by the same economic change. The concentration degree of the credit risks reveals the sensitivity of the Bank's achievements to the specific trade or geographic area. Please refers to NOTE VII.(8) for an analysis of loans and advances by industry, characteristic, loans portfolio and concentration of geographical region.

# Notes to the Financial Statements

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

## 1.3 Collateral and other credit enhancements

The amount and type of collateral required are determined by the Bank based on its assessment of the credit risk of the counterparty.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly bills, beneficial right of trust, or securities
- For commercial lending, mainly charges over real estate properties, inventories, shares or trade receivables
- For retail lending, mainly mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the provision for impairment losses.

## 1.4 Credit quality

(1) The situations of the credit quality of the credit risk in financial assets are as follows:

Item	Balance as at 31 December, 2013				
	Neither past due nor impaired	Past due but not impaired	Impaired (Note)	Provisions	Total
Deposit with banks	70,938,605				70,938,605
Placement with banks	6,505,595				6,505,595
Financial assets held for trading	1,642,982				1,642,982
Reverse repurchase agreement	62,840,457				62,840,457
Interest receivable	3,417,997				3,417,997
Loans and advances to customer	402,536,294	3,303,968	4,722,750	10,589,143	399,973,869
Available-for-sale financial assets	10,746,775				10,746,775
Held-to-maturity investment	40,020,539				40,020,539
Receivables	30,226,101				30,226,101
Long-term equity investment	118,188		19,776	11,651	126,313
Other assets	3,009,254	122,457		93,407	3,038,304
Total	632,002,787	3,426,425	4,742,526	10,694,201	629,477,537

# Notes to the Financial Statements

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

Item	Balance as at 31 December, 2012				Total
	Neither past due nor impaired	Past due but not impaired	Impaired ( Note )	Provisions	
Deposit with banks	70,430,872				70,430,872
Placement with banks	13,897,973				13,897,973
Financial assets held for trading	5,197,663				5,197,663
Reverse repurchase agreement	25,853,449				25,853,449
Interest receivable	2,311,970				2,311,970
Loans and advances to customer	347,041,010	1,608,870	3,565,214	9,387,823	342,827,271
Available-for-sale financial assets	11,175,371				11,175,371
Held-to-maturity investment	23,050,120				23,050,120
Receivables	24,184,939				24,184,939
Long-term equity investment	108,556		19,776	11,651	116,681
Other assets	3,182,535	135,087		77,789	3,239,833
Total	526,434,458	1,743,957	3,584,990	9,477,263	522,286,142

Note: Impaired assets were actual depreciated financial assets as confirmed by the individual assessment.

## 1) Neither past due nor impaired loans and advances

Item	Dec31,2013	Dec31,2012
Normal	396,757,093	338,389,942
Concerned	5,779,201	8,651,068
Total	402,536,294	347,041,010

## 2) Past due but not impaired loans and advances

Expires	Dec31,2013		
	Corporate loans and advances	Personal loans	Total
Within 3 months	1,970,511	126,766	2,097,277
More than 3 months	1,206,691		1,206,691
Total	3,177,202	126,766	3,303,968

Expires	Dec31,2012		
	Corporate loans and advances	Personal loans	Total
Within 3 months	502,653	950,961	1,453,614
More than 3 months	155,256		155,256
Total	657,909	950,961	1,608,870

## 3) Impaired loans and advances

Impaired loans and advances are defined as those loans and advances having objective evidence of impairment as a result of one or more events that occur after initial recognition, resulting in an impact on the estimated future cash flows of loans and advances that can be reliably estimated. Evidence of impairment

# Notes to the Financial Statements

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

may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and the situation where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Analysed by types of collateral held of impaired loans and advances:

Item	Dec31,2013	Dec31,2012
Unsecured loan	93,272	147,728
Guaranteed loan	2,600,475	1,919,771
Secured by mortgages loan	1,970,170	1,490,587
Secured by monetary assets loan	58,834	7,129
Total	4,722,751	3,565,215

(2) At the balance sheet date, analysis on credit quality of bonds investment is as follows:

Items	Dec31,2013	Dec31,2012
Government bonds	8,474,778	4,757,429
Central bank bills		
Financial bonds	27,544,350	23,555,406
Corporate bonds	17,656,770	13,273,660
Investments in wealth management products	10,652,280	10,300,000
Subordinated bonds	1,349,878	1,349,874
Local government bonds	499,775	
Other investments	16,458,566	10,371,724
Total	82,636,397	63,608,093

## 2. Market risk

Market risk is the risk of loss that is caused by adverse movements in fair value of the Bank's financial instruments and future cash flows arising from adverse movements in market variables observed such as exchange rate, interest rate, commodity price, and stock price. The principal market risk faced by the Bank comes from interest rate and the position of exchange rate products. The target of market risk management is to avoid uncontrollable loss of revenue or equity caused by market risk, and to offset the impact of volatility risk of financial instruments on the Bank.

The Board of Directors is responsible for managing overall market risks including the approval of strategy, procedure, quantitative standard, risk limits, etc. The senior management is responsible for formulating, periodic inspecting and supervising the implementation of risk management policies, procedures and detailed operating procedures.

# Notes to the Financial Statements

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

The management model adopted by the Bank in market risk is "Centralized and unified management, hierarchical authorization implementation". The market risk management policy, authorization management and market risk limit scheme are under the unified establishment by the Bank. Risk Management Department is the top management department that in charge of the market risk for the Bank. It is responsible for managing works related to market risk, controlling activity compliances in relation to market risk and risk limit at medium length, reporting and handling unusual market risk and the violation of rules to supervise and manage market risk, and submitting to the Board of Directors and senior management the market risk report periodically.

The Treasury Department is responsible for on-the-counter capital deals according to market risk management methods and market risk limit approved by the Bank.

The Bank manages capital through trading account and bank account. Financial instruments available for free transaction and hold for the purpose of transactions or for risk evasion incurred by trading accounts or other items are accounted into trading account with others accounted into bank accounts.

The Bank through the three categories, business limits, stop-loss limits and risk limits, with a total amount of 42 items limit, overall monitored and managed the market risk of RMB and foreign exchange derivative business. The design covered the pressure test plan of all the assets' market risk factors in trading account and bank account. After the examination and approval procedures, the Bank carried out the pressure test work of the two accounts quarterly.

In the opinion of management, as the market risk of the Bank's trading business activities is not material, the Bank has not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

## 2.1 Interest rate risk

The Bank's interest rate exposures comprise primarily those arising from mismatches in durations and structures of assets and liabilities in its banking operations and from positions undertaken for trading purposes.

The Bank manages its interest rate risk by adjusting the composition of assets and liabilities, monitoring indicators such as the interest rate sensitivity gap on a regular basis and measuring risk exposure in accordance with the re-pricing characteristics of assets and liabilities. The Asset and Liability Management Committee meets regularly and manages interest rate risk exposures by adjusting the composition of the assets and liabilities in accordance with movement in market interest rates.

## Notes to the Financial Statements

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

Interest risk exposure analysis on the date of repricing at the end of the year or the date of maturity according to which came in due first is as follows: (Dec 31, 2013)

Dec31,2013	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Interest free	Total
Cash and balance with central banks	20,488,704			102,275,578	3,197,349	125,961,631
Deposits with banks and other financial institutions	57,395,115	12,319,490	1,224,000			70,938,605
Placements with banks and other financial institutions	3,205,595	3,300,000				6,505,595
Reverse repurchase agreement	45,095,840	15,544,617	2,200,000			62,840,457
Loans and advances to customers	94,858,787	186,078,605	53,312,445	65,724,032		399,973,869
Bonds investment	6,798,271	20,763,976	40,735,667	14,326,996	11,487	82,636,397
Long-term equity investments					126,313	126,313
Fixed assets					3,026,520	3,026,520
Other assets					11,224,306	11,224,306
Subtotal	227,842,311	238,006,689	97,472,111	182,326,607	17,585,975	763,233,693
Due to customers	270,493,987	255,325,914	58,485,526	11,890,173		596,195,600
Financial assets sold under repurchase agreements	28,061,379	471,456				28,532,835
Deposits from banks and other financial institutions	47,900,457	12,977,306	3,423,000			64,300,763
Placements from banks and other financial institutions	6,565,748	130,000				6,695,748
Bonds payable				5,000,000		5,000,000
Other liabilities					14,762,742	14,762,742
Subtotal	353,021,571	268,904,676	61,908,526	16,890,173	14,762,742	715,487,688
Interest rate exposure	-125,179,260	-30,897,987	35,563,585	165,436,434	N/A	N/A

Interest risk exposure analysis on the date of repricing at the end of the year or on the date of maturity according to which came in due first is as follows: (Dec 31, 2012)

# Notes to the Financial Statements

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

Dec31,2012	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Interest free	Total
Cash and balance with central banks	23,944,458			93,559,904	3,336,021	120,840,383
Deposits with banks and other financial institutions	65,970,309	3,180,563	1,280,000			70,430,872
Placements with banks and other financial institutions	5,450,000	8,447,973				13,897,973
Reverse repurchase agreements		25,853,449				25,853,449
Loans and advances to customers	83,538,217	151,038,628	56,294,368	51,956,058		342,827,271
Bonds investment	3,610,510	26,323,425	25,506,251	8,153,186	14,721	63,608,093
Long-term equity investments					116,681	116,681
Fixed assets					3,203,353	3,203,353
Other assets					9,459,830	9,459,830
Subtotal	182,513,494	214,844,038	83,080,619	153,669,148	16,130,606	650,237,905
Due to customers	238,928,222	246,492,367	38,111,262	8,960,219		532,492,070
Financial assets sold under repurchase agreements	1,041,413	664,577				1,705,990
Deposits from banks and other financial institutions	25,440,315	19,318,495	1,545,396			46,304,206
Placements from banks and other financial institutions		11,095,798	5,502,129			16,597,927
Bonds payable				7,000,000		7,000,000
Other liabilities					11,998,067	11,998,067
Subtotal	265,409,950	277,571,237	45,158,787	15,960,219	11,998,067	616,098,260
Interest rate exposure	-82,896,456	-62,727,199	37,921,832	137,708,929	N/A	N/A

- (1) *Financial assets at fair value through profit or loss in investment, remaining maturity date does not mean that the Bank intends to hold to the last maturity date.*
- (2) *Bonds investment includes the held-for-trading financial assets, available-for-sale financial assets, held-to-maturity financial investments and receivables, etc.*

Interest rate risk in banking operations is inherent in many business segments of the Bank, and arises from factors such as differences in timing between contractual maturities or re-pricing of assets and liabilities. Similar risk in trading positions arises mainly from investment portfolio undertaken by treasury operation. Because those trading positions quantities are extremely small, this kind of interest rate risk is insignificant to the Bank.

The Bank regularly monitors such interest rate risk positions. The Bank regularly performs interest rate sensitivity analysis on these interest rate positions for the purpose of measuring and managing the risk in

# Notes to the Financial Statements

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

order to limit potential negative effects of movements in interest rate on net interest income, maintain stable growth in net interest income. With regard to trading positions, the Bank will measure at fair value through profit or loss to reflect an actual profit and loss situation.

As the reference interest rates for RMB deposits and loans are determined by the PBC, the Bank follows the interest rates set by the PBC when carrying out loaning and depositing activities. The Bank's financial assets and liabilities are all denominated in RMB.

The following lists the results of gap analysis on financial assets and liabilities (except to financial assets and liabilities at fair value through profit or loss) by each 31 December 2013 and 31 December 2012:

Item	Dec31,2013		Dec31,2012	
	Increase 200 point	Decrease 200 point	Increase 200 point	Decrease 200 point
Change interest rate of basis point				
Changing of interest rate cause net interest income increase or decrease	228,563	228,563	547,376	-547,376
Changing of interest rate cause equity increase or decrease	-1,748,508	-1,748,508	-252,235	-252,235

The above gap analysis is based on financial assets and liabilities (except to financial assets and liabilities at fair value through profit or loss), expect within one year, changing of interest rate has the effects on net interest income.

The above analysis is based on the following assumptions: all within three months or three months to one year re-pricing or maturity assets and liabilities, which assuming at the relevant middle period to re-pricing or maturity, and the yield curve parallel moving according to the interest rate changes.

Based on the above assumptions, increase or decrease of interest rate may cause the differences between the Bank's real net interest income & equity and the results of sensitivity analysis.

## 2.2 Currency risk

Foreign exchange risk refers to the fair value of financial instruments or future cash flow fluctuates arising from the movements of foreign currency exchange rate.

The Bank mainly engages in RMB business with the rest being in US dollar, HK dollar and other foreign currency business. Currently the Bank's foreign currency business is major in settlement and sale business. Therefore, the Bank's exchange rate risks mainly come from the currency mismatch of asset and liability from proprietary business and agent business for clients, as well as currency position mismatch from foreign currency trade.

In order to manage currency risk, the Bank applied several methods to avoid and control the currency risk formed by currency exposure, such as the match of currency between the spot, forward foreign exchange transaction and borrowing; setting limits on positions by currency, filling in position by currency on the same day and etc.



# Notes to the Financial Statements

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

The Bank monitors daily foreign currency transactions and positions closely. The following tables show the balance amount of Bank's assets and liabilities by major currencies and exchange risk exposure at the balance sheet date.

Dec31,2013	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
<b>Assets:</b>				
Cash and deposits with the central banks	124,324,280	1,615,643	21,708	125,961,631
Deposits with banks and other financial institutions	67,317,396	2,877,655	743,554	70,938,605
Placements with banks and other financial institutions	6,354,853	150,742		6,505,595
Financial assets held for trading	1,642,982			1,642,982
Derivative financial assets	787			787
Reverse repurchase agreement	62,840,457			62,840,457
Interest receivables	1,787,798	1,627,559	2,640	3,417,997
Loans and advances	390,788,546	9,127,788	57,535	399,973,869
Available-for-sale financial assets	10,746,775			10,746,775
Held-to-maturity investments	40,020,539			40,020,539
Receivables	30,226,101			30,226,101
Long-term equity investments	126,103	210		126,313
Fixed assets	3,026,520			3,026,520
Intangible assets	723,204			723,204
Deferred income tax assets	2,154,630			2,154,630
Other assets	3,532,295	1,302,307	93,086	4,927,688
<b>Total assets</b>	<b>745,613,266</b>	<b>16,701,904</b>	<b>918,523</b>	<b>763,233,693</b>
<b>Liabilities:</b>				
Deposits from banks and other financial institutions	63,901,567	399,196		64,300,763
Placements from banks and other financial institutions	4,700,000	1,970,710		6,695,748
Financial assets sold under repurchase agreement	28,532,835			28,532,835
Due to customers	583,021,646	12,834,027	339,927	596,195,600
Accrued staff costs	3,226,029			3,226,029
Taxes payable	1,366,345	38	1	1,366,384
Interest payable	7,230,621	56,466	55	7,287,142
Provisions	51,385			51,385
Bonds payable	5,000,000			5,000,000
Deferred tax liabilities	147,214			147,214
Other liabilities	1,347,284	793,037	544,267	2,684,588
<b>Total liabilities</b>	<b>698,524,925</b>	<b>16,053,474</b>	<b>909,289</b>	<b>715,487,688</b>
<b>Net position</b>	<b>47,088,341</b>	<b>648,430</b>	<b>9,234</b>	<b>47,746,005</b>

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

Dec31,2012	RMB	USD Converted to RMB	Other currencies Converted to RMB	Total
<b>Assets:</b>				
Cash and deposits with the central banks	119,846,027	974,066	20,290	120,840,383
Deposits with banks and other financial institutions	64,064,933	6,069,800	296,139	70,430,872
Placements with banks and other financial institutions	13,679,912	218,061		13,897,973
Financial assets held for trading	5,197,663			5,197,663
Reverse repurchase agreement	25,853,449			25,853,449
Interest receivable	2,217,635	91,447	2,888	2,311,970
Loans and advances to customers	331,391,295	11,123,916	312,060	342,827,271
Available-for-sale financial assets	11,175,371			11,175,371
Held-to-maturity investments	23,050,120			23,050,120
Receivables	24,184,939			24,184,939
Long-term equity investments	116,465	216		116,681
Fixed assets	3,203,353			3,203,353
Intangible assets	724,738			724,738
Deferred tax assets	1,861,026			1,861,026
Other assets	3,852,448	664,175	45,473	4,562,096
<b>Total assets</b>	<b>630,419,374</b>	<b>19,141,681</b>	<b>676,850</b>	<b>650,237,905</b>
<b>Liabilities:</b>				
Deposits from banks and other financial institutions	43,757,869	2,546,337		46,304,206
Placements from banks and other financial institutions	14,502,746	1,958,954	136,227	16,597,927
Financial assets sold under repurchase agreement	1,705,990			1,705,990
Due to customers	518,581,748	13,385,449	524,873	532,492,070
Accrued staff costs	2,864,359			2,864,359
Taxes payable	1,845,238	39	2	1,845,279
Interest payable	5,440,123	112,928	1,714	5,554,765
Provisions	6,596			6,596
Bonds payable	7,000,000			7,000,000
Deferred tax liabilities	155,210			155,210
Other liabilities	1,211,634	353,386	6,838	1,571,858
<b>Total liabilities</b>	<b>597,071,513</b>	<b>18,357,093</b>	<b>669,654</b>	<b>616,098,260</b>
<b>Net position</b>	<b>33,347,861</b>	<b>784,587</b>	<b>7,196</b>	<b>34,139,645</b>

# Notes to the Financial Statements

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

According to the above analysis of exchange position, the Bank adopted the sensitivity test to measure the sensitivity of the value of the Bank arising from the movement of foreign exchange rate. Assume a 5% change in each foreign currency against RMB to see the effect at the balance sheet date:

Change of Foreign Currency against RMB	Net interest-sensitive income	
	2013	2012
Goup5%	-1,657	1,095
Falldown5%	1,657	-1,095

Change of Foreign Currency against RMB	Equity sensitivity	
	Dec31,2013	Dec31,2012
Goup5%	15,259	5,589
Falldown5%	-15,259	-5,589

When considering the above sensitivity analysis of exchange rate, it is subject to the total amount of net position of on-balance and off-balance. Analysis is based on the presumptions that: (1) the currency exchange rate fluctuates at 5% (absolute) against closing price on the balance sheet date(middle price); (2) currency rates fluctuate against RMB simultaneously in parallel; (3) foreign exchange exposure includes spot exchange exposure and forward exchange exposure.

However, the aforementioned presumptions did not consider: change of business post balance sheet date; the effect of exchange rate movements on client behavior; complex structured products and the complex relationship of exchange rate movements; the effect of exchange rate movements on market price and on the off-balance sheet products.

## 3. Liquidity risk

Liquidity risk refers to the risk that a commercial bank has the solvency but cannot obtain sufficient fund in a timely manner or cannot obtain sufficient fund in time with reasonable cost to deal with business development or pay off due debts.

The Bank set up the liquidity risk governance structure composed by the Board's Risk Management Committee, Senior Management and Asset-liability Committee. The Bank's Risk Management Department heads up managing liquidity risk, finance department administers centrally to the overall liquidity risk. The Bank's liquidity risk measurement adopts liquidity indicators and liquidity gap calculation method, uses regular stress test and temporary special stress test to analyze its capacity to withhold liquidity incident or crisis. To deal with liquidity, the Bank enhanced limit management and monitoring; formulated targeted contingent plan for different liquidity incident and crisis, set up liquidity contingent lending team, set up liquidity risk reporting mechanism, implements monthly RMB and foreign currencies liquidity risk monitoring and reporting system, and quarterly liquidity stress tests.

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

Most of the Bank's assets are funded by customer deposits, mainly including deposits from enterprises, retail deposits and deposits from banks. These customer deposits, which have been growing in recent years, are widely diversified in types and maturities and represent a stable source of funds.

At the balance sheet date, maturity analysis on the Bank's financial assets and liabilities is as follows:

Dec31,2013	Overdue	Payable on demand	Within 3 months	3 months to 12 months	1 year to 5 years	Over 5 years	Total
Cash and deposits with the PBC		22,772,991				103,188,640	125,961,631
Amount deposits with banks and other financial institutions		9,719,745	47,675,370	12,319,489	1,224,000		70,938,604
Placements with banks and other financial institutions			3,205,595	3,300,000			6,505,595
Reverse repurchase agreements			45,095,840	15,544,617	2,200,000		62,840,457
Loans and advances to customers	3,815,089		91,043,698	186,078,605	53,312,445	65,724,032	399,973,869
Bond investments			6,798,271	20,763,977	40,735,667	14,338,483	82,636,398
Other assets		756,511	4,640,636	833,755	456,465	7,689,772	14,377,139
Total assets	3,815,089	33,249,247	198,459,410	238,840,443	97,928,577	190,940,927	763,233,693
Due to customers		222,035,655	48,458,332	255,325,914	58,485,526	11,890,173	596,195,600
Funds from selling financial assets under repurchase agreement			28,061,379	471,456			28,532,835
Amount deposits with banks and other financial institutions		2,962,058	44,938,399	12,977,306	3,423,000		64,300,763
Placements from banks and other financial institutions			6,565,748	130,000			6,695,748
Bonds payable						5,000,000	5,000,000
Other liabilities		835,779	5,111,970	6,923,619	1,442,768	448,607	14,762,742
Total liabilities		225,833,492	133,135,828	275,828,295	63,351,294	17,338,780	715,487,688
Net position	3,815,089	-192,584,246	65,323,583	-36,987,851	34,577,283	173,602,147	47,746,005

# Notes to the Financial Statements

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

Dec31,2012	Overdue	Payable on demand	Within 3 months	3 months to 12 months	1 year to 5 years	Over 5 years	Total
Cash and deposits with the PBC		26,569,092				94,271,291	120,840,383
Amount deposits with banks and other financial institutions		16,389,765	49,580,544	3,180,563	1,280,000		70,430,872
Placements with banks and other financial institutions			5,450,000	8,447,973			13,897,973
Reverse repurchase agreements				25,853,449			25,853,449
Loans and advances to customers	2,857,635		80,680,582	151,038,628	56,294,368	51,956,058	342,827,271
Bond investments	477		3,610,033	26,323,425	25,506,251	8,167,907	63,608,093
Other assets		1,191,304	1,871,587	1,983,161	298,912	7,434,900	12,779,864
Total assets	2,858,112	44,150,161	141,192,746	216,827,199	83,379,531	161,830,156	650,237,905
Due to customers		192,567,620	46,360,602	246,492,367	38,111,262	8,960,219	532,492,070
Funds from selling financial assets under repurchase agreement			1,041,413	664,577			1,705,990
Amount deposits from banks and other financial institutions		3,639,185	21,801,130	19,318,495	1,545,396		46,304,206
Placements from banks and other financial institutions				11,095,798	5,502,129		16,597,927
Bonds payable						7,000,000	7,000,000
Other liabilities			1,188,409	4,852,720	3,401,155	2,555,783	11,998,067
Total liabilities		196,206,805	70,391,554	282,423,957	48,559,942	18,516,002	616,098,260
Net position	2,858,112	-152,056,644	70,801,192	-65,596,758	34,819,589	143,314,154	34,139,645

Note: (1) For deposits with the PBC, the ageing over 5 year's amount represents statutory deposit reserves and fiscal deposits balances maintained with the PBC.

(2) The overdue loans aforementioned above meant part or all the principal of loans are past due. These overdue loans are listed with the amounts deducted by the appropriate impairment losses.

(3) The date on which the Bank intends to sell financial assets at fair value through gains of losses is not equivalent to the maturity date.

(4) Amount payable on demand includes time deposits matured but waiting to be indicated by customers.

# Notes to the Financial Statements

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

## 4. Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

For the held-for-trade financial assets and available-for-sale financial assets in the active market, the Bank confirms that the market value is the reflection of the fair value. As there is no available market value for certain financial assets and liabilities held and issued by the Bank, the method described below are adopted to determine the fair values of these financial assets and liabilities:

- (1) The fair values of receivables are estimated on the bases of pricing models;
- (2) The fair value of held-to-maturity investments and bonds payable are determined with reference to the available market value. If quoted market prices are not available, fair values are estimated on the bases of pricing models.

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

The following table summarizes the carrying values and the fair values of receivables, held-to-maturity investments and bonds payable for which their fair values have not been presented or disclosed (2013-12-31)	Book value	Fair value
Held-to-maturity investments	40,020,539	38,705,256
Receivables	30,226,101	30,226,101
Bonds payable	5,000,000	5,000,000

The following table summarizes the carrying values and the fair values of receivables, held-to-maturity investments and bonds payable for which their fair values have not been presented or disclosed (2012-12-31)	Book value	Fair value
Held-to-maturity investments	23,050,120	23,074,680
Receivables	24,184,939	24,184,939
Bonds payable	7,000,000	7,000,000

## XII. Capital management

The primary objectives of the Bank's capital management are to ensure the Bank complies with regulatory capital requirements, to maximize shareholders' value and to support the continuous growth in business. The Bank will check capital position and other relevant capital management strategy regularly, and through the positive capital management to protect medium and long-term business objectives' realization and improving the use efficiency of capital. The required information of capital adequacy is filed with the CBRC by the Bank on a quarterly basis.

# Notes to the Financial Statements

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

The risk-weighted assets are measured according to the nature of individual assets and counterparty, reflecting an estimate of related credit, market and other risks after taking into account of any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with adjustment made to reflect the contingent nature of any potential losses.

The Bank calculated and reported the core capital adequacy ratio and capital adequacy ratio in accordance with the "Regulation Governing Capital Adequacy Ratio of Commercial Banks" (CBRC [2004] No. 2) issued by CBRC and other related regulations.

On 1 January 2013, the Bank started performing the "Commercial Bank Capital Management Method (trial)" (CBRC [2012] No. 1)

According to "With decision to amend <Regulation Governing Capital Adequacy Ratio of Commercial Banks>" issued by CBRC on 3 July 2007, the disclosure is as follows:

Items	Dec31,2013	Dec31,2012
Net amount of core capital	47,685,280	34,113,913
Supplementary capital	13,541,807	15,018,819
Net capital	61,168,645	49,077,626
Risk-Weighted Capital and market risk capital adjustment	456,257,937	403,631,171
Core capital adequacy ratio	10.45%	8.45%
Capital adequacy ratio	13.41%	12.16%

According to the "Commercial Bank Capital Management Method (trial)" which starts performing on 1 January 2013 and other related regulations, the disclosure is as follows:

Items	Dec31,2013
Net amount of core tier one capital	47,625,097
Net amount of tier one capital	47,625,097
Tier two capital	10,739,182
Net capital	58,364,279
Risk-Weighted Capital	501,800,384
Core tier one capital adequacy ratio	9.49%
Tier one capital adequacy ratio	9.49%
Capital adequacy ratio	11.63%

The CBRC requires that capital adequacy ratio and tier one capital adequacy ratio for commercial banks shall not lower than 10.5% and 8.5% respectively, as well as the core tier one capital ratio shall not lower than 7.5%. At present, the Bank is fully compliant with legal and regulatory requirements.

## Notes to the Financial Statements

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

Since the establishment of the Bank, it always pays high attention to the work of capital management, adhere to the management theory of connotative and denotative, ensure smooth running of the capital adequacy ratio. The Bank predicts, plans, and manages the capital adequacy ratio by using scenario models and stress tests based on its strategic development plans, business expansion needs, and risk exposure trends, which start-up capital supplement program. The Bank ensures the capital needs of the operation and development through issuing subordinated bonds and increasing share capital. Including, the Bank increased the registered capital in three times from 2009 to 2013 amounted to RMB 2,540 million, raised equity capital for RMB 11,930 million. Meanwhile, the Bank issued the total amounts of subordinated bonds for RMB 7,000 million from 2008 to 2012 in three times; it chose to exercise the right to redeem all of the bonds at face value for a total amount of RMB 2,000 million on 8 September 2013 and 16 September 2013 respectively. As at 31 December 2013, the book balance of subordinated bonds is RMB 5,000 million.

In order to comply with the "*Commercial Bank Capital Management Method (trial)*" and other related regulations promulgated by the CBRC, the Bank is accelerating the implementation of new capital agreement, strengthening the formulation and real-time revision of the internal capital management system, revising the capital management plan to lead the balanced development across the business, deepening capital management in resource allocation, expense allocation and the performance appraisal, strengthening the capital management guidance, guiding the business structure adjustment and transformation, using capital to bind the expansion of risk and promoting the assets structure optimization.

### XIII. Events after balance sheet date

2013 Profit Distribution Proposal was approved by the 1st meeting of the 3rd session Board of Directors of the Bank on 31 March 2014:

1. An appropriation to the statutory surplus reserve of 10% of the net profit for the year 2013 amounted to RMB 81,795 ten-thousand;
2. According to Issues on "*Provision for measures for the administration of financial companies' reserve*" (Caijin [2012] No.20), an appropriation to the general risk reserves amounted to RMB 103,506 ten-thousand.
3. Suggest an appropriation to the discretionary surplus reserves of 10% of the net profit for the year 2013 amounted to RMB 81,795 ten-thousand;
4. Suggest a cash dividend distribution in 2013; cash of RMB 0.08 per share with 8% payment ratio would be distributed, amounting to RMB 83,120 ten thousand.

The profit distribution proposal is pending approval of the Annual General Meeting of the Bank.

Except above issues, there is no other event after balance sheet date to disclose.



# Notes to the Financial Statements

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

## XIV. Net profit after extraordinary gains and losses

The extraordinary gains and loss is calculated in accordance with the rules stipulated in the "Interpretation of Information Disclosure of Public Companies No.1 – Extraordinary profit and loss (2008)". It has no direct relation with the Bank's normal business operations, and though it relates to the normal business, because of its special nature and occasionality, it may influence the report users in making proper decision on the Bank' operating results and profitability.

The Bank's net profit after deducting extraordinary gains and losses from 2012 to 2013 is disclosed as follows:

Items	2013	2012
Net profit	8,179,466	7,035,751
Add(less): extraordinary gains and losses		
-Reversal of impairment of account receivables based on individually impairment test		
-Non-operating income	-174,951	-121,573
-Non-operating expense	21,845	20,588
-Affected amount of income taxes referred to extraordinary gains and losses	32,654	14,790
Net profit after extraordinary gains and losses	8,059,014	6,949,555

## XV. Approval of financial statements

The financial statements and notes have been approved by the 1<sup>st</sup> meeting of the 3rd session Board of Directors of the Bank on 31 March 2014.

BANK OF JIANGSU CO., LTD.

31 March, 2014



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