



重庆银行
BANK OF CHONGQING

BANK OF CHONGQING CO., LTD.*

重慶銀行股份有限公司*

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

(Stock Code : 1963)



2014 ANNUAL REPORT

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

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Corporate Information

Legal Name and Abbreviation in Chinese

重慶銀行股份有限公司 (Abbreviation: 重慶銀行)

Legal Name in English

Bank of Chongqing Co., Ltd.

Legal Representative

GAN Weimin

Authorized Representatives

NI Yuemin

ZHOU Wenfeng

Acting Secretary to the Board

ZHOU Wenfeng (effective from December 30, 2014)

Joint Company Secretaries

ZHOU Wenfeng

HO Wing Tsz Wendy

Registered Address

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

Postal code: 400010

Principal Place of Business in Hong Kong

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

Corporate Website

<http://www.cqcbank.com>

Corporate E-mail

ir@bankofchongqing.com

Listing Exchange of H Shares

The Stock Exchange of Hong Kong Limited

Stock Name and Stock Code

Stock name: BCQ

Stock code: 1963

Date and Registration Authority of Initial Incorporation

September 2, 1996

Administration for Industry and
Commerce of Chongqing, the PRC

Corporate Business License Registration No.

500000000008213

Organizational Code

20286917-7

Financial License Registration No.

B0206H250000001

Taxation Registration Certificate No.

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

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

Auditors

PricewaterhouseCoopers

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

PricewaterhouseCoopers Zhong Tian LLP

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

Legal Advisor as to PRC Laws

Chongqing Jingsheng Law Firm

Legal Advisor as to Hong Kong Laws

Sullivan & Cromwell

Compliance Advisor

Anglo Chinese Corporate Finance, Limited

H Share Registrar

Computershare Hong Kong Investor Services Limited

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

Domestic Share Registrar

China Securities Depository and Clearing Co., Ltd.

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

Financial Highlights

In respect of the financial statements of the Bank prepared under the PRC GAAP (China Accounting Standards) and those under the International Financial Reporting Standards (the "IFRSs"), there is no difference between the net profit attributable to equity holders of the Bank for the year ended December 31, 2014 (the "Reporting Period") and net profit attributable to Shareholders at the end of the Reporting Period.

2.1 Financial Data

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,					
	2014	2013	Year-on-year change between 2014 and 2013	2012	2011	2010
OPERATING RESULTS			Change (%)			
Interest income	13,236,153	10,467,150	26.5	8,308,816	6,107,357	3,953,377
Interest expenses	(7,004,455)	(5,288,532)	32.4	(4,159,185)	(2,785,858)	(1,407,921)
Net interest income	6,231,698	5,178,618	20.3	4,149,631	3,321,499	2,545,456
Net fee and commission income	908,846	644,581	41.0	368,046	289,812	198,428
Other operating income, net trading income/(losses) and net gains/(losses) on investment securities	342,566	51,301	567.8	139,619	(40,253)	31,960
Operating income	7,483,110	5,874,500	27.4	4,657,296	3,571,058	2,775,844
Operating expenses	(2,805,275)	(2,282,772)	22.9	(1,900,021)	(1,444,449)	(1,102,322)
Impairment losses	(889,566)	(535,718)	66.1	(241,054)	(184,869)	(259,555)
Operating profit	3,788,269	3,056,010	24.0	2,516,221	1,936,740	1,413,967
Share of profit/(loss) of associates	2,035	1,435	41.8	1,162	(227)	–
Profit before income tax	3,790,304	3,057,445	24.0	2,517,383	1,936,513	1,413,967
Income tax	(963,161)	(728,179)	32.3	(592,578)	(448,358)	(312,318)
Net profit	2,827,143	2,329,266	21.4	1,924,805	1,488,155	1,101,649
Net profit attributable to shareholders of the Bank	2,827,143	2,329,266	21.4	1,924,805	1,488,155	1,101,649
Calculated on a per share basis (RMB)			Change			
Net assets per share attributable to shareholders of the Bank	5.88	4.98	0.90	4.09	3.19	2.49
Basic earnings per share	1.05	1.10	(0.05)	0.95	0.74	0.55
Dividend per share	0.272	0.224	0.048	0.07	0.05	0.05
Major indicators of assets/liabilities			Change (%)			
Total assets	274,531,145	206,787,015	32.8	156,163,478	127,339,915	108,325,519
Of which: loans and advances to customers, net	104,114,756	88,637,824	17.5	75,256,873	62,824,926	51,954,951
Total liabilities	258,628,122	193,307,744	33.8	147,905,128	120,886,751	103,295,598
Of which: customer deposits	167,932,436	148,801,045	12.9	114,043,185	89,306,554	73,856,470
Share capital	2,705,228	2,705,228	0.0	2,020,619	2,020,619	2,020,619
Equity attributable to shareholders of the Bank	15,903,023	13,479,271	18.0	8,258,350	6,453,164	5,029,921
Total equity	15,903,023	13,479,271	18.0	8,258,350	6,453,164	5,029,921

Financial Highlights

2.2 Financial Indicators

(All amounts expressed in percentage unless otherwise stated)	For the year ended December 31,					
	2014	2013	Year-on- year change between 2014 and 2013	2012	2011	2010
Profitability indicators (%)			Change			
Average return on assets ⁽¹⁾	1.17	1.28	(0.11)	1.36	1.26	1.16
Average return on equity ⁽²⁾	19.2	21.4	(2.2)	26.2	25.9	24.3
Net interest spread ⁽³⁾	2.56	2.61	(0.05)	2.66	2.77	2.70
Net interest margin ⁽⁴⁾	2.81	2.81	0.00	2.85	2.92	2.78
Net fee and commission income to operating income	12.15	10.97	1.18	7.90	8.10	7.10
Cost-to-income ratio ⁽⁵⁾	31.02	32.37	(1.35)	34.07	34.22	33.78
Asset quality indicators (%)			Change			
Non-performing loan ratio ⁽⁶⁾	0.69	0.39	0.30	0.33	0.35	0.36
Provision for impairment to non- performing loans ⁽⁷⁾	318.87	526.36	(207.49)	537.70	526.74	534.04
Provision for impairment to total loans ⁽⁸⁾	2.19	2.06	0.13	1.80	1.87	1.91
Indicators of capital adequacy ratio (%)			Change			
Core capital adequacy ratio ⁽⁹⁾	9.63	10.82	(1.19)	8.18	9.26	9.17
Capital adequacy ratio ⁽⁹⁾	11.00	13.26	(2.26)	11.11	11.96	12.41
Total equity to total assets	5.79	6.52	(0.73)	5.29	5.07	4.64
Other indicators (%)			Change			
Loan-to-deposit ratio ⁽¹⁰⁾	63.39	60.82	2.57	67.20	71.69	71.72
Liquidity ratio ⁽¹¹⁾	52.53	56.98	(4.45)	42.20	44.20	45.61
Percentage of loans to the single largest customer ⁽¹²⁾	4.62	5.09	(0.47)	4.63	6.17	5.29
Percentage of loans to the top ten customers ⁽¹³⁾	25.21	22.84	2.37	30.09	40.47	47.43

Notes:

- (1) *Calculated by dividing net profit by the average of total assets at the beginning and at the end of the period.*
- (2) *Represents net profit attributable to shareholders of the Bank as a percentage of the average balance of total equity at the beginning and at the end of the period.*
- (3) *Calculated by average return of interest-earning assets minus average interest rate of interest-bearing liabilities.*
- (4) *Calculated by dividing net interest income by average interest-earning assets.*
- (5) *Calculated by dividing operating expenses (less business tax and surcharges) by operating income.*
- (6) *Calculated by dividing balance of non-performing loans by total balance of loans and advances to customers.*
- (7) *Calculated by dividing balance of provision for impairment on loans by balance of non-performing loans.*
- (8) *Calculated by dividing balance of provision for impairment on loans by total balance of loans and advances to customers.*
- (9) *Core capital adequacy ratio and capital adequacy ratio for 2014 and 2013 were calculated in accordance with the latest guidance promulgated by the CBRC (effective from January 1, 2013), while core capital adequacy ratio and capital adequacy ratio for 2012 were adjusted retroactively in accordance with the latest guidance effective from January 1, 2013. No retroactive adjustments were made to core capital adequacy ratio and capital adequacy ratio for 2011 and 2010, and they were original ratios for the respective periods.*
- (10) *Loan-to-deposit ratio is calculated by dividing total balance of loans and advances to customers by total customer deposits.*
- (11) *Liquidity ratio is calculated in accordance with the formula promulgated by the CBRC.*
- (12) *Calculated by dividing total loans to the single largest customer by net capital.*
- (13) *Calculated by dividing total loans to the top ten customers by net capital.*

Chairman's Statement

Dear Shareholders,

The year of 2014 was the first year in which the Bank's new session of the Board discharged its duties and functions, the first year after the Bank's Listing in Hong Kong, and the first year in which the Bank launched the full implementation of the Decision of Bank of Chongqing on Advancing the Reform to Accelerate Development. The macroeconomic situation became increasingly complicated both domestically and internationally, while various challenges continued to emerge and the pressure on the overall economic slowdown increased. However, faced with these challenges, under the leadership of the Chongqing Municipal Party Committee, Chongqing Municipal People's Government and the guidance of the banking regulatory authorities, the Board thoroughly implemented the spirit of the 18th National Congress of the CPC and the 3rd and 4th Plenary Sessions of the 18th CPC Central Committee. We continued to cultivate the corporate culture of five core tenets: having a dream, a spirit, a caring heart, principles and undertakings. Driven by reforms and innovation with the mandate of scientific development and the objective of supporting the real economy, the Bank continued to improve corporate governance, adjust the asset structure, enhance the service efficiency and optimize the profitability model. The Bank is the first and only H-Share listed city commercial bank in the PRC successfully being incorporated into the MSCI Global Small Cap Index (China Index), and is the only Chinese bank being incorporated into that index. The Bank ranked third in The 2014 List of City Commercial Banks with an Asset Size of over RMB200 Billion published by The Chinese Banker magazine and was included in Top 400 Global Banks. We were awarded the Community Chest of Hong Kong Award, Golden Bauhinia Award and other honors, all of which have effectively enhanced our brand image.

As at the end of 2014, the Bank's total assets increased by 32.8% year-on-year to RMB274,531.15 million; the balance of deposits increased by 12.9% year-on-year to RMB167,932.44 million; the balance of loans increased by 17.6% year-on-year to RMB106,448.85 million; net profit increased by 21.4% year-on-year to RMB2,827.14 million. All regulatory indicators and requirements are compiled with. As a result, the Bank accomplished the targets and tasks set by the Board at the beginning of the year and achieved the objective of preservation and appreciation of state-owned assets and Shareholders' equity.

2015 will be a critical year of in-depth reforms, a year for launching the full implementation of the rule of law, as well as the year of concluding the Twelfth Five-Year Plan. Yet reforms and risks are intertwined, with issues from unbalanced and uncoordinated developments. Production and operating costs continue to rise, while lack of innovative capacity still poses a threat. Potential risks in the financial sector, and the conflict between economic development and the sustainable use of environmental resources are set to make the economic situation even more complex. Given the significant changes in operation and management environment of the banking sector including the continuous and accelerating impact of the interest rate marketization process, the emerging Internet financial services, an unprecedented opening of banking industry to the private sector and the implementation of more rigorous capital regulations, the traditional business model may become unsustainable. As the economy has stepped into a new normal, the Bank will consistently adhere to relevant national and local policies and regulations in an effort to seize the development opportunities and long-term high-speed growth of Chongqing's sustainable economic development as a result of the furtherance of reforms and restructuring. By strictly controlling risk, accelerating strategic transformation, adhering to a unique growth pattern and committing to social responsibility, we hope to proactively foster professional and unique competitive strengths so that we can deliver exceptional performance in return for the support from the society, our Shareholders and our customers.

On behalf of the Board, I would like to express sincere gratitude to relevant officials at all levels, our Shareholders, our loyal customers and the public for their care and support, and extend heartfelt gratitude to all our staff who dedicated themselves to the Bank with conscientiousness and diligence. As the Bank embarks on a new chapter in its history in 2015 under the new normal in economic development, the Board will lead our staff in forging through any obstacles with a determined, united and innovative spirit to new heights of success and contribution to the regional economy.

GAN Weimin

Chairman

Bank of Chongqing Co., Ltd.

March 20, 2015



GAN Weimin
Chairman

President's Statement

Dear Shareholders,

The year of 2014 was the first year after the Bank's Listing and a year in which China's economy entered into a new normal. Facing the "triple overlay" of the macroeconomic downturn, accelerated financial disintermediation and interest rate marketization, the Bank's management actively implemented the decisions made at Shareholders' meetings and Board meetings, strictly complied with regulatory requirements, and worked closely with all staff to overcome difficulties, deepen reforms, and accelerate the transformation. Despite the harsh market environment, we have completed the dual tasks of business development and risk controls and our overall performance topped China's city commercial banks, thereby taking a solid step forward towards our vision of becoming a "Leader of West China; Benchmark of Listed Banks".

We achieved growth in operating results despite the economic slowdown. Medium and large enterprise services rose to the challenge with over RMB100 billion in corporate deposits in the Chongqing area. Micro and small enterprise services facilitated the Bank's upgrade through mass-processed development model to meet the "two minimums" regulatory requirements for 6 consecutive years. Retail services seized opportunities to promote new channels and new products, and successfully launched direct banking, being the sixth nationwide and third among city commercial banks, with transactions exceeding RMB3 billion. Interbank services have ushered rapid development and greatly contributed to the Bank's overall growth in the adverse economic environment.

We achieved major progress in the comprehensive reform. We have completed interbank reforms and have integrated risk management to achieve complete process management on the basis of our four lines of service. The Bank has achieved steady progress in the tertiary structuring pilot program with continuous improvements to the Liangjiang Branch and Yuzhong Management Department. We participated in the formation of Chongqing Mashang Consumer Finance Co., Ltd. (重慶馬上消費金融股份有限公司) which has already been approved, and we also obtained asset securitization qualifications and successfully issued the first phase of the project.

The risk management withstood a severe test. In the economic downturn and a tough and worsening market environment, we successfully maintained a low non-performing loan ratio. We further patched in the risk management system, gaining affirmation and praise of regulators, particularly with the sound establishment of unique credit management decisions, such as preserving the records of written-off accounts and the classification of asset quality into twelve different categories.

Internal management and support was further optimized. With the optimization of our 2G payment and credit management system, the integration of project resources and the comprehensive outlet construction management, we further standardized security and logistics. Through decentralization and sub-regional resource allocation policies, we further optimized policy guidance measures.

Our brand image improved significantly. Our "five core tenets" cultural construction was awarded the first prize of the 21st National Enterprise Management Innovation Achievement Awards. Four of our branches won the dual honors of being one of the "Top 1,000 Demonstration Units" and a "Five-Star Business Outlet" of Civilized and Standardized Services in the Chinese Banking Industry in 2014. We ranked 370th on the list of the top 1,000 global banks in 2014 published by *The Banker*, a British magazine, up from 513 in the previous year.

None of these achievements would have been possible without the great support of our Shareholders, our customers, the community and the hard work of our employees. On behalf of Bank of Chongqing, I would like to express my heartfelt gratitude to you for your care and support to the Bank's growth!

With the leadership of our Shareholders and the Board as well as the strong support of the board of Supervisors, we will actively fulfill regulatory requirements in the spirit of maintaining stability in 2015. We will strengthen our restructuring efforts, accelerate structural adjustments, and enhance our risk controls. With a new outlook and a new momentum, we will adjust to the new normal, meet new challenges, grasp new victories and deliver better returns to our Shareholders!

RAN Hailing
Executive Director and President
Bank of Chongqing Co., Ltd.
March 20, 2015



RAN Hailing

*Executive Director
and President*

Recognitions and Awards

- The Bank was honored by the Chinese Society of Ideological and Political Work for Financial Institutions as a “Top 10 National Enterprise Culture Construction Model Institution”;
- The Bank was honored by the Chinese Research Institute of Enterprise Culture as an “Outstanding Enterprise Culture Top-Level Design and Grassroots Practice Institution”;
- The Bank was named the “Outstanding Institution for Financial Contributions to Support the Economic Development of Chongqing” by the Chongqing Municipal People’s Government;
- The Bank was honored by the Chongqing Municipal People’s Government as a “2013 Top 50 Chongqing Enterprise Group Taxpayer”;
- The Bank ranked 370th on the list of the top 1,000 global banks in 2014 published by The Banker, a British magazine, up by 143 spots from the previous year’s ranking;
- The Bank ranked third in The 2014 List of City Commercial Banks with an Asset Size of over RMB200 Billion published by The Chinese Banker magazine;
- In December 2014, the Bank was awarded “Golden Bauhinia – The Listed Company with the Best Information Disclosure” jointly granted by Hong Kong Tai Kung Pao, Chinese Financial Association of Hong Kong and Hong Kong Securities Institute;
- The Bank was awarded the Community Chest of Hong Kong Award in June 2014;
- The Jianxin North Road Sub-branch was honored by the China Banking Association as “2014 Advanced China Banking Security Management Unit (100 Enterprises)”;
- The Xi’an Branch Business Department, Guiyang Branch Business Department, Business Department of Head Office and the Jiangjin Sub-branch were each honored by the China Banking Association as one of the “Top 1,000 Demonstration Units of Civilized and Standardized Services in the Chinese Banking Industry in 2014”; and
- The Chengdu Chongzhou Sub-branch was named by the Sichuan Office of the CBRC as the “2013 Advanced Sichuan Banking Financial Institution for Micro- and Small-Enterprise Financial Services”.

Management Discussions and Analysis

6.1 Environment and Outlook

In 2014, the global economy experienced a slow and fragile recovery with overall stable debts. However, it remained under considerable downside pressure arising out of a series of negative factors including the crisis in Ukraine, the economic sanctions imposed by western countries on Russia, the turmoil in Middle East and the Ebola epidemic in West Africa. According to the International Monetary Fund, the global economic growth rate was 3.3% in 2014, representing an increase of 0.3 percentage point as compared with the previous year. The differentiation in major economies in terms of growth rates was continuously intensified. The United States presented a better recovery momentum as one of the major drivers to the global growth. In Japan, the economy was in stagnancy and even in recession amidst both weak demands in domestic and oversea markets. In the Eurozone, expansionary monetary policies were still implemented to boost the stagnant economic growth. In Russia, economic development was seriously affected by the falling oil prices and western economic sanctions. Emerging economies and developing economies stepped into a cycle of medium-high growth with growth slowing down in general.

In 2014, China's economic growth slowed down slightly but remained stable in the new normal due to the government's prudent fiscal and monetary policies coupled with the proactive economic structural adjustments. A string of policies and measures were rolled out for growth stabilization, including "targeted cuts in reserve requirement ratio" and "micro stimulus" specially designed to mitigate financing difficulty and the high financing costs for agriculture-related and small and micro businesses. With these targeted stimulus packages and the reforms initiatives taking effect gradually, China's economic growth is expected

to remain within a reasonable range. In the year, China's GDP was RMB63.65 trillion, up by 7.4% year-on-year. Prices stayed within a reasonable range, with consumer price index rising by 2.0% year-on-year. China's monetary, credit and financial markets operated smoothly as a whole: M2 increased by 12.2% to RMB122.84 trillion; the balance of M1 increased to RMB34.81 trillion with a year-on-year growth of 3.2%; the balance of M0 amounted to RMB6.03 trillion with a year-on-year growth of 2.9%. As at December 31, 2014, the RMB loan balance was RMB81.68 trillion with a year-on-year growth of 13.6%, among which the incremental RMB loans were RMB9.78 trillion, representing a growth of RMB890 billion year-on-year; and the RMB deposit balance was RMB113.86 trillion with a year-on-year growth of 9.1%, among which the incremental RMB deposits were RMB9.48 trillion, representing a decrease of RMB3.08 trillion year-on-year. In the year, total imports and exports amounted to US\$4.30 trillion, representing a year-on-year growth of 3.4%, among which total exports amounted to US\$2.34 trillion with a year-on-year growth of 6.1% and total imports amounted to US\$1.96 trillion with a year-on-year growth of 0.4%.

In 2014, Chongqing vigorously implemented the strategy of robustly developing the five functional districts and thoroughly deepened the reform under the overall mission of "building the prosperity of Chongqing with a scientific approach", thereby achieving a sound momentum for the city's economy. Its local GDP reached RMB1,426.54 billion, representing a year-on-year growth of 10.9%, which was 3.5 percentage points higher than the national average and topped the list of 31 provinces, autonomous regions and municipalities. In particular, the primary, secondly and tertiary industries grew by 4.4%, 12.7% and 10.0% respectively. The

Management Discussions and Analysis

city's per capita disposable income for urban residents was RMB25,147, representing a year-on-year increase of 9.1%. The city's total retail sales of consumer goods reached RMB509.62 billion, representing an increase of 13.0% year-on-year. As at December 31, 2014, the balance of RMB loans of financial institutions in the city amounted to RMB2,001.15 billion, representing a year-on-year growth of 15.1%; the balance of RMB deposits amounted to RMB2,450.15 billion, representing a year-on-year growth of 10.4%. In the year, total imports to and exports from the city increased by 39.0% year-on-year to US\$95.45 billion, which was 35.6 percentage points higher than the national figure, including total exports of US\$63.41 billion with a year-on-year growth of 35.5%, and total imports of US\$32.04 billion with a year-on-year growth of 46.3%

In 2015, China's economic growth is expected to maintain stable development under the "new normal". Stable progress, enhanced quality and increased efficiency will be the focus. Under complex international and domestic circumstances, the Chinese government and the Chinese monetary and regulatory authorities will implement sound fiscal policy and a monetary policy characterized by targeted easing. They will ensure the smooth and stable transition of China's economy, so as to bring about healthy development, social harmony and stability.

In respect of the reforms and innovation of China's financial sector, initial steps in reforms such as deposit interest rate marketization and a deposit insurance system have already been undertaken, and competition in the financial market has become increasingly fierce. The emergence of Internet banking presents an enormous challenge to the traditional banking business model. Many private banks have obtained approval and commenced business operations, making the

competition even more intense. The Chinese government has introduced a series of economic reform measures to reduce governmental interventions over the market. Price and resource allocation are both determined by the market, producing new opportunities for a healthy development of the banking industry.

Chongqing is China's largest municipality, Western China's most developed urban center, and the largest port city on the upper reaches of the Yangtze River. With the implementation of China's "One Belt, One Road" and Yangtze River Economy Zone strategies, the "new normal" has ushered in new opportunities for development. Along with the implementation of the penetrating advance and deepening reform tasks of Chongqing city's "Five Major Functional Area" strategy, Chongqing's economic growth rate will maintain at a relatively high level.

In 2014, Chongqing municipality regional GDP growth reached 10.9%, leading the nation's other provinces, autonomous regions and municipalities. In 2015, Chongqing's target GDP growth rate is around 10%, higher than that of the Yangtze River Delta, the Pearl River Delta, and the central provinces.

In 2015, Bank of Chongqing will continue to implement business restructuring and upgrading of infrastructure, further enhance operational and management standards, deepen reform of internal governance systems, improve product systems and service methods, and strive for breakthroughs in consumer credit, asset management, and other service areas. At the same time, the Bank will also actively build and improve on an efficient Internet financial platform, and provide the Bank's customers with an even more comprehensive range of financial products and services.

The Bank has a competitive advantage in small business, corporations, personal business, inter-bank financing and other service areas, and will improve its management and service standards to increase the Bank's market share in the Chongqing region. By adopting an analytical approach to the regional and macro-economic financial situation, the forecast ability and initiative of operations management will be enhanced. By continuing to develop a comprehensive risk management system, and striving to realize advantageous, timely and sustainable development objectives, we aim at generating more returns for our Shareholders and investors.

6.2 Development Strategy

In the coming three to five years, the Bank will proactively adapt itself to the new normal of the economy and achieve upgrading of its traditional businesses and seek new development engines by capitalizing on deepening of the financial reform. The Bank will also take ongoing efforts towards the maximization of Shareholder value under the operation philosophy of "scientific, harmonious and sustainable development". To this end, the Bank will continue to support regional economic development and serve individuals and small, medium and micro enterprises based on refined and specialized management, and will seek to build up core competitiveness so as to become a leading integrated listed bank in western China.

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

On business development strategy, the Bank will advance its "three rounds of transformation and upgrading". First, the Bank will accelerate

transformation of the traditional business lines including small and micro and large and medium corporate banking and upgrading of retail business lines, and further promote specialized and refined operation to ensure sound progress and improvement in profitability. Second, the Bank will vigorously push forward the transformation from traditional to emerging businesses through embarking on the broader asset management strategy and applying for financial service licenses, with an aim at a diversified business mix and an optimal profit matrix. Third, the Bank will achieve the transformation from traditional offline to online business to explore new opportunities for development.

On channel development strategy, the Bank will focus on the establishment and integration of channels. While optimizing offline channels to consolidate the existing market, the Bank will draw on the opportunities from Internet financial services to build up the "direct banking" platform. To this end, the Bank will continue to roll out technology-based, innovation-oriented and experience-centric financial offerings, leveraging upon its unique product strengths to expand the customer acquisition channels.

On regional development strategy, the Bank will continue to broaden its vision in the backdrop of local development strategies and major national strategic deployments. From the perspective of consolidating and expanding the local market, the Bank will align its outlet network and business structure with Chongqing's positioning and blueprint for the five functional districts to financially underpin the locality's strategy on coordinated economic development. From the perspective of rooting in western China to extend its footprint across China, the Bank will seize the opportunities from the country's aspiration on "One Belt, One Road" and Chongqing's ambition for all-dimensional opening-up to expand its reach and capability for development on an ongoing basis.

Management Discussions and Analysis

To ensure an efficient and steady progress in implementing its strategic plan, the Bank will deepen its reforms in various areas including organizational structure, market-oriented allocation of resources, performance assessment and personnel management, management mechanism and corporate culture. The aim is to improve business management and innovation capabilities in product development, risk management, capital management, information technology, talent strategy and brand building.

6.3 Financial Review

In 2014, faced with complex and challenging economic and financial circumstances, the Bank proactively responded to major challenges including the restructuring of the domestic economy, economic growth slowdown, intensified competition and higher non-performing loan ratios in banking industry. The Bank also committed itself to addressing the challenges arising from the accelerated marketization of interest rates, the furtherance of financial regulation reform and the impact of online financial services on traditional banking, through accelerated transformation and development by integrating its operations and management to achieve strategic objectives. The Bank recorded a net profit of RMB2,827.14 million in 2014, representing an increase of 21.4% year-on-year, which ranks highly among listed PRC peers. The Bank's performance not only delivered sound returns to its Shareholders and investors, but also laid down a solid foundation for its sustainable development.

As of December 31, 2014, the total assets of the Bank amounted to RMB274,531.15 million, representing a year-on-year increase of 32.8% or RMB67,744.13 million. The Bank adhered to prudent and sustainable principles for credit management and risk control and

rationally maintained a reasonable level of aggregate credit and lending pace based on changes in the regional and macroeconomic environment. As a result, net loans and advances to customers grew by 17.5%, or RMB15,476.93 million, to RMB104,114.76 million as compared to the end of the previous year, while the non-performing loan ratio remained low at 0.69%. While striving for stable growth in service networks and business volume, the Bank remained customer-oriented by continuously accelerating its business transformation and upgrading and actively exploring online banking, direct banking and other online financial products and services to keep abreast of customers' increasing demand for diversification of asset allocation and professional management of deposits. The Bank adopted an innovative approach to deposit management and optimized its pricing practices of funding to meet the requirements for the marketization of interest rates. As of December 31, 2014, the amount of customer deposits increased by RMB19,131.39 million to RMB167,932.44 million, representing a year-on-year increase of 12.9%, and providing a stable source of funding for the rapid growth of the Bank's credit, inter-bank and other intermediate businesses. Alongside the increase in income from the main operations, the Bank strictly controlled its expenses and realized a continuous decline in its cost-to-income ratio which recorded a year-on-year decrease of 1.35 percentage points to 31.02%, representing a persistent rise in operating efficiency of the Bank in 2014.

As of December 31, 2014, the Bank's capital adequacy ratio and core capital adequacy ratio were 11.00% and 9.63% respectively, fulfilling the latest regulatory requirements on capital adequacy ratios applicable to the PRC banking industry.

I. Analysis of the Income Statement

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Interest income	13,236,153	10,467,150	2,769,003	26.5
Interest expense	(7,004,455)	(5,288,532)	(1,715,923)	32.4
Net interest income	6,231,698	5,178,618	1,053,080	20.3
Net fee and commission income	908,846	644,581	264,265	41.0
Net trading gain/(loss)	160,189	(89,789)	249,978	N/A
Net gain on investment securities	150,637	76,162	74,475	97.8
Other operating income	31,740	64,928	(33,188)	(51.1)
Operating income	7,483,110	5,874,500	1,608,610	27.4
Operating expenses	(2,805,275)	(2,282,772)	(522,503)	22.9
Impairment losses	(889,566)	(535,718)	(353,848)	66.1
Share of profit of associates	2,035	1,435	600	41.8
Profit before income tax	3,790,304	3,057,445	732,859	24.0
Income tax expense	(963,161)	(728,179)	(234,982)	32.3
Net profit	2,827,143	2,329,266	497,877	21.4

In 2014, our profit before income tax was RMB3,790.30 million, representing a year-on-year increase of 24.0%; net profit was RMB2,827.14 million, representing a year-on-year increase of 21.4%. Both profit before income tax and net profit recorded a high growth rate, mainly attributable to (1) the stable growth of interest-earning assets with net interest income achieving a year-on-year increase of RMB1,053.08 million or 20.3%; and (2) net fee and commission income recording a fast year-on-year growth of 41.0%.

1. Net interest income

In 2014, net interest income amounted to RMB6,231.70 million, representing a year-on-year increase of RMB1,053.08 million or 20.3%. Net interest income accounted for 83.28% of total operating income.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Interest income	13,236,153	10,467,150	2,769,003	26.5
Interest expense	(7,004,455)	(5,288,532)	(1,715,923)	32.4
Net interest income	6,231,698	5,178,618	1,053,080	20.3

Management Discussions and Analysis

The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or interest expense and average return of assets or average cost of liabilities for the years indicated.

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2014			Year ended December 31, 2013		
	Average balance	Interest income/expense	Average yield/cost ratio (%)	Average balance	Interest income/expense	Average yield/cost ratio (%)
ASSETS						
Loans and advances to customers	99,669,642	7,173,596	7.20	85,952,995	6,106,800	7.10
Investment securities	53,093,497	3,481,119	6.56	41,936,012	2,466,897	5.88
Balances with central banks	31,733,898	484,995	1.53	27,347,052	430,482	1.57
Due from other banks and financial institutions	32,418,038	1,754,712	5.41	25,964,192	1,260,963	4.86
Financial assets at fair value through profit or loss	4,610,739	341,731	7.41	3,139,015	202,008	6.44
Total interest-earning assets	221,525,814	13,236,153	5.97	184,339,266	10,467,150	5.67
LIABILITIES						
Customer deposits	158,277,356	4,405,190	2.78	134,537,605	3,300,669	2.45
Due to other banks and financial institutions	43,010,762	2,380,842	5.54	34,273,399	1,779,260	5.19
Debts issued	4,049,315	218,423	5.39	3,802,734	208,603	5.49
Total interest-bearing liabilities	205,337,433	7,004,455	3.41	172,613,738	5,288,532	3.06
Net interest income		6,231,698			5,178,618	
Net interest spread⁽¹⁾			2.56			2.61
Net interest margin⁽²⁾			2.81			2.81

Notes:

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

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

In 2014, the average yield on interest-earning assets of the Bank increased slightly by 30 basis points to 5.97% compared to the previous year.

In 2014, the average cost ratio of customer deposits and the amounts due to other banks and financial institutions increased from the previous year while the average cost ratio of bonds issued decreased slightly, and the overall average cost ratio of interest-bearing liabilities increased by 35 basis points to 3.41% as compared to the previous year.

Management Discussions and Analysis

As a result of the overall impact of the above-mentioned factors, net interest spread of the Bank decreased by 5 basis points to 2.56% as compared to the previous year, while net interest margin of 2.81% remained the same as that of the previous year.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Due to changes in volume	Due to changes in interest rate	Change in interest income and expense
ASSETS			
Loans and advances to customers	987,238	79,558	1,066,796
Investment securities	731,550	282,672	1,014,222
Balances with central banks	67,045	(12,532)	54,513
Due from other banks and financial Institutions	349,331	144,418	493,749
Financial assets at fair value through profit or loss	109,079	30,644	139,723
Change in interest income	2,244,243	524,760	2,769,003
LIABILITIES			
Customer deposits	660,727	443,794	1,104,521
Due to other banks and financial institutions	483,653	117,929	601,582
Debts issued	13,301	(3,481)	9,820
Change in interest expense	1,157,681	558,242	1,715,923

2. Interest income

In 2014, the Bank's interest income amounted to RMB13,236.15 million, representing a year-on-year increase of RMB2,769.00 million or 26.5%.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2014			Year ended December 31, 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Loans and advances to customers	99,669,642	7,173,596	7.20	85,952,995	6,106,800	7.10
Investment securities	53,093,497	3,481,119	6.56	41,936,012	2,466,897	5.88
Balances with central banks	31,733,898	484,995	1.53	27,347,052	430,482	1.57
Due from other banks and financial institutions	32,418,038	1,754,712	5.41	25,964,192	1,260,963	4.86
Financial assets at fair value through profit or loss	4,610,739	341,731	7.41	3,139,015	202,008	6.44

Management Discussions and Analysis

2.1 Interest income from loans and advances to customers

In 2014, the interest income from loans and advances to customers amounted to RMB7,173.60 million, representing a year-on-year increase of RMB1,066.80 million or 17.5%, primarily due to the significant increase in average yield on loans and advances to customers and the increase in average balance as compared to that of the previous year.

2.2 Interest income from investment securities

In 2014, the Bank's interest income from investment securities amounted to RMB3,481.12 million, representing a significant year-on-year increase of RMB1,014.22 million or 41.1%, primarily due to the significant increase in average balance and average yield on investment securities as compared to those of the previous year.

2.3 Interest income from balances with central banks

In 2014, the Bank's interest income from balances with central banks amounted to RMB485.00 million, representing a year-on-year increase of RMB54.51 million or 12.7%, primarily due to the year-on-year increase of 16.0% in average balance of balances with central banks as a result of the growth in customer deposits.

2.4 Interest income from amounts due from other banks and financial institutions

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2014			Year ended December 31, 2013		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Due from other banks and financial institutions for deposits and loans	3,099,455	85,804	2.77	3,089,700	67,280	2.18
Financial assets held under resale agreements	29,318,583	1,668,908	5.69	22,874,492	1,193,683	5.22
Total amounts due from other banks and financial institutions	32,418,038	1,754,712	5.41	25,964,192	1,260,963	4.86

In 2014, interest income from the Bank's amount due from other banks and financial institutions amounted to RMB85.80 million, representing a year-on-year increase of RMB18.52 million or 27.5%, primarily due to the increase in average yield on amount due from other banks and financial institutions by 59 basis points up to 2.77% as compared to that of the previous year.

In 2014, the interest income from the Bank's financial assets held under resale agreements amounted to RMB1,668.91 million, representing a year-on-year increase of RMB475.23 million or 39.8%, primarily attributable to (1) the average annualized yield increased by 47 basis points to 5.69% year-on-year, and (2) the average balance increased by RMB6,444.09 million or 28.2% year-on-year.

As a result of the foregoing factors, the Bank's total amounts due from other banks and financial institutions in 2014 increased by RMB493.75 million or 39.2% to RMB1,754.71 million as compared to that of the previous year.

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

In 2014, the Bank's interest income from financial assets at fair value through profit or loss amounted to RMB341.73 million, representing a year-on-year increase of RMB139.72 million or 69.2%, primarily due to the significant increase in average balance and average yield on financial assets at fair value through profit or loss as compared to that of the previous year.

3. Interest expense

In 2014, the Bank's total interest expense amounted to RMB7,004.46 million, representing a year-on-year increase of RMB1,715.92 million or 32.4%.

3.1 Interest expense on customer deposits

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2014			Year ended December 31, 2013		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Corporate deposits						
Demand	46,069,519	434,223	0.94	43,577,799	374,178	0.86
Time	60,702,755	2,625,671	4.33	51,905,355	1,964,384	3.78
Subtotal	106,772,274	3,059,894	2.87	95,483,154	2,338,562	2.45
Retail deposits						
Demand	8,311,856	33,328	0.40	7,986,171	31,266	0.39
Time	17,902,720	577,528	3.23	13,283,893	428,465	3.23
Subtotal	26,214,576	610,856	2.33	21,270,064	459,731	2.16
Other deposits	25,290,506	734,440	2.90	17,784,387	502,376	2.82
Total customer deposits	158,277,356	4,405,190	2.78	134,537,605	3,300,669	2.45

In 2014, the Bank's interest expense on customer deposits was RMB4,405.19 million, representing a year-on-year increase of RMB1,104.52 million or 33.5%, primarily due to an increase of 33 basis points in the average cost ratio of customer deposits, as well as the increase of average balance of customer deposits by 17.6% year on year.

Management Discussions and Analysis

3.2 Interest expense on amount due to other banks and financial institutions

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2014			Year ended December 31, 2013		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Due to other banks	28,141,151	1,596,263	5.67	18,509,624	1,041,416	5.63
Borrowings from central banks	2,190,645	56,996	2.60	1,927,630	48,813	2.53
Financial assets sold under repurchase agreements	12,678,966	727,583	5.74	13,836,145	689,031	4.98
Total borrowings from financial institutions	43,010,762	2,380,842	5.54	34,273,399	1,779,260	5.19

In 2014, the Bank's total interest expense on the amount due to other banks and financial institutions was RMB2,380.84 million, representing a year-on-year increase of RMB601.58 million or 33.8%, primarily due to the increase of 35 basis points in average cost ratio of the amount payable to other banks and financial institutions as compared to the previous year, as well as the increase of average balance by 25.5% year-on-year.

3.3 Interest expense on issuance of bonds

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2014			Year ended December 31, 2013		
	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Subordinated bonds	1,049,315	72,257	6.89	1,790,366	108,541	6.06
Financial bonds for small and micro enterprises	3,000,000	146,166	4.87	2,012,368	100,062	4.97
Subtotal	4,049,315	218,423	5.39	3,802,734	208,603	5.49

In 2014, the interest expense on subordinated bonds and financial bonds for small and micro enterprises amounted to RMB218.42 million, representing a slight year-on-year increase of RMB9.82 million or 4.7%, primarily due to the following reasons:

- (1) as for the RMB3,000.00 million 5-year financial bonds for small and micro enterprises issued by the Bank within China's interbank bond market in April 2013, the Bank covered all interest expense of such bonds for the whole year in 2014 as opposed to three quarters in 2013, so the interest expense on financial bonds for small and micro enterprises increased by RMB46.10 million compared with that of the previous year.
- (2) on April 3, 2014, the Bank exercised its redemption right to redeem the subordinated bonds of RMB1,000.00 million issued within China's inter-bank bond market in April 2009, which resulted in a decrease of RMB36.28 million in interest expense for subordinated bonds as compared to that of the previous year.

4. Net interest spread and net interest margin

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

In 2014, the Bank's net interest spread was 2.56%, representing a year-on-year decrease of 5 basis points. The decrease in net interest spread was primarily due to the increase in average cost ratio of interest-bearing liabilities exceeding the increase in average yield of interest-earning assets.

In 2014, the Bank's net interest margin was 2.81%, the same as that of the previous year, primarily due to: (1) the increase of RMB1,053.08 million or 20.3% in net interest income year on year, (2) the year-on-year increase of RMB37,186.55 million or 20.2% in average balance on interest-earning assets, and (3) the parallel increase in net interest income and average balance on interest-earning assets resulted in the net interest margin maintaining the same level as that of the previous year.

5. Non-interest income

5.1 Net fee and commission income

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Fee and commission income	974,857	694,318	280,539	40.4
Commission from financial advisory and consulting services	329,436	237,939	91,497	38.5
Commission from wealth management agency service	230,612	180,224	50,388	28.0
Commission from custodian service	214,271	128,348	85,923	66.9
Annual fees and commission from bank card services	111,007	72,466	38,541	53.2
Commission from guarantee and commitment services	45,313	37,991	7,322	19.3
Commission from settlement and agency services	44,218	37,350	6,868	18.4
Fee and commission expense	(66,011)	(49,737)	(16,274)	32.7
Net fee and commission income	908,846	644,581	264,265	41.0

Management Discussions and Analysis

In 2014, the Bank's net fee and commission income amounted to RMB908.85 million, representing a significant increase of RMB264.27 million or 41.0% as compared to the previous year and accounting for 12.15% of operating income, up by 1.18 percentage points as compared to that in the previous year, primarily due to the Bank's proactive adjustment of income structure, adoption of measures to expand the sources of non-interest income and increase in income from intermediary banking services, with a year-on-year increase of RMB85.92 million or 66.9% in commission from custodian service, an increase of RMB38.54 million or 53.2% in annual fees and commission income from bank card services, and a significant year-on-year growth of RMB91.50 million or 38.5% in commission income from financial advisory and consulting services.

Commission income from financial advisory and consulting services amounted to RMB329.44 million, representing a year-on-year increase of RMB91.50 million or 38.5%, primarily due to the substantial growth in the integrated financial advisory and consulting services provided by the Bank.

Commission income from wealth management agency service amounted to RMB230.61 million, representing a year-on-year increase of RMB50.39 million or 28.0%, primarily due to the continuous growth in wealth management agency services provided by the Bank.

Commission income from custodian service amounted to RMB214.27 million, representing a year-on-year increase of RMB85.92 million or 66.9%, primarily due to the substantial growth in custodian services.

Annual fees and commission income from bank card services amounted to RMB111.01 million, representing a year-on-year increase of RMB38.54 million or 53.2%, primarily due to the significant growth in amount of issued bank cards and credit cards, and growth in number of settled transactions through self service facilities.

Commission income from guarantee and commitment services amounted to RMB45.31 million, representing a year-on-year increase of RMB7.32 million or 19.3%, primarily due to the substantial growth in turnover of guarantee and commitment services.

Commission income from settlement and agency services amounted to RMB44.22 million, representing a year-on-year increase of RMB6.87 million or 18.4%, primarily due to the increase of settlement and agency services while the commission for these services basically remained stable.

5.2 Net trading gain/(loss)

The net trading gain/(loss) mainly include gains and losses generated from foreign exchange spot transactions, gains and losses generated from the translation of foreign currency monetary assets and liabilities into Renminbi, and gains or losses generated from the changes in fair value of the trading securities. In 2014, the Bank's net trading gain was RMB160.19 million, a significant improvement from the net trading loss of RMB89.79 million in the previous year, primarily due to: (1) the increase in market value of the major currencies such as US dollars and Hong Kong dollars held by the Bank, and (2) gains arising from the fluctuation in interest rate due to the adjustment of bond-securities investment portfolio.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Exchange gain/(loss)	23,825	(37,375)	61,200	N/A
Net gain from interest rate products	136,364	(52,414)	188,778	N/A
Total	160,189	(89,789)	249,978	N/A

5.3 Net gain on investment securities

In 2014, the Bank's net gain on investment securities amounted to RMB150.64 million, representing a dramatic year-on-year increase of RMB74.48 million or 97.8% compared to that of the previous year.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Net gains arising from de-recognition of held-for-trading financial assets	67,294	71,852	(4,558)	(6.3)
Net gains arising from de-recognition of available-for-sale financial assets	83,343	4,310	79,033	1,833.7
Total	150,637	76,162	74,475	97.8

Management Discussions and Analysis

6. Operating expenses

In 2014, the Bank's operating expenses was RMB2,805.28 million, representing a year-on-year increase of RMB522.50 million or 22.9%.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Staff costs	1,324,089	992,048	332,041	33.5
Business taxes and surcharges	483,663	381,018	102,645	26.9
Depreciation and amortization	136,803	116,371	20,432	17.6
General and administrative expense	734,708	685,074	49,634	7.2
Others	126,012	108,261	17,751	16.4
Total operating expenses	2,805,275	2,282,772	522,503	22.9

6.1 Staff costs

Staff costs constitute the largest component of the Bank's operating expenses, accounting for 47.20% and 43.46% of its total operating expenses for 2014 and 2013 respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Salaries and bonuses	956,556	665,965	290,591	43.6
Pension costs	127,313	109,667	17,646	16.1
Housing benefits and subsidies	61,780	54,001	7,779	14.4
Union and employee education fees	27,336	22,225	5,111	23.0
Other social security and welfare expenses	151,104	140,190	10,914	7.8
Total staff costs	1,324,089	992,048	332,041	33.5

In 2014, the Bank's total staff costs amounted to RMB1,324.09 million, representing a year-on-year increase of RMB332.04 million or 33.5%, primarily due to (1) the average increase of salaries and bonuses by 25.2% as compared to that in the previous year, and (2) the increase in headcount driven by the expansion of business scale and the increase in number of branches. As at December 31, 2014, the Bank had 3,581 full-time employees, representing an increase of 274 employees or 8.3% as compared to the previous year.

6.2 Business taxes and surcharges

Business taxes and surcharges mainly relate to revenue generated from our financial products and services with respect to lending (interest income), transfer of securities and other financial businesses. In 2014, business taxes and surcharges were RMB483.66 million, representing a year-on-year increase of RMB102.65 million or 26.9%.

6.3 Depreciation and amortization

The depreciation and amortization for 2014 increased by RMB20.43 million or 17.6% to RMB136.80 million from the previous year as the growth of our property and equipment remained stable during the Reporting Period.

6.4 General and administrative expense

In 2014, the general and administrative expenses increased by RMB49.63 million or 7.2% to RMB734.71 million.

7. Impairment losses

In 2014, the provisions for impairment losses recorded RMB889.57 million, representing a year-on-year increase of RMB353.85 million or 66.1% as compared to RMB535.72 million in 2013. The increase in provisions for impairment was primarily due to (1) the increased volume of loans and the higher percentages of impairment loss for certain industries exposed to high risks; and (2) starting of recording provision for impairment losses for receivables investment required by CBRC rules since 2014.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Impairment losses	889,566	535,718	353,848	66.1

8. Investment in associates

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014	December 31, 2013
Balance at beginning of the year	24,370	22,935
Share of profit of associates	2,035	1,435
Balance at the end of the year	26,405	24,370

On May 5, 2011, the Bank invested RMB22.00 million in the establishment of Xingyi Wanfeng Village Bank Co., Ltd., accounting for 20.0% of the registered capital of RMB110.00 million. In 2014, the Bank shared the profit after tax of RMB2.04 million, representing a 41.8% growth as compared to the previous year.

Management Discussions and Analysis

9. Income tax expense

The income tax rate applicable to the Bank was 25%. The effective tax rates of the Bank in 2014 and 2013 were 25.41% and 23.82% respectively.

The following table sets forth the profit before income tax and income tax expense for the years ended December 31, 2014 and 2013, respectively.

(All amounts expressed in thousands of RMB unless otherwise stated)	For the year ended December 31,		Change in amount	Change in percentage (%)
	2014	2013		
Profit before income tax	3,790,304	3,057,445	732,859	24.0
Tax calculated at applicable statutory tax rate of 25%	947,576	764,361	183,215	24.0
Add/(less) the tax effect of the following items:				
Non-taxable income	(49,332)	(44,077)	(5,255)	11.9
Non-deductible expenses	66,082	7,895	58,187	737.0
Differences from settlements for prior years	(1,165)	–	(1,165)	–
Income tax expense	963,161	728,179	234,982	32.3

II. Analysis of the Statement of Financial Position

1. Assets

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	106,448,851	38.8	90,504,316	43.8
Provision for impairment losses on loans and advances to customers	(2,334,095)	(0.9)	(1,866,492)	(0.9)
Net loans and advances to customers	104,114,756	37.9	88,637,824	42.9
Investment securities ⁽¹⁾	70,979,720	25.9	47,430,761	23.0
Investments in associates	26,405	0.0	24,370	0.0
Cash and balances with central banks	35,699,093	13.0	32,822,748	15.9
Due from other banks and financial institutions	54,409,453	19.8	32,143,462	15.5
Financial assets at fair value through profit or loss	4,798,210	1.7	2,009,537	1.0
Fixed assets	2,396,654	0.9	2,068,972	1.0
Deferred income tax assets	317,765	0.1	305,651	0.1
Other assets	1,789,089	0.7	1,343,690	0.6
Total assets	274,531,145	100.0	206,787,015	100.0

Note:

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

As at December 31, 2014, the Bank's total assets amounted to RMB274,531.15 million, representing an increase of RMB67,744.13 million or 32.8% as compared to the end of the previous year. An analysis of the breakdown of the Bank's total assets as at December 31, 2014 is as follows:

Total loans and advances to customers increased by RMB15,944.54 million or 17.6% to RMB106,448.85 million as compared to the end of the previous year. This was primarily due to the fact that the Bank increased loans to prime projects and key customers under effective risk control, whilst extending its support to loans to SMEs and small and micro enterprises with good market potential and robust customer demand in line with the characteristics of the economic development of Chongqing.

Investment securities increased by RMB23,548.96 million or 49.6% to RMB70,979.72 million as compared to the end of the previous year, primarily due to the expansion of trust beneficiary rights and securities investment.

Cash and balances with central banks increased by RMB2,876.35 million or 8.8% to RMB35,699.09 million as compared to the end of the previous year, primarily due to the increase in statutory deposit reserves as a result of the increased customer deposits.

Management Discussions and Analysis

Total amount due from other banks and financial institutions increased by RMB22,265.99 million or 69.3% to RMB54,409.45 million as compared to the end of the previous year, primarily due to (1) the substantial increase of RMB25,102.74 million or 105.3% in financial assets held under resale agreements, and (2) the decrease of amounts due from other banks and financial assets by RMB2,836.74 million or 34.2%.

1.1 Loans and advances to customers

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans and advances to corporate entities				
– Corporate loans	69,031,229	64.9	60,083,587	66.4
– Discounted bills	4,866,911	4.6	5,245,372	5.8
Retail loans				
– Mortgage loans	17,339,942	16.3	15,790,408	17.4
– Personal consumer loans	3,876,509	3.6	2,233,591	2.5
– Credit card overdrafts	2,253,277	2.1	1,007,641	1.1
– Personal business loans	9,080,283	8.5	6,127,637	6.8
– Others	700	0.0	16,080	0.0
Total loans and advances to customers	106,448,851	100.0	90,504,316	100.0

As at December 31, 2014, the Bank's total loans and advances to customers amounted to RMB106,448.85 million, representing an increase of RMB15,944.54 million or 17.6% as compared to the end of the previous year.

Loans and advances to corporate entities (excluding discounted bills) amounted to RMB69,031.23 million, representing an increase of RMB8,947.64 million or 14.9% as compared to that at the end of the previous year, and accounting for 64.9% of total loans and advances to customers, down by 1.5 percentage points from the end of the previous year. During the Reporting Period, the Bank actively adjusted the credit structure in support of the state's industrial policy and focused on the real economy. During the Reporting Period, additional loans to the manufacturing industry, the retail and wholesale industry, the construction industry, the culture, sports and entertainment industry, the accommodation and catering industry amounted to RMB768.05 million, RMB4,421.43 million, RMB453.14 million, RMB109.43 million and RMB123.11 million respectively.

Discounted bills amounted to RMB4,866.91 million, representing a decrease of RMB378.46 million or 7.2% as compared to the end of the previous year, primarily due to weak market demand.

Management Discussions and Analysis

Retail loans amounted to RMB32,550.71 million, representing an increase of RMB7,375.35 million or 29.3% as compared to the end of the previous year, and accounting for 30.6% of total loans and advances to customers, up by 2.8 percentage points from the end of the previous year. Specifically, mortgage loans, mainly for financing residential home purchases, increased by RMB1,549.53 million or 9.8% as compared to the end of the previous year; personal consumer loans grew by RMB1,642.92 million or 73.6% as compared to the end of the previous year. Credit card overdrafts increased by RMB1,245.64 million or 123.6% as compared to the end of the previous year; and the personal business loans increased by RMB2,952.65 million or 48.2% as compared to the end of the previous year. During the Reporting Period, the Bank took active measures to manage credit risk, actively adjusted the credit structure, favored credit needs of premium personal customers and made more effort to expand personal credit consumption and credit business in the face of complex market changes.

Distribution of loans by type of collateral

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateral loans	54,197,524	50.9	41,959,416	46.4
Pledged loans	13,515,506	12.7	11,263,885	12.4
Guaranteed loans	34,350,040	32.3	32,529,589	35.9
Unsecured loans	4,385,781	4.1	4,751,426	5.3
Total loans and advances to customers	106,448,851	100.0	90,504,316	100.0

Movements on provision for impairment on loans and advances to customers

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
Balance at beginning of the year	1,750,942	115,550	1,233,628	143,660
Impairment for loans and advances charged to profit or loss	394,100	514,349	609,529	95,156
Reversal of impairment for loans and advances	(72,262)	(104,164)	(92,215)	(76,838)
Net impairment for loans and advances charged to profit or loss	321,838	410,185	517,314	18,318
Unwinding discount on allowances	–	(28,975)	–	(9,570)
Loans written off during the year	–	(236,990)	–	(41,082)
Recoveries of doubtful debts written off in prior periods	–	1,545	–	4,224
Balance at the end of the year	2,072,780	261,315	1,750,942	115,550

Management Discussions and Analysis

In 2014, in strict accordance with the relevant requirements of accounting standards and the regulatory authorities, the Bank took into account of external economic dynamics and macro monitoring policies and strived to increase provision for impairment on loans and advances. As at December 31, 2014, the balance of provisions for impairment losses on loans and advances to customers was RMB2,334.10 million, representing an increase of RMB467.60 million as compared to the end of the previous year; and the provision for impairment to non-performing loans ratio decreased by 207.49 percentage points to 318.87% from that of the end of the previous year.

1.2 Investment securities

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss				
– Corporate bonds	4,798,210	6.3	2,009,537	4.1
Subtotal	4,798,210	6.3	2,009,537	4.1
Investment Securities – loans and receivables				
– Trust companies	36,086,622	47.6	27,909,790	56.5
– Securities companies	14,737,000	19.5	5,407,537	10.9
– Commercial banks	2,718,927	3.6	1,683,233	3.4
Impairment allowances	(154,172)	(0.2)	–	–
Subtotal	53,388,377	70.5	35,000,560	70.8
Investment securities – available-for-sale				
– Non-commercial bank bonds	3,737,961	4.9	2,901,170	5.8
– Corporate bonds	6,264,606	8.3	1,872,925	3.8
– Equity Investment at fair value	291,122	0.4	182,850	0.4
– Others	14	0.0	14	0.0
Subtotal	10,293,703	13.6	4,956,959	10.0
Investment securities – held-to-maturity				
– Government bonds	5,051,655	6.7	4,930,028	10.0
– Non-commercial bank bonds	1,779,985	2.3	1,947,214	3.9
– Commercial bank bonds	420,000	0.5	550,000	1.1
– Corporate bonds	46,000	0.1	46,000	0.1
Subtotal	7,297,640	9.6	7,473,242	15.1
Total	75,777,930	100.0	49,440,298	100.0

As at December 31, 2014, the Bank's total financial assets at fair value through profit or loss and other investment securities amounted to RMB75,777.93 million, representing an increase of RMB26,337.63 million or 53.3% as compared to the end of the previous year. Financial assets at fair value through profit or loss was RMB4,798.21 million, an increase by RMB2,788.67 million as compared to the end of the previous year, primarily due to the increase in the Bank's holdings of corporate bonds to adapt to the market. Available-for-sale financial assets was RMB10,293.70 million, an increase by RMB5,336.74 million or 107.7% as compared to the end of the previous year, primarily due to the increase in the Bank's holdings of non-commercial bank bonds and quality corporate bonds to increase the Bank's liquidity reserves. Investment securities-receivables was RMB53,388.38 million, an increase by RMB18,387.82 million or 52.5% as compared to the end of the previous year, primarily due to increased holding of directional asset management plans with controllable risks and high yield, trust investment with relatively low risks and acquisition of wealth management products with high yields from other banks and financial institutions. At the same time, investment securities held-to-maturity decreased by RMB175.60 million as compared to the end of the previous year to RMB7,297.64 million, primarily due to that some non-commercial bank bonds matured in 2014 and some commercial bank bonds exercised the redemption right in 2014.

2. Liabilities

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to other banks and financial institutions	81,635,724	31.6	33,749,572	17.5
Customer deposits	167,932,436	64.9	148,801,045	77.0
Other liabilities	5,056,289	1.9	5,804,219	3.0
Taxes payable	218,597	0.1	175,138	0.1
Bonds issued	3,785,076	1.5	4,777,770	2.4
Total liabilities	258,628,122	100.0	193,307,744	100.0

As at December 31, 2014, total liabilities amounted to RMB258,628.12 million, representing an increase of RMB65,320.38 million or 33.8% as compared to the end of the previous year. Customer deposits are the Bank's largest source of capital, which increased by RMB19,131.39 million or 12.9% as compared to the end of the previous year; amounts due to other banks and financial institutions increased by RMB47,886.15 million or 141.9% as compared to the end of the previous year; bonds issued decreased by RMB992.69 million or 20.8% due to the Bank's redemption of subordinated bonds in April 2014.

Management Discussions and Analysis

2.1 Customer deposits

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate demand deposits	48,920,176	29.1	46,694,854	31.4
Corporate time deposits	64,523,802	38.4	56,788,904	38.2
Individual demand deposits	9,015,331	5.4	10,202,369	6.8
Individual time deposits	18,974,821	11.3	14,714,891	9.9
Other deposits	26,498,306	15.8	20,400,027	13.7
Total amount of customer deposits	167,932,436	100.0	148,801,045	100.0
Of which: pledged deposits held as collateral	24,585,657	14.6	20,286,637	13.6

As at December 31, 2014, customer deposits amounted to RMB167,932.44 million, representing an increase of RMB19,131.39 million or 12.9% as compared to the end of the previous year. Corporate deposits balance were RMB113,443.98 million, representing an increase of RMB9,960.22 million or 9.6% as compared to the end of the previous year; individual deposits balance were RMB27,990.15 million, representing an increase of RMB3,072.89 million or 12.3% as compared to the end of the previous year. Corporate and individual demand deposits balance amounted to RMB57,935.51 million, representing an increase of RMB1,038.28 million or 1.8% as compared to the end of the previous year; corporate and individual time deposits balance amounted to RMB83,498.62 million, an increase by RMB11,994.83 million or 16.8% as compared to the end of the previous year.

2.2 Bonds issued

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Subordinated bonds				
Fixed rate subordinated debt – 2019	–	0.0	995,856	20.8
Fixed rate subordinated debt – 2022	795,468	21.0	795,071	16.7
Financial bonds				
Fixed rate financial bonds – 2018	2,989,608	79.0	2,986,843	62.5
Total	3,785,076	100.0	4,777,770	100.0

Pursuant to a resolution of the extraordinary general meeting passed on November 11, 2008 and the “Approval for Bank of Chongqing to Issue Subordinated Bonds”(《關於重慶銀行發行次級債券的批覆》) (Yin Jian Fu [2009] No. 42) by the CBRC on February 9, 2009, the Bank issued the RMB1,000.00 million subordinated bonds within the domestic inter-bank bond market of China in April 2009. Such subordinated bonds have a maturity of 10 years, with a coupon rate of 5.31% per annum for the first five years, payable annually. The Bank has exercised the redemption right to redeem all of the bonds at the par value on April 3, 2014.

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

The subordinated bonds are subordinated to all other claims on the assets of the Bank except for the Bank’s share capital. In the calculation of the Bank’s capital adequacy ratio, the subordinated bonds have been included as supplementary capital in accordance with relevant requirements of the CBRC.

Pursuant to a resolution of the extraordinary general meeting passed on November 25, 2011 and the “Approval for Bank of Chongqing to Issue Small and Micro Enterprises Financial Bonds” (《關於重慶銀行發行金融債券的批覆》) (Yin Jian Fu [2012] No. 526) by the CBRC on September 21, 2012, the Bank issued the RMB3,000.00 million in financial bonds for small and micro enterprises within the domestic inter-bank bond market of China in April 2013. On April 25, 2013, the Bank issued 5-year financial bonds for small and micro enterprises with a principal amount of RMB3,000.00 million. Such financial bonds bear a fixed coupon rate of 4.78% per annum before maturity, payable annually. All proceeds raised are used for loans to small and micro enterprises.

As at December 31, 2014, there were no defaults of principal and interest or other breaches with respect to these bonds since their issuances.

2.3 Due to other banks and financial institutions

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Due to central banks	2,918,096	3.6	2,458,216	7.3
Deposits from banks	32,311,570	39.6	21,690,766	64.3
Deposits from other financial institutions	8,385,199	10.3	1,077,500	3.2
Placements from banks and other financial institutions	3,500,000	4.3	1,054,675	3.1
Notes sold under repurchase agreements	32,939,059	40.3	7,468,415	22.1
Securities sold under repurchase agreements	1,581,800	1.9	–	–
Total	81,635,724	100.0	33,749,572	100.0

Management Discussions and Analysis

As at December 31, 2014, the Bank's balance due to other banks and financial institutions amounted to RMB81,635.72 million, representing an increase of RMB47,886.15 million or 141.9% as compared to the end of the previous year. The Bank's due to central banks increased by RMB459.88 million or 18.7% as compared to the end of the previous year; its deposits from banks increased by RMB10,620.80 million or 49.0% as compared to the end of the previous year; deposits from other financial institutions increased by RMB7,307.70 million or 678.2% as compared to the end of the previous year; the Bank's placements from banks and other financial institutions increased by RMB2,445.33 million or 231.9%; notes sold under repurchase agreements increased by RMB25,470.64 million or 341.0%; and securities sold under repurchase agreements at the end of this year was RMB1,581.80 million.

3. Shareholders' equity

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	2,705,228	17.0	2,705,228	20.1
Capital reserve	2,444,623	15.4	2,444,623	18.1
Other reserves	3,798,252	23.9	2,653,606	19.7
Retained earnings	6,954,920	43.7	5,675,814	42.1
Total equity	15,903,023	100.0	13,479,271	100.0

As at December 31, 2014, the Bank had paid-in capital of RMB2,705.23 million, capital reserve of RMB2,444.62 million, other reserves of RMB3,798.25 million, and retained earnings were RMB6,954.92 million. Among other reserves, (1) surplus reserve increased by RMB282.71 million as compared to the end of the previous year, primarily due to the provisions made for discretionary surplus reserve and statutory surplus reserve; and (2) general reserve increased by RMB659.35 million as compared to the end of the previous year, as the general reserve was required to be not less than an additional reserve of 1.5% of balance or risk assets at the end of the previous year.

III. Loan Quality Analysis

1. Breakdown of Loans by the Five-Category Classification

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Pass	103,463,491	97.20	89,545,465	98.94
Special mention	2,253,380	2.12	604,249	0.67
Substandard	535,969	0.50	233,872	0.26
Doubtful	137,392	0.13	95,104	0.10
Loss	58,619	0.05	25,626	0.03
Total loans and advances to customers	106,448,851	100.00	90,504,316	100.00
Amount of non-performing loans	731,980	0.69	354,602	0.39

In 2014, facing the economic slowdown and complex macro-economic dynamics, the Bank strengthened its efforts in restructuring its credit structure, conducted a throughout risk review of credit assets, actively prevented and mitigated risks, strengthened early risk warning and tracking as well as monitoring loan management, resulting in a continuous improvement in the quality of the Bank's credit assets. As at December 31, 2014, the balance of non-performing loans was RMB731.98 million, representing an increase of RMB377.38 million as compared to the previous year; non-performing loan ratio was 0.69%, representing an increase of 0.30 percentage point as compared to the previous year. The amount of loans under special mention category accounted for 2.12% of total loans, representing an increase of 1.45 percentage points as compared to that of the previous year.

Management Discussions and Analysis

2. Concentration of loans

2.1 Concentration by industry and non-performing loan

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014				As at December 31, 2013			
	Amount	Percentage of total (%)	Non-performing loans amount	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loans amount	Non-performing loan ratio (%)
Manufacturing	16,318,878	15.3	149,531	0.92	15,550,827	17.2	121,636	0.78
Wholesale and retail	15,018,762	14.1	269,930	1.80	10,597,333	11.7	80,323	0.76
Real estate	10,362,332	9.7	0	0.00	6,572,898	7.2	30,000	0.46
Construction	7,346,188	6.9	55,230	0.75	6,893,052	7.6	0	0.00
Water conservation, environment and public facility administration	4,960,790	4.7	0	0.00	4,155,130	4.6	0	0.00
Leasing and commercial services	3,283,354	3.1	0	0.00	4,599,200	5.1	1,854	0.04
Transportation, warehousing and postal service	1,945,510	1.8	22,666	1.17	2,738,775	3.0	0	0.00
Mining	2,399,014	2.3	100,000	4.17	2,630,498	2.9	0	0.00
Electricity, gas and water production and supply	1,733,604	1.6	0	0.00	1,412,688	1.6	0	0.00
Agriculture, forestry, animal husbandry and fishery	1,167,468	1.1	4,988	0.43	1,143,960	1.3	0	0.00
Household services and other services	621,921	0.6	0	0.00	853,643	0.9	0	0.00
Education	502,960	0.5	1,400	0.28	826,451	0.9	0	0.00
Financing	403,863	0.4	0	0.00	515,993	0.6	2,993	0.58
Science, technology and geological survey	376,190	0.3	0	0.00	477,196	0.5	0	0.00
Information transmission, computer services and software industries	272,192	0.3	0	0.00	382,263	0.4	8,597	2.25
Accommodation and catering	390,153	0.4	294	0.08	267,039	0.3	9	0.00
Culture, sports and entertainment	357,130	0.3	0	0.00	247,700	0.3	0	0.00
Public administration and social organization	1,197,700	1.1	0	0.00	150,000	0.2	0	0.00
Health, social security and welfare	373,220	0.3	0	0.00	68,941	0.1	0	0.00
Discounted bills	4,866,911	4.6	0	0.00	5,245,372	5.8	0	0.00
Individual loans	32,550,711	30.6	127,941	0.39	25,175,357	27.8	109,190	0.43
Total	106,448,851	100.0	731,980	0.69	90,504,316	100.0	354,602	0.39

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

In 2014, in response to the macro conditions of economic downturn and slower growth, the Bank continued to optimize its industry-specific credit entry and exit criteria for customers and further refined the management of industry quotas.

Certain industries with more periodic cycles were significantly affected by international and domestic economic fluctuations in 2014 and recorded a relatively fast growth in their non-performing loan ratio. Major industries experienced the following changes:

The amount of non-performing loans in the manufacturing industry increased by RMB27.90 million as compared to the end of the previous year, and the non-performing loan ratio increased by 0.14 percentage point, mainly due to natural growth of loan volume.

The amount of non-performing loans to the wholesale and retail industry increased by RMB189.61 million and the non-performing loan ratio increased by 1.04 percentage points as compared to the end of the previous year, with newly granted loans concentrating on the steel and coal trading industry. Affected by the overall economic downturn in 2014, steel and coal prices continued to fall, and overstocking of inventory and difficulty in collecting account receivables had caused the capital chain of certain enterprises to stress or fracture, thereby resulting in the growth of the non-performing loan ratio.

The amount of non-performing loans to the construction industry increased by RMB55.23 million, with non-performing loan ratio increased by 0.75 percentage point, primarily due to a key corporate customer's bank acceptance bill having to be advanced in cash, and currently, the equity acquisition scheme is being processed.

The amount of non-performing loans to the mining industry increased by RMB100.00 million, with the non-performing loan ratio increasing by 4.17 percentage points. It was mainly due to a long and midterm loan granted to a company, which is not due, and currently a restructuring scheme is being processed.

Among those industries affected less by the overall economic environment, the amount of non-performing loans to the information transmission, computer services and software industry decreased by RMB8.60 million with the non-performing loan ratio decreased by 2.25 percentage points, as compared to the end of the previous year; the amount of non-performing loans to the financial industry decreased by RMB2.99 million with the non-performing loan ratio decreased by 0.58 percentage point, as compared to the end of the previous year; the amount of non-performing loans to the leasing and commercial service industry decreased by RMB1.85 million as compared to the end of the previous year with the non-performing loan ratio decreased by 0.04 percentage point.

Moreover, as a result of the Bank's prudent credit entry criteria for customers and sound risk management, the Bank's non-performing loan ratio of the real estate industry continued to decline, while the scale of loans to the real estate industry grew rapidly, recording a decrease of 0.46 percentage point in non-performing loan ratio as compared to the end of the previous year, and as at the end of 2014, the non-performing loan ratio was 0%.

Management Discussions and Analysis

2.2 Concentration of borrowers

In 2014, the Bank's total loans to its largest single borrower accounted for 4.62% of its net capital while total loans to its top ten customers accounted for 25.21% of its net capital, which were in compliance with regulatory requirements. As at December 31, 2014, none of the Bank's loans to top ten borrowers were non-performing loans.

(1) Indicators of concentration

Major regulatory indicators	Regulatory standard	As at December 31, 2014	As at December 31, 2013	As at December 31, 2012
Loan concentration ratio for the largest single customer (%)	<=10	4.62	5.09	4.63
Loan concentration ratio for the top ten customers (%)	<=50	25.21	22.84	31.95

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

(2) Loans to top ten single borrowers

(All amounts expressed in thousands of RMB unless otherwise stated)	Industry	As at December 31, 2014	
		Amount	Percentage of total (%)
Customer A	Manufacturing	834,000	0.78
Customer B	Electricity, thermal power, gas and water production and supply	500,000	0.47
Customer C	Real estate	490,000	0.46
Customer D	Real estate	480,000	0.45
Customer E	Wholesale and retail	460,000	0.43
Customer F	Real estate	400,000	0.38
Customer G	Manufacturing	379,378	0.36
Customer H	Transportation, warehousing and postal service	340,000	0.32
Customer I	Construction	340,000	0.32
Customer J	Real estate	330,000	0.31

2.3 Distribution of loans and non-performing loans by product type

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014			As at December 31, 2013		
	Loan amount	Amount of non-performing loans	Non-performing loan ratio (%)	Loan amount	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	69,031,229	604,039	0.88	60,083,587	245,413	0.41
Short-term loans	45,885,258	502,639	1.10	40,891,142	242,360	0.59
Medium- and long-term loans	23,145,971	101,400	0.44	19,192,445	3,053	0.02
Retail loans	32,550,711	127,941	0.39	25,175,357	109,189	0.43
Residential mortgage and personal commercial property loans ⁽¹⁾	16,994,619	30,800	0.18	15,278,963	15,221	0.10
Personal business and re-employment loans	9,080,283	74,589	0.82	6,127,637	81,780	1.33
Others ⁽²⁾	6,475,809	22,552	0.35	3,768,757	12,188	0.32
Discounted bills	4,866,911	0	0.00	5,245,372	0	0.00
Total	106,448,851	731,980	0.69	90,504,316	354,602	0.39

Note:

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

As at December 31, 2014, non-performing loan ratio of corporate loans increased by 0.47 percentage point to 0.88% as compared to the end of the previous year, and non-performing loan ratio of personal loans decreased by 0.04 percentage point to 0.39% as compared to the end of the previous year.

Management Discussions and Analysis

2.4 Overdue loans and advances to customers

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

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014		As at December 31, 2013	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Past due within 90 days	835,969	56.49	150,730	33.87
Past due 90 days to 1 year	406,747	27.49	127,489	28.65
Past due over 1 year and within 3 years	237,008	16.02	120,714	27.12
Past due over 3 years	3	0.00	46,089	10.36
Total overdue loans and advances to customers	1,479,727	100.00	445,022	100.00

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

As at December 31, 2014, the total overdue loans amounted to RMB1,479.73 million, representing an increase of RMB1,034.71 million as compared to the end of the previous year. Overdue loans accounted for 1.39% of total loans, representing an increase of 0.90 percentage point as compared to the end of the previous year.

IV. Segment Information

1. Summary of geographical segment

(Expressed in percentage)	For the year ended December 31,							
	2014		2013		2012		2011	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Deposits	77.49	22.51	77.81	22.19	79.85	20.15	82.82	17.18
Loans	74.00	26.00	73.83	26.17	73.85	26.15	79.41	20.59
Assets	81.40	18.60	77.72	22.28	80.13	19.87	85.14	14.86
Loan to deposit ratio	59.21	71.60	57.71	71.74	62.14	87.24	68.74	85.92
Non-performing loan ratio	0.31	1.80	0.26	0.75	0.24	0.59	0.40	0.17
Provision for impairment to non-performing loans	704.36	128.30	787.84	268.30	748.91	294.96	476.47	978.26

(Expressed in percentage)	For the year ended December 31,							
	2014		2013		2012		2011	
	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas	Chongqing	Other areas
Return on average total assets	1.24	0.94	1.47	0.58	1.62	0.11	1.19	1.74
Net fee and commission income to operating income	13.25	7.65	10.88	11.48	7.05	13.74	7.49	11.03
Cost-to-income ratio	30.60	31.85	30.51	42.15	31.13	54.51	34.15	34.77

Note: Other areas refer to those areas other than Chongqing including three branches in Chengdu, Guiyang and Xi'an.

2. Summary of business segment

(All amounts expressed in thousands of RMB unless otherwise stated)	Year ended December 31, 2014				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Net interest income from external customers	2,089,251	679,154	3,463,293	–	6,231,698
Inter-segment net interest income/(expense)	2,130,299	493,782	(2,624,081)	–	–
Net interest income	4,219,550	1,172,936	839,212	–	6,231,698
Net fee and commission income	742,196	166,650	–	–	908,846

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

V. Analysis of off-balance-sheet items

Off-balance-sheet items of the Bank mainly include contingent liabilities and commitments, such as the credit commitments, capital expenditure commitments and operating lease commitments. Credit commitments, the main component of off-balance-sheet items, comprise bank acceptances, credit card commitments, issuance of letters of credit and issuance of letters of guarantee, among which credit card commitments, bank acceptances, and issuance of letters of credit are the main components. As at December 31, 2014, the balances of credit card commitments and bank acceptances and issuance of letters of credit were RMB1,078.07 million and RMB40,482.26 million, increasing by 34.3% and 8.8% as compared to the end of the previous year respectively, and the balance of capital expenditure commitment increased significantly by 73.9%.

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2014			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unused credit card limits	1,078,065	–	–	1,078,065
Guarantees, acceptances and letters of credit	40,102,035	380,227	–	40,482,262
Operating lease commitments	51,549	85,366	18,796	155,711
Capital expenditure commitments	507,265	47,036	–	554,301
Total	41,738,914	512,629	18,796	42,270,339

Management Discussions and Analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	As at December 31, 2013			
	Within 1 year	1 to 5 years	Over 5 years	Total
Unused credit card limits	802,728	–	–	802,728
Guarantees, acceptances and letters of credit	37,102,049	95,733	–	37,197,782
Operating lease commitments	50,842	97,025	2,164	150,031
Capital expenditure commitments	300,318	18,383	–	318,701
Total	38,255,937	211,141	2,164	38,469,242

6.4 Business Overview

6.4.1 Corporate Banking Business

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014	December 31, 2013	Rate of change (%)
Net interest income from external customers	2,089,251	2,193,720	(4.8)
Inter-segment net interest income/(expense)	2,130,299	1,670,275	27.5
Net interest income	4,219,550	3,863,995	9.2
Net fee and commission income	742,196	466,427	59.1
Other operating income	5,366	35,762	(85.0)
Impairment losses on assets	(459,757)	(203,938)	125.4
Operating expense	(1,806,118)	(1,649,309)	9.5
– Depreciation and amortization	(88,078)	(91,095)	(3.3)
– Others	(1,718,040)	(1,558,214)	10.3
Profit before income tax	2,701,237	2,512,937	7.5
Capital expenditure	189,321	357,027	(47.0)
Segment assets	110,186,011	99,028,672	11.3
Segment liabilities	(143,750,589)	(129,009,036)	11.4

Note: The above corporate banking segment includes small and micro enterprise banking business.

(I) Corporate Deposits

Corporate deposits maintained a rapid and steady growth. We proactively developed the corporate deposit market by enhancing our marketing efforts. As at December 31, 2014, the balance of our corporate deposits (excluding security deposits) amounted to RMB113.44 billion, accounting for 67.55% of the balance of total deposits and representing a growth of RMB9.96 billion or 9.6% as compared with the end of previous year. The balance of our corporate deposits (including security deposits) amounted to RMB138.03 billion, accounting for 82.19% of the balance of total deposits and representing a growth of RMB14.26 billion or 11.5% as compared with the end of previous year.

According to Chongqing Administration of the PBOC, as at December 31, 2014, the balance of our RMB corporate deposits (including security deposits) in Chongqing amounted to RMB103.39 billion, which ranked the fourth in the city (only next to the Chongqing branch of Industrial and Commercial Bank of China, the Chongqing branch of China Construction Bank, and Chongqing Rural Commercial Bank Co., Ltd.). Our RMB corporate deposits in Chongqing accounted for a market share of 8.08%, remaining unchanged from the market share as at the beginning of the year. Our RMB corporate deposits in Chongqing increased by RMB9.77 billion as compared with the end of previous year, which ranked the fourth in the city (only next to Chongqing Rural Commercial Bank Co., Ltd., the Chongqing branch of Industrial and Commercial Bank of China, and Three Gorges Bank).

(II) Corporate Loans

Our corporate lending activities were prudent and moderate. We carried out corporate lending activities in a prudent, steady and moderate manner in line with the economic conditions and industry trend of the region where our customers operate and with reference to national macro control policies. As at December 31, 2014, the balance of our corporate loans (excluding discount of bills) amounted to RMB69.03 billion, representing a growth of RMB8.95 billion or 14.9% as compared to the end of previous year.

(III) Corporate Banking Products

Our corporate banking product portfolio was further improved. To meet customers' needs, we proactively tailored our financial products to their specific industry characteristics, settlement practices and capital retention patterns with reference to regional economic and industry conditions. In 2014, the Bank committed its efforts in improving its competency in providing integrated service solutions. Specifically, the Bank strengthened the synergy between domestic and foreign currency businesses and products to provide enterprises with one-stop financial service solutions, including a series of new offerings such as financing guarantees, "Fast L/C Negotiation" trade finance, domestic factoring financing, secured wealth management and financing and commercial property loans.

6.4.2 Small and Micro Enterprise Banking Business

(I) Overview of Small and Micro Enterprise Banking Business as at December 31, 2014

According to governmental statistics, the balance of our small and micro enterprise loans as at December 31, 2014 amounted to RMB39.06 billion (the discount business of bank acceptance notes of small and micro enterprises was added as compared with the beginning of the year according to the statistics), representing an increase of RMB8.98 billion or 29.9% from the beginning of the year, which was 12.3 percentage points higher than the increase in our total loans, maintaining the "two minimums" regulatory requirements. We were in a leading position among our peers in Chongqing area in terms of the number of small and micro enterprise clients and the loans extended to small enterprises.

Management Discussions and Analysis

While developing the scale of the small and micro enterprise banking business, the Bank has been focusing on the expansion of the small and micro enterprise customer base. As at December 31, 2014, we extended loans to 17,948 small and micro enterprise clients, accounting for more than 90% of the total number of clients receiving our corporate loans. For the sub-segment with individual lending amount of RMB5 million or below, the small and micro enterprise loans recorded a balance of RMB19.89 billion, representing an increase of RMB5.58 billion or 39.0% as compared with the end of previous year; and the number of clients reached 16,910, and the balance of loans per client was RMB1 million.

(II) Micro Enterprise Financing Business

As at December 31, 2014, the balance of our micro-loan extended based on the technology from International Project Consult GmbH reached RMB2.28 billion, representing an increase of RMB0.82 billion or 56.0% as compared with the end of previous year; the number of clients reached 6,535, representing an increase of 1,080 or 19.8% as compared with the end of previous year; and the weighted average lending rate was 13.43% per annum which was substantially higher than the average lending rate of the Bank. In light of the diversified nature of the customer base and high profitability of micro-loan, we will continue to put in credit resources, financial resources and human resources to accelerate the expansion of the micro-loan market and to make micro-loan as a featured product of the Bank.

(III) Initiatives to Develop Small and Micro Enterprise Customers

(1) Business Promotion

The Bank cultivated large quantities of small and micro customers with individual credit amounts within RMB5 million by adhering to the principle of “one big and one small”, i.e. developing a big customer base and small individual amounts. The Bank carried out its business model as a bulk, standard, process-based and intensive “credit factory”, targeting customers clustered in professional circles, industrial parks, trade markets, business chambers or associations, suppliers and distributors of core businesses. Meanwhile, the Bank continued to develop wholesale and retail and individual proprietorship customers, and customized group-based financial service solutions for them in accordance with the law of large numbers. In the year, the Bank promoted its bulk business models including “Rent-secured Loan” and “Honest Loan” for merchants and “Honest Loan” for farmers.

(2) Business Management Enhancement

According to the upgrading scheme for its small and micro enterprise banking business, such upgrading efforts were focused on internal management, talents, business processes, development model, product system, customer relationship management, risk control and IT construction. Our small and micro enterprise banking department at the headquarters established a workflow-based management framework covering business planning, marketing, business assessment and business risk management. Our branches and sub-branches promoted building of organizations for their small and micro businesses, including independent small and micro business departments, dedicated review teams for small and micro businesses, dedicated client management teams for small and micro businesses and professional sub-branches for small and micro businesses.

(3) Business Risk Management

The Bank continued to improve the risk management system for small and micro enterprise banking business, and reduced its credit risk mainly with the following four methods: 1) improving risk control organizational structure, including establishing a credit management center in the small and micro enterprise banking department to strengthen the relevant risk management and control; 2) developing a multi-dimensional automatic monitoring data platform to ensure real-time operation monitoring over the authorized business units; 3) strengthening risk warnings

and reviews on the steel trading and coal industries with a view to duly settling risk dangers of some customers to integrate risk control into business development; and 4) lifting entry thresholds, optimizing cooperation strategies, proactively solving questionable credits and taking the initiative in exiting guarantee cooperation, in line with macroeconomic changes to ensure that no systemic risk occurred in the guarantee company of the Bank.

In order to further standardize the Bank's credit business operation and improve the internal control system to effectively prevent operational risks, the Bank issued the Administrative Measures for Dedicated Loan Renewal Businesses of Small and Micro Enterprises of Bank of Chongqing (for Trial Implementation), the Administrative Measures for "Wei Qi Tong" Start-up Loans of Bank of Chongqing (for Trial Implementation) (2014) and the Implementation Rules for Due Diligence and Disclaimer of Small and Micro Credit Businesses of Bank of Chongqing. At the same time, the Bank revised 19 frequently used standard form contracts so as to achieve better processing efficiency of business units and gradually normalize the use of standard form contracts of the Bank.

(4) Business Channel Building

The Bank pressed forward its cooperation with business chambers or associations or trade markets to facilitate its management pattern featuring "5 stringent controls" and "6 special mentions" on private guarantee companies. Moreover, while promoting its mobile payment platform for small and micro enterprises, the Bank established multiple loan application channels for customers mainly through community banking centers, telephone banking and outlets.

6.4.3 Retail Banking Business

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014	December 31, 2013	Rate of change (%)
Net interest income from external customers	679,154	612,410	10.9
Inter-segment net interest income/(expense)	493,782	384,039	28.6
Net interest income	1,172,936	996,449	17.7
Net fee and commission income	166,650	178,154	(6.5)
Other operating income	3,378	4,288	(21.2)
Impairment losses	(272,266)	(331,694)	(17.9)
Operating expense	(613,970)	(433,281)	41.7
– Depreciation and amortization	(29,941)	(23,762)	26.0
– Others	(584,029)	(409,519)	42.6
Profit before income tax	456,728	413,916	10.3
Capital expenditure	56,333	91,587	(38.5)
Segment assets	32,786,014	25,403,594	29.1
Segment liabilities	(28,811,408)	(25,352,437)	13.6

Management Discussions and Analysis

(I) Personal Deposits

Benefiting from the continued robust economic growth in Chongqing area, the Bank adhered to integrating its brand value in services with key account sales, fully utilizing its regional brand advantages to conduct service-oriented marketing mainly towards mid- to high-end target customer groups. The Bank launched specific “Xing Fu Cun” deposit certificate products solely with the aim of providing financial services to benefit the general public. Personal deposits increased by RMB3.07 billion or 12.3% year-on-year to RMB27.99 billion, continuing to maintain a relatively high growth rate. The local market share steadily increased.

(II) Personal Loans

Our personal consumer loans grew steadily, with innovative loan products emerging constantly, loan structures further optimized and loan profits stably increased. Personal consumer loans (excluding personal business loans and credit card overdrafts) increased by RMB3.19 billion to RMB21.22 billion as compared with the end of previous year, of which personal residential mortgage loans increased by RMB1.63 billion to RMB16.64 billion, and personal consumer loans increased by RMB1.64 billion to RMB3.88 billion. In respect of the structure of personal consumer loans, the proportion of personal residential mortgage loans fell by 4.87 percentage points to 78.44% as compared with the end of previous year, and the proportion of personal consumer loans increased by 5.88 percentage points to 18.27% as compared with the end of previous year.

Our policy loans continued to witness steady growth. In particular, the collateral-backed micro-loan as a major business line in our policy loan portfolio with risks partially shared and interest payable by the government delivered considerable profitability and boosted employment of residents. As a result, mutual successes were achieved in our economic profit and social responsibility commitment.

(III) Bank Cards

New card issuance and transaction volume of our bank card business (excluding credit cards) recorded continuous growths. As at December 31, 2014, we have issued a total of 2,530,580 debit cards and the transaction volume amounted to RMB10.27 billion, representing a year-on-year growth of 24.4%. The Bank is committed to broadening the functions, diversifying the channels and enhancing the security of bank card consumption, settlement and other bank card applications. In 2014, the Bank issued PBOC 3.0 financial IC cards and hence became the first bank issuing such cards in Chongqing, laying a foundation for provision of more secure public service applications and more convenient financial services to cardholders.

6.4.4 Treasury Operations

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014	December 31, 2013	Rate of change (%)
Net interest income from external customers	3,463,293	2,372,488	46.0
Inter-segment net interest income/(expense)	(2,624,081)	(2,054,314)	27.7
Net interest income	839,212	318,174	163.8
Net fee and commission income	–	–	–
Net trading income	160,189	(89,789)	N/A
Net gains on investment securities	150,637	76,162	97.8
Investment gains in associates	2,035	1,435	41.8
Other operating income	12,589	8,659	45.4
Impairment losses	(154,172)	–	N/A
Operating expense	(364,950)	(189,492)	92.6
– Depreciation and amortization	(17,797)	(1,339)	1,229.1
– Others	(347,153)	(188,153)	84.5
Profit before income tax	645,540	125,149	415.8
Capital expenditure	225,489	295,783	(23.8)
Segment assets	131,236,323	82,041,463	60.0
Segment liabilities	(86,066,886)	(38,942,492)	121.0

In 2014, addressing the increasingly stringent regulatory environment and complex economic situation, the Bank continued to strengthen risk management of its treasury operations under the principle of compliance in business operations. While ensuring adequate liquidity, the Bank steadily pushed forward its treasury operations with an investment focus on trust beneficiary rights, bonds and wealth management products in 2014.

Thanks to the efforts through the one-year-period, our treasury operations made sound and healthy progress, posting a profit before income tax of RMB0.65 billion for the year ended December 31, 2014, and increased by RMB0.52 billion as compared to the corresponding period of previous year, mainly due to the increase in treasury operation volume in the year.

(I) Breakdown of Securities Investment by Holding Purpose

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014		December 31, 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Held-to-maturity	7,297,640	9.67	7,473,242	15.17
Loans and receivables	53,388,377	70.72	35,000,560	71.06
Held for trading	4,798,210	6.36	2,009,537	4.08
Available for sale	10,002,567	13.25	4,774,095	9.69
Total	75,486,794	100.00	49,257,434	100.00

Management Discussions and Analysis

As at December 31, 2014, the Bank's held-to-maturity bonds decreased by RMB0.18 billion from the end of previous year, with the proportion decreasing by 5.50 percentage points; loans and debt securities classified as receivables increased by RMB18.39 billion from the end of previous year, with the proportion decreasing by 0.34 percentage point; held-for-trading bonds increased by RMB2.79 billion from the end of previous year, with the proportion increasing by 2.28 percentage points; and available-for-sale bonds increased by RMB5.23 billion from the end of previous year, with the proportion increasing by 3.56 percentage points.

(II) Breakdown of Securities Investment by Credit Rating

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014		December 31, 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
AAA	1,077,859	1.43	455,043	0.92
AA- to AA+	8,736,221	11.57	3,791,364	7.70
Unrated	65,672,714	87.00	45,011,027	91.38
Total	75,486,794	100.00	49,257,434	100.00

The Bank strengthened the analysis of interest rate movements in the interbank market in 2014. According to market interest rate movements, the Bank gradually increased the holdings of highly liquid book-entry government bonds and non-commercial bank bonds as well as high-coupon corporate bonds with credit rating of AA or above. As at December 31, 2014, the Bank's unrated securities investment increased by RMB20.66 billion from the end of previous year, with the proportion decreasing by 4.38 percentage points. The unrated securities investment mainly comprised loans, debt securities classified as receivables and government bonds.

(III) Breakdown of Securities Investment by Remaining Maturity

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014		December 31, 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Up to 3 months	10,700,533	14.18	7,507,460	15.24
3 to 12 months	15,273,970	20.23	9,514,220	19.32
1 to 5 years	42,259,144	55.98	25,329,847	51.42
Over 5 years	7,253,147	9.61	6,905,907	14.02
Total	75,486,794	100.00	49,257,434	100.00

As at December 31, 2014, the Bank's securities investment with remaining maturity within 12 months increased by RMB8.95 billion from the end of previous year, with the proportion decreasing by 0.15 percentage point.

(IV) Holdings of Financial Bonds

Financial bonds are marketable securities issued by policy banks and other financial institutions with a debt service term as agreed upon. As at December 31, 2014, the balance of our financial bonds was RMB6.10 billion in nominal value, mainly comprising financial bonds issued by policy banks. Set out below are the top 10 financial bonds in terms of nominal value held by the Bank as at the dates indicated.

Name of bond	Value in RMB	Annual interest rate	Maturity date
2012 Policy Bank Financial Bond	1,000,000	3.39	July 9, 2015
2012 Policy Bank Financial Bond	500,000	3.93	April 23, 2015
2012 Policy Bank Financial Bond	500,000	4.11	April 23, 2017
2012 Policy Bank Financial Bond	500,000	4.21	June 29, 2019
2012 Policy Bank Financial Bond	500,000	3.87	June 28, 2019
2013 Policy Bank Financial Bond	460,000	5.04	October 24, 2023
2014 Commercial Bank Bond	400,000	4.28	February 3, 2015
2005 Policy Bank Financial Bond	380,000	3.79	June 28, 2021
2014 Commercial Bank Bond	270,000	4.30	January 24, 2015
2009 Commercial Bank Hybrid Capital Bonds	200,000	5.70	May 26, 2024

6.4.5 Distribution Channels

(I) Physical Outlets

As at December 31, 2014, we operated our business and marketed our retail banking products and services through the business department of our Head Office, our small enterprise loan center, 123 sub-units, including four branches, and 775 self-service terminals, and through our extensive distribution channels, such as telephone banking, mobile banking, online banking and direct banking, which cover all 38 districts and counties of Chongqing as well as three provinces in western China namely Sichuan Province, Shaanxi Province and Guizhou Province.

(II) Self-Service Banking Centers

Our offsite self-service banking centers and self-service terminals provide safe and convenient services to our customers, and also enhance our input-output ratio. As at December 31, 2014, we had 85 offsite self-service banking centers, 85 onsite service banking centers and 775 self-service terminals, including 340 ATMs, 267 self-service deposit and withdrawal machines and 168 multi-media self-service terminals that offer withdrawal, account inquiry, bill payment, deposit, passcode changing and/or fund transfer services. As at December 31, 2014, we processed approximately 8.70 million self-service banking transactions, with total transaction volume of RMB14.50 billion.

Management Discussions and Analysis

(III) Electronic Banking

In 2014, the Bank maintained growth momentum in the construction and operation of electronic banking channels, leading to continuously improving product distribution and customer service capabilities of our electronic banking business. With significant improvements in business indicators, the electronic banking business demonstrated stronger value creation. During the year, we focused on the construction of direct banking project and improvements in marketing and user experience of electronic banking business and launched direct banking business and services such as online banking electronic seal, business card, and large-amount transfer. Online payment through online banking will be launched to provide our clients with more convenient value-added services. Aiming to satisfy the multi-dimensional and diversified financial service needs of customers, we sought to improve the experience and satisfactions of customers through continued optimizations and upgrades to our electronic banking business.

(1) Online Banking

Corporate Online Banking

The Bank dedicatedly designed and optimized certain online banking functions pursuant to customers' needs, and our corporate online banking provides services including corporate call deposits, fuzzy search for entry of receiving banks, batch payment and deduction, group-wide capital pooling and direct linkage to corporate customers. As at December 31, 2014, we had 9,731 corporate online banking customers in aggregate, representing an increase of 40.2% as compared with the end of the previous year. The total transaction volume increased by 19.4% as compared with the end of the previous year to RMB212.30 billion, and the number of transactions increased by 47.4% to 2,278,700 as compared with the end of the previous year.

Personal Online Banking

In 2014, the Bank continued to improve the service support capabilities and user friendliness of the personal online banking services by optimizing the procedures for agreement signing at counters and sale of wealth management products and introducing new functions such as text messaging alerts on transaction failures. As at December 31, 2014, we had 207,100 personal online banking customers in aggregate, representing an increase of 54.7% as compared with the end of the previous year. The total number of transactions amounted to 2,555,000, representing an increase of 76.5% as compared with the end of the previous year, and the total transaction volume amounted to RMB49.13 billion (including sales of wealth management products amounting to RMB20.50 billion), representing an increase of 84.5% as compared with the end of the previous year.

(2) Mobile Banking

In 2014, our mobile banking system introduced optimized services including large-amount transfer, two-dimensional code collection and payment, interactive account opening through channels and management of account with other banks, and simplified certain cumbersome operational procedures related to mobile banking and hence substantially enhanced customer experience. Meanwhile, our mobile banking system continued to diversify its offerings by proactively preparing for the establishment of mobile payment gateway and launching value-added services such as movie ticket booking in cooperation with Gewara.com to maximize the offering of life-based services and enhance customer adherence. As at December 31, 2014, we had 143,600 mobile banking customers in aggregate, representing an increase of 121.3% as compared with the end of the previous year. The total transaction volume for the year amounted to RMB17.84 billion, representing an increase of 466.0% as compared with the end of the previous year, and the number of transactions amounted to 4,831,500, representing an increase of 215.1% as compared with the end of the previous year.

(3) Direct Banking

Aiming to proactively address the impact of Internet finance on traditional banking business, establish Internet-based direct sales channel to bypass geographic restrictions, the Bank successfully took the first-mover advantage to launch its direct banking business on July 24, 2014 and gathered a certain scale of online direct banking customer groups in a short time. Direct banking has become an important online brand and business access of the Bank, which enabled the Bank to realize cross-regional business expansion initially. As at December 31, 2014, the direct banking business recorded a total of 81,000 contracted electronic account customers, originating from 31 provinces, municipalities and autonomous regions in China (only Hong Kong, Macau and Taiwan excluded), of which customers holding cards from other banks reaching almost 40,000. In respect of the scales of financial assets, the total amount applied for Ju Li Bao was RMB3.10 billion with a holding volume of approximately RMB0.69 billion, while the deposits of Le Hui Cun was RMB18 million and the total numbers of customers applying for DIY Loan online reached 447.

Information Technology

The Bank has been committed to improving its core competitiveness by adopting advanced scientific technologies, and it put forward the development guideline of “maintaining stability, promoting development and planning for the future” for the first time in 2014. The Bank actively promoted the stable, healthy and orderly construction of information technology, giving a good support to its business innovation and sustainable development. Firstly, we completed the direct banking system and successfully launched the first phase of three Internet direct banking products, laying a solid foundation for our penetration in the Internet financial services market. Secondly, we completed the second generation payment system, which was successfully connected to the PBOC’s system together with a smooth migration from the first to the second generation payment business. Thirdly, we developed a series of technological support systems and functions related to the innovative business of “Xing Fu Cun” independently, indicating that our comprehensive abilities to promote the synergic development between independent business innovation and technological innovation were improved steadily. Fourthly, we revamped the core system for incorporating Xingyi Wanfeng Village Bank into the bank to boost its business development. Fifthly, the completion of operational risk management system allowed the Bank to exercise efficient management on operational risk and improve its overall business risk prevention and control. Sixthly, the mobile office system was completed and further enhanced our internal efficiency.

We continued to strengthen the safety maintenance of production system and improve its high availability, so as to actively support the construction of key projects while maintain the sound operation of our business platform. Firstly, we expanded the scope and depth of information system emergency drills, further supplemented and optimized the emergency response plan, proactively carried out switching operation drills of the disaster system in the same city while carried out production environment drills to improve our rapid recovery ability in case of information system failure, and actively prepared to carry out subsequent disaster system construction. Secondly, we strengthened the management of our operation and maintenance, and maintained a stable operation by adopting measures such as events tracking, changes control and risks assessment. The available rate of our important information systems reached 99.98% during the year. Thirdly, the company-wide network upgrade was pushed forward as scheduled and flat network management was gradually realized. It significantly increased network response speed to meet the new requirements on network management from our business development. Fourthly, we continued to promote the virtualization of our servers and hardware resources, which reduced the space for server room and our operation and maintenance cost sharply. Fifthly, we continued to promote rectification of availability of the system. Currently, we have completed collection and rectification of front-computers of some sub-branches through the technology of virtual computers, thereby reducing hardware costs while ensuring stability of the aged system as well as increasing the availability capability and emergency response efficiency of front-computers of the sub-branches.

Management Discussions and Analysis

We continued to strengthen internal control to enhance risk prevention and control capability based on information technology. Firstly, we set up a network safety and information group led by the chairman, responsible for research and formulation of the strategies, plans and significant policies regarding our network safety and information-based development. Secondly, we continued to carry out IT internal control system establishment and formulation and revision of 16 IT systems have been completed. Thirdly, we implemented comprehensive risk assessment to 6 electronic banking systems (i.e. online banking, mobile banking, telephone banking, direct banking, electronic shopping malls and ATM) to further prevent risks of the electronic banking system. Fourthly, we actively carried out information security protection including information technology security check, security training and assessment on information security protection level of key information systems to increase our information security awareness and safeguard the safe and stable operation of our information systems.

6.4.6 Particulars of Principal Associate

On May 5, 2011, the Bank invested RMB22 million for the establishment of Xingyi Wanfeng Village Bank Co., Ltd., accounting for 20% of its registered capital of RMB110 million. Set out below are the profits of the associate attributable to the Bank as at December 31, 2014 and December 31, 2013:

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014	December 31, 2013
Balance at the beginning of the period	24,370	22,935
Share of profit after tax of the associate	2,035	1,435
Balance at the end of the period	26,405	24,370

6.5 Employees and Human Resources Management

6.5.1 Details of the employees

(1) Composition of employees

As at the end of 2014, there were 3,581 employees on-duty, of which 602 or 16.81% worked at the Head Office, and 2,291 or 63.98% worked at branch outlets in Chongqing while 688 or 19.21% worked at branches in other cities.

(2) Range of their ages

The average age of the employees of the Bank was 33.1. 451 or 12.59% of them were below 25 years old while 1,264 or 35.31% aged between 26 to 30 years old. 676 or 18.88% of them aged between 31 to 35 years old while 451 or 12.59% of them aged between 36 to 40 years old. 491 or 13.71% of them aged between 41 to 45 years old while 168 or 4.69% of them aged between 46 to 50 years old and 80 or 2.23% of them aged above 50 years old.

(3) Educational background

312 or 8.71% of the employees of the Bank possessed a post-graduate qualification, and 5 of which were doctors. 2,469 or 68.95% of them were educated to degree level while 800 or 22.34% of them received junior college degrees or below.

(4) Composition of gender

The Bank had 1,583 male employees and 1,998 female employees, with the proportion of 44.21% and 55.79% respectively.

6.5.2 Overall management of human resources

In 2014, based on its five core tenets, the Bank aimed to intensify its reforms and continuously consolidated its foundation for managing human resources. The Bank adjusted and optimized its organization structure and its incentives and restraints mechanism. It also enhanced its operation efficiency, its employment and deployment of employees, and its human resources structure. The Bank developed innovative talent cultivation programs to improve the standard of the employees, the working atmosphere and their service quality and management standard. By focusing on constructing a modern human resources management mechanism, the Bank successfully fulfilled its objectives of promoting its management through reforms and enhancement through management.

6.5.3 Remuneration policy of the employees

The Bank has established its wide-range remuneration system based on market rates. It determined the remuneration and performance allocations of the employees based on their value of posts, individual ability, categories of posts and performance results. In order to have better recruitment, retaining and motivating of talents, the Bank has engaged a professional management consultation firm to have a comprehensive review of the current remuneration system and design a new system. Meanwhile, the Bank has strictly complied with the regulating provisions in respect of payment of remuneration, and extended the payment to senior management and certain employees whom had significant impacts on risks.

6.5.4 Training and development of the employees

Through establishing a level-and-category based employee training system, and fully utilizing the M-learning platform and E-learning platform of “Internet College of Bank of Chongqing”(重慶銀行掌上學院), the Bank continuously provided innovative training mechanisms, measures and methods, and comprehensively implemented nurturing and training programs for key personnel and frontline employees, to keep promoting the overall standard of all the employees. In 2014, the Bank has offered trainings to over 20,000 persons and the average number of trainings received by an employee was 5.72.

6.6 Risk Management

6.6.1 Credit risk management

Credit risk is the risk of losses resulting from the default, rating downgrade, or decline in repayment ability of a borrower or counterparty. Our credit risks mainly come from our loan portfolios, investment portfolios, guarantees and commitments, as well as other payment commitments.

In 2014, the Bank carefully implemented national macro-control policy, actively responded to changes in macro-economic conditions, continued to support structural adjustments in the economy, and continuously improved risk management and control mechanisms to hold the bottom line of risks.

A risk management reform designed to cope with the Bank’s business lines was implemented to strengthen credit risk management. A risk center, which is responsible for the risk management that covers all of our procedures, was established in the business line at the Head Office. In order to prevent credit risks and enhance the Bank’s risk management capabilities, each line adopted risk control measures that were specifically designed to address risks in this line and promoted the optimization of risk management.

The Bank promptly assessed risks and continuously adjusted its credit structure. With attention to macro control policies, the Bank enhanced studies and researches on key industry policies, and appropriately revised the guidelines on annual extension of credit which was released earlier this year. The Bank launched “Routine Management of Credit Extension”, analyzing loans extended to corporate customers on a quarterly basis, promulgating entry criteria for credit clients and credit projects in certain industries and strengthening guidance in respect of industries.

Management Discussions and Analysis

The Bank, with a focus on key risk areas, strengthened risk prevention and control efforts. The Bank, in prompt response to new management measures of local government debts, strictly controlled the amount of loans extended to government investment platforms and optimized the loan structure. The Bank exercised strict control over the proportion of loans to real estate projects in its total loan portfolio, selected the superior projects, limited the number of inferior projects, supported credit demands of first-home buyers. The Bank also enhanced investigation of risks involved in commercial premises transactions and effectively identified and prevented false mortgages. In relation to risk exposure to industries with overcapacity, market fluctuations and high sensitivity to industrial policies, the Bank took control from the source. In addition to implementation of rigorous credit policies, the Bank carried out recovery and disposal activities in a timely manner when there is a risk signal, and responded more effectively to the pressure of changes in asset quality.

6.6.2 Operational risk management

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

In line with the changes of supervision requirements and risks, the Bank continued to strengthen the construction of the operational risk management system, progressively improve risk prevention and control mechanisms and enhance operational risk management. An operational risk management system, which promotes the utilization of three operational risk management tools, namely the tool for operational risk and control self-assessment, the tool for key risk indicator monitoring, and the tool for loss data collection, was established. The Bank enhanced risk examinations to prevent operational risk and conducted annual inspections that focused on operational risks associated with credit business, counter business, new products and new services. The inspections covered all the branches of the Bank. For issues identified in the inspections, responsible personnel should take rectification measures within a time limit and keep internal records to effectively eliminate the potential risks. The Bank refined the business continuity management system, formulated management policies of continuous operations, and carried out ongoing business and risk analyses, optimized resources allocation, implemented contingency plans for operational emergencies and organized drills for the purpose of continuous operations to ensure a safe and stable environment for the Bank's operation.

6.6.3 Market risk

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

6.6.3.1 Interest rate risk of trading accounts

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

In 2014, the Bank paid close attention to movements in financial markets and continued to improve the market risk management system and the risk exposure limit system. The Value at Risk (VaR) method was gradually put in place to identify, monitor and control market risks.

6.6.3.2 Exchange rate risk

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

6.6.4 Liquidity risk management

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

The Board of the Bank formulated policies, strategies, procedures, limits and contingency plans in line with the overall management of liquidity risks in accordance with its risk preference. The Assets and Liabilities Management Committee under the senior management carries out day-to-day management of liquidity risks. The Assets and Liabilities Management Department, the Treasury Department and other operational departments and offices, each bears distinct responsibilities and works closely with each other to develop a well-organized and fully functional liquidity risk management system.

The Bank has liquidity risk measurement and monitoring mechanisms in place to conduct real-time monitoring of the Bank's overall money-market balance, liquidity reserves, liquidity exposure and related supervisory indicators. At the same time, the Bank's assets and liabilities are managed in accordance with factors such as liquidity exposure, liquidity reserves, money market balances, market conditions, and relevant monitoring targets. By means of quota management, internal funds transfer pricing and other management methods, proactive adjustments to the assets and liabilities maturity structure can be achieved, which provide security against liquidity risk.

The Bank continues to improve liquidity management strategies, upgrade liquidity risk measurement and forecasting capability, establish coordinate system meetings for asset-liability management and step up the building of systems and related liquidity management policies in order to enhance capability for liquidity risk control. Additionally, it actively applies scientific and technological means to improve liquidity management related information systems. By establishing such systems, the precision of liquidity risk monitoring and measurement, and the level of automation is increased.

In addition, the Bank continuously carried out liquidity risk stress tests (at least once a quarter), and introduced the liquidity risk sensitivity stress test. Through such stress tests, the Bank can constantly improve its liquidity risk control capability and substantially enhance its liquidity risk management expertise. The results of the quarterly stress tests in 2014 indicated that the liquidity risks remained within an acceptable range even under stressful conditions. In the future, the Bank will continue to optimize its testing capabilities and enhance liquidity risk monitoring and its early warning system.

As at the end of 2014, all of the major indicators of the Bank's liquidity position met the regulatory requirements.

Management Discussions and Analysis

6.6.4.1 Analysis of liquidity risk

In 2014, China's inter-bank liquidity was sufficient, but market-based interest rates and deposit growth rates fell which necessitates a higher standard of liquidity management. The Bank has been committed to improving its liquidity risk management, and adheres to a prudent liquidity risk management philosophy. It has also formulated and implemented real-time monitoring, a weekly coordination system, liquidity quota management, money market management, active liabilities, liquidity reserves, stress tests, contingency plans and other policies measures. To date, there has been no liquidity risk to the Bank and no instances of high cost financing.

The Bank uses liquidity gap analysis to assess liquidity risk. As at the end of 2014, the liquidity gap analysis of the Bank was as follows:

Undiscounted contractual cash flows categorised by contractual maturities

(All amounts expressed in thousands of RMB unless otherwise stated)	Within		1 to 3	3 to 12	1 to 5 years	Over 5 years	In perpetuity	Overdue	Total
	On demand	1 month	months	months					
December 31, 2014									
Liquidity gap net worth	(56,910,723)	8,100,572	(4,402,242)	(212,423)	20,747,938	49,294,762	31,353,689	1,325,341	49,296,914
December 31, 2013									
Liquidity gap net worth	(55,854,045)	12,250,117	(5,111,781)	17,885,466	(3,363,167)	43,255,413	28,141,503	300,511	37,504,017

At the end of 2014, the Bank's cumulative gap for all maturities was RMB49,296.91 million, an increase of RMB11,792.90 million over the previous year-end. Although there is a shortfall in on-demand repayment of RMB56,910.72 million, the Bank's deposit base is extensive and solid. Current deposit settlement rates are higher and funding sources are stable, so the impact of the shortfall on the Bank's real liquidity is low.

Liquidity coverage ratio of the Bank

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014	December 31, 2013
Qualified high-quality liquid assets	30,051,064	24,764,492
Net cash outflow in the next 30 days	31,902,646	26,675,841
Liquidity coverage ratio (%)	94.20	92.83

As at December 31, 2014, the Bank's liquidity coverage ratio is 94.20%, representing an increase of 1.37 percentage points as compared to the previous year, fully complying with the regulatory requirements by the CBRC.

The Bank measures its liquidity coverage ratio according to the latest Administrative Measures for Liquidity Risk Management of Commercial Banks issued by the CBRC which came into effect as of March 1, 2014 (the "Measures"). The latest Measures requires that commercial banks' liquidity coverage ratios must reach 100% by 2018. For the transition period before that, the liquidity coverage ratios shall reach 60%, 70%, 80% and 90% by 2014, 2015, 2016 and 2017 respectively.

Qualified high-quality liquid assets represent those assets that can be readily realized in the financial market incurring zero or minimal loss by selling or securing (pledging) the same, under the stress conditions prescribed for the required liquidity coverage ratio. The assets include cash, reserves placed in the PBOC under stress conditions and bonds held by the Bank after discounted by risk weightings.

Net cash outflow in the next 30 days = cash outflow – MIN (cash inflow, 75% of cash outflow)

The cash outflow reflects the expected losses or withdrawals from the balances of related liabilities and off-balance sheet items under the stress conditions prescribed for the required liquidity coverage ratio, including liabilities or off-balance sheet items with unspecified maturities, maturing in 30 days or which may be withdrawn in 30 days.

The cash inflow reflects contracted cash inflows to be occurred in the next 30 days.

6.6.5 Market risk management

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

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

6.6.5.1 Analysis of interest rate risk

Interest rate risk is the risk of fluctuations in fair values or future cash flows of financial assets and liabilities due to movement in market interest rates. Cash flow interest rate risk is the risk of fluctuations arising from the fact that future cash flows of financial instruments change along with market interest rates. Fair value interest rate risk refers to the risk of fluctuations arising because the value of certain financial instruments changes with market interest rates. The Bank’s interest rate risk encompasses fair value risk and cash flow interest rate risk resulting from major interest rate movement in the market.

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

In 2014, China’s economic situation was complicated by comparatively higher downside risk and uncertainty. In the context of the prevailing policy to accelerate the interest rate marketization process and the promotion of transfer of certificates of deposits among peers by the central bank, continuously emerging financial innovations led to intensity in market supervision and market competition. In the face of the accelerating interest rate marketization process and intensified competition in the financial market, the Bank ensured a continued increase in earnings and market value through means such as proper use of the FTP pricing system, optimization of its interest rate pricing management, timely adjustments to fund pricing, effective control over lending rates and interest costs as well as improvement in its forward-looking capability in interest rate risk management.

Management Discussions and Analysis

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

(All amounts expressed in thousands of RMB unless otherwise stated)	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
December 31, 2014							
Assets							
Cash and central bank deposits	35,059,587	-	-	-	-	639,506	35,699,093
Funds deposited in banks or other financial institutions	30,183,206	14,566,481	9,209,706	450,060	-	-	54,409,453
Financial assets at fair value through profit or loss	-	29,969	24,646	2,265,196	2,478,399	-	4,798,210
Customer loans and advances	67,839,475	9,156,771	22,015,899	3,136,390	1,966,221	-	104,114,756
Securities investment							
– Loans and receivables	780,799	4,043,881	13,076,622	35,487,075	-	-	53,388,377
– Available-for-sale	519,252	604,480	3,031,302	3,195,743	2,651,804	291,122	10,293,703
– Held-to-maturity	-	-	380,003	2,316,280	4,601,357	-	7,297,640
Investment in associates	-	-	-	-	-	26,405	26,405
Other financial assets	-	-	-	-	-	1,442,841	1,442,841
Total assets	134,382,319	28,401,582	47,738,178	46,850,744	11,697,781	2,399,874	271,470,478
Liabilities							
Due to other banks and financial institutions	33,115,383	19,725,009	26,379,353	2,300,000	115,979	-	81,635,724
Client deposits	70,834,890	16,251,782	39,226,135	41,596,966	22,663	-	167,932,436
Debts issued	-	-	-	3,785,076	-	-	3,785,076
Other financial liabilities	-	-	-	-	-	4,495,548	4,495,548
Total liabilities	103,950,273	35,976,791	65,605,488	47,682,042	138,642	4,495,548	257,848,784
Total interest sensitivity gap	30,432,046	(7,575,209)	(17,867,310)	(831,298)	11,559,139	(2,095,674)	13,621,694

Management Discussions and Analysis

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

At the end of 2014, the Bank's accumulated interest sensitivity gap amounted to RMB13,621.69 million, an increase of RMB1,910.27 million as compared to the previous year.

Management Discussions and Analysis

Assuming that overall market interest rates and exchange rates move in parallel, and not taking into account management level risk management activities that may be carried out to reduce interest rates or exchange rate risk, the Bank's interest rate and exchange rate sensitivity analysis is as follows:

6.6.5.2 Interest rate sensitivity analysis

(All amounts expressed in thousands of RMB unless otherwise stated)	Estimated changes of net interest income	
	December 31, 2014	December 31, 2013
+ 100 basis points parallel move in all yield curves	161,435	150,527
- 100 basis points parallel move in all yield curves	(161,435)	(150,527)

(All amounts expressed in thousands of RMB unless otherwise stated)	Change of other comprehensive income	
	December 31, 2014	December 31, 2013
+ 100 basis points parallel move in all yield curves	(281,050)	(54,736)
- 100 basis points parallel move in all yield curves	289,543	56,926

6.6.5.3 Exchange rate sensitivity analysis

The following table shows the effect on pre-tax profits when the Renminbi to foreign currency exchange rate moves by 1%.

(All amounts expressed in thousands of RMB unless otherwise stated)	Estimated pre-tax profit/(loss) change	
	December 31, 2014	December 31, 2013
+ 1.0% upward change of foreign exchange rate	3,660	12,334
- 1.0% downward change of foreign exchange rate	(3,660)	(12,334)

6.7 Capital Management

In satisfying the regulatory requirements on capital management and with an aim to continuously enhancing its capital risk resistance and capital return, the Bank had reasonably set its capital adequacy objective, promoted business development with measures such as performance appraisal and capital configuration so as to realize synergic development among overall strategies, business development and capital management strategies.

To facilitate sustainable development, change in growth modes, a balanced capital business and capital preservation in a coordinated manner, and further enhance capital preservation awareness of financial institutions, the Bank recently has given consideration to the capital consumption and earnings of various institutions in performance appraisal, and further improved its risk adjustment methods to refine the performance appraisal, and provided

guidance to branches and management to focus on capital preservation operations and high capital yield operations. At the same time, capital budget management has been implemented, with proper capital distribution introduced and a sound balancing mechanism between capital occupancy and risk capital was established to ensure continuous compliance for capital adequacy.

6.7.1 Capital adequacy ratio

The Bank is in compliance with the Rules for Regulating the Capital Adequacy Requirement of Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》) issued by the CBRC and other relevant regulatory rules to calculate capital adequacy, pursuant to which, credit risk-weighted assets are measured with the method of weighting, the market risk weight capital is measured with standard measuring, and the operational risk weighting capital is measured with basic indication measuring. During the Reporting Period, the Bank was in strict compliance with CBRC's requirements for minimum capital, capital reserve and counter-cyclicality capital during the transition period.

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

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014	December 31, 2013
Core capital:		
Share capital	2,705,228	2,705,228
Counted part of capital surplus	2,535,235	2,316,711
Surplus reserve and general risk reserves	3,707,640	2,526,470
Counted part of retained earnings	6,954,920	5,916,348
Core Tier 1 Capital deductibles items:		
Full deductibles items	(84,564)	(81,476)
Threshold deduction items	-	-
Total Core Tier 1 Capital, net	15,818,459	13,383,281
Other Tier 1 Capital, net	-	-
Tier 2 Capital, net	2,244,252	3,011,817
Net capital	18,062,711	16,395,098
On-balance sheet risk-weighted assets	134,034,150	98,875,498
Off-balance sheet risk-weighted assets	13,996,784	13,861,718
Risk-weighted assets for exposure to counterparty credit risk	-	-
Total credit risk-weighted assets	148,030,934	112,737,216
Total market risk-weighted assets	5,048,619	2,219,454
Total operational risk-weighted assets	11,158,260	8,723,417
Total risk-weighted assets before applying capital base	164,237,813	123,680,087
Total risk-weighted assets after applying capital base	164,237,813	123,680,087
Core Tier 1 Capital adequacy ratio	9.63%	10.82%
Tier 1 Capital adequacy ratio	9.63%	10.82%
Capital adequacy ratio	11.00%	13.26%

Management Discussions and Analysis

As at the end of the Reporting Period, the Bank's capital adequacy ratio was 11.00%, representing a 2.26 percentage points decrease as compared to the end of the previous year, and Core Tier 1 Capital adequacy ratio was 9.63%, an decrease by 1.19 percentage points compared to the end of the previous year. The change in capital adequacy ratio during the Reporting Period was mainly due to: (1) the decrease of subordinated capital as a result of the redemption of the RMB1,000.00 million bonds of the Bank in April 2014; and (2) lower capital adequacy as a result of rapid development of various operations, and growth of total on- and off-weighting risk capital.

In accordance with the Supervisory Requirements on Information Disclosure of Commercial Banks' Capital Composition (《關於商業銀行資本構成信息披露的監管要求》) issued by the CBRC, the Bank has disclosed its capital composition, relevant items, and capital tools, details of which are available at Investors relation – Supervisory Capital on the official website of the Bank: www.cqcbank.com.

6.7.2 Leverage ratio

As at December 31, 2014, the Bank's leverage ratio was 5.00%, above the regulatory requirement of the CBRC.

(All amounts expressed in thousands of RMB unless otherwise stated)	December 31, 2014	December 31, 2013
Leverage ratio (%)	5.00	5.47
Tier 1 Capital	15,903,023	13,464,757
Deductions from Tier 1 Capital	84,564	81,476
Tier 1 Capital, net	15,818,459	13,383,281
On-balance sheet assets after adjustment	274,531,145	206,787,015
Off-balance sheet assets after adjustment	41,560,327	38,000,510
On- and off-balance sheet assets after adjustment	316,091,472	244,787,525

The leverage ratio is calculated in accordance with relevant regulatory requirements. Tier 1 Capital, net is consistent with that used in the calculation of capital adequacy ratio by the Bank. On-balance sheet assets after adjustment include derivatives calculated by using the current risk exposure approach and other on-balance sheet assets. Off-balance sheet assets after adjustment include unconditionally cancellable commitments with a conversion factor of 10% and other off-balance sheet items. On- and off-balance sheet assets after adjustment equal to on-balance sheet assets after adjustment plus off-balance sheet items after adjustment.

Significant Events

Related Party Transactions

No material related party transaction that has an adverse impact on the Bank's operating results and financial position occurred during the Reporting Period.

Material Litigation and Arbitration

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its operating activities. As at December 31, 2014, the pending litigations to which the Bank was a defendant or a third party involved RMB23.37 million which, in the opinion of the Bank, would have no material impact on the Bank's financial position or operating results.

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

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

Performance of Undertakings by the Bank or Shareholders Holding over 5% of the Shares

At the end of the Reporting Period, there was no undertaking by the Bank or its Shareholders holding over 5% of the total Shares in issue of the Bank.

Material Contracts and their Performance

During the Reporting Period, the Bank was not involved in any material contract or performance thereof.

Acquisition and Disposal of Assets and Business Merger

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

Subsequent Events

On April 7, 2015, the Board received the resignation letter tendered by Ms. NI Yuemin. Ms. NI Yuemin will cease to act as an executive director of the Bank due to work re-designation, with effect from the date on which her resignation is approved by the Board.

On March 24, 2015, the employee representatives' meeting of the Bank elected Mr. YANG Xiaotao, Mr. HUANG Changsheng, Mr. LIN Min and Mr. ZHOU Xiaohong as the employee Supervisors for the fifth session of the board of Supervisors of the Bank. In addition, Mr. YANG Xiaotao was elected as the chairperson of the board of Supervisors of the Bank at the meeting of the board of Supervisors held on the same date with effect from March 24, 2015, and Ms. WAN Jiayu ceased to act as an employee Supervisor of the Bank due to change of session of the board of Supervisors.

Publication of Annual Report

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

Change in Share Capital and Shareholders

	December 31, 2013		Changes during the Reporting Period			December 31, 2014	
	Number	Percentage	Issue of new shares	Others	Sub-total	Number	Percentage
1. Shareholding of Domestic Shares legal persons ⁽¹⁾	1,491,146,246	55.12%	-	-	-	1,491,146,246	55.12%
Of which: ① Shareholding of state-owned legal persons	1,023,415,941	37.83%	-	-	-	1,023,415,941	37.83%
② Shareholding of private legal persons	467,730,305	17.29%	-	-	-	467,730,305	17.29%
2. Shareholding of Domestic Shares natural persons	56,887,747	2.10%	-	-	-	56,887,747	2.10%
Of which: ① Shareholding of employee natural persons	34,779,409	1.29%	-	-	-	34,779,409	1.29%
② Shareholding of natural persons other than employees	22,108,338	0.82%	-	-	-	22,108,338	0.82%
3. H Shares	1,157,193,512	42.78%	-	-	-	1,157,193,512	42.78%
Total	2,705,227,505	100.00%	-	-	-	2,705,227,505	100.00%

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

Particulars of Shareholdings

At the end of the Reporting Period, the Bank had a total of 2,705,227,505 Shares, comprising 1,157,193,512 H Shares and 1,548,033,993 Domestic Shares. There has been no changes to the share capital during the Reporting Period.

Change in Share Capital and Shareholders

Particulars of Shareholdings of the Top Ten Shareholders of Domestic Shares of the Bank

No.	Name of shareholder	Nature of shareholder	Total number of shares held	Shareholding percentage	Number of shares pledged
1	Chongqing Yufu Assets Management Group Co., Ltd.	State-owned	407,010,187	15.05%	
2	Chongqing Road & Bridge Co., Ltd.	Private	171,339,698	6.33%	
3	Chongqing Land Group	State-owned	139,838,675	5.17%	
4	Chongqing Water Conservancy Investment Group Co., Ltd.	State-owned	139,838,675	5.17%	
5	Lifan Industry (Group) Co., Ltd.	Private	129,564,932	4.79%	
6	Peking University Founder Group Co., Ltd.	State-owned	94,506,878	3.49%	
7	Chongqing South Group Limited	Private	68,602,362	2.54%	26,920,500
8	Chongqing Transport and Travel Investment Group Limited	State-owned	37,456,522	1.38%	
9	Chongqing Expressway Co., Ltd.	State-owned	29,942,325	1.11%	
10	Minsheng Industrial (Group) Co., Ltd.	State-owned	24,191,310	0.89%	
	Total		1,242,291,564	45.92%	

Change in Share Capital and Shareholders

Interests and Short Positions of Substantial Shareholders and Other Persons

As at December 31, 2014, the interests of substantial shareholders (as defined under the SFO), other than Directors and Supervisors of the Bank, in the H Shares and underlying Shares of the Bank as recorded in the register required to be kept under section 336 of the SFO were as follows:

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

Change in Share Capital and Shareholders

Notes:

- (1) *Dah Sing Bank, Limited held 458,574,853 H Shares of the Bank. Dah Sing Bank, Limited is wholly owned by Dah Sing Banking Group Limited, which is in turn owned as to approximately 74.59% by Dah Sing Financial Holdings Limited. Mr. David Shou-Yeh WONG is the beneficial owner of approximately 40.97% of the issued share capital of Dah Sing Financial Holdings Limited and Ms. Christine Yen WONG is the spouse of Mr. David Shou-Yeh WONG. Therefore, for the purpose of the SFO, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Mr. David Shou-Yeh WONG and Ms. Christine Yen WONG are deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited.*
- (2) *As confirmed by Chongqing Lifan Industrial (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd, Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng, as at December 31, 2014, Lifan International (Holdings) Limited held 139,000,000 H Shares of the Bank. Lifan International (Holdings) Limited is wholly owned by Chongqing Lifan Industry (Group) Import and Export Co., Ltd. which is wholly owned by Lifan Industry (Group) Co., Ltd. Lifan Industry (Group) Co., Ltd. is owned as to 61% by Chongqing Lifan Holdings Co., Ltd., which is in turn owned as to 72% by Chongqing Huiyang Holdings Co., Ltd. Mr. YIN Mingshan, an ex-non executive director of the Bank and whose tenure ended on March 7, 2014, and Ms. CHEN Qiaofeng, his spouse, are the beneficial owners of approximately 26.5% and 24.5% of the issued share capital of Chongqing Huiyang Holdings Co., Ltd. respectively, together holding approximately 51% of the interest of Chongqing Huiyang Holdings Co., Ltd. Therefore, according to the SFO, Chongqing Lifan Industrial (Group) Import and Export Co., Ltd., Lifan Industry (Group) Co., Ltd., Chongqing Lifan Holdings Co., Ltd., Chongqing Huiyang Holdings Co., Ltd., Mr. YIN Mingshan and Ms. CHEN Qiaofeng are deemed to be interested in the Shares of the Bank held by Lifan International (Holdings) Limited.*
- (3) *HSBC International Trustee Limited, the trustee of a discretionary trust established for the benefit of Mr. David Shou-Yeh Wong and his family members, held 37.66% interests in Dah Sing Financial Holdings Limited indirectly. For the purpose of the SFO, HSBC International Trustee Limited is deemed to be interested in the Shares of the Bank held by Dah Sing Bank, Limited (see note (1) above).*

Shareholders Holding over 5% of the Total Share Capital

At the end of the Reporting Period, Chongqing Yufu Assets Management Group Co., Ltd., Dah Sing Bank, Limited, Lifan Industry (Group) Co., Ltd., Chongqing Road & Bridge Co., Ltd., Chongqing Land Group and Chongqing Water Conservancy Investment Group Co., Ltd. held 461,660,187 Shares, 458,574,853 Shares, 268,564,932 Shares, 171,339,698 Shares, 139,838,675 Shares and 139,838,675 Shares of the Bank respectively, representing 17.07%, 16.95%, 9.93%, 6.33%, 5.17% and 5.17% of the Bank's total share capital respectively, and are substantial shareholders (as defined under the SFO) of the Bank. Except for the aforesaid shareholders, there were no other legal person shareholders holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons (other than employees) holding 5% or more of Shares of the Bank.

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

Directors, Supervisors and Senior Management

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

Name	Position	Gender	Age
GAN Weimin	Chairman and Executive Director	Male	47
RAN Hailing	Executive Director and President	Male	51
NI Yuemin	Executive Director, Vice President and Chief Financial Officer	Female	49
ZHAN Wanghua	Executive Director and Chief Risk Officer	Male	49
WONG Hon Hing	Vice Chairman and Non-executive Director	Male	62
QIN Wei	Non-executive Director	Male	53
DENG Yong	Non-executive Director	Male	55
LV Wei	Non-executive Director	Female	43
YANG Jun	Non-executive Director	Male	54
LI He	Independent Non-executive Director	Male	61
TO Koon Man Henry	Independent Non-executive Director	Male	62
KONG Xiangbin	Independent Non-executive Director	Male	45
WANG Pengguo	Independent Non-executive Director	Male	43
JIN Jingyu	Independent Non-executive Director	Male	49
YANG Xiaotao	Employee Supervisor and Chairperson of the Board of Supervisor	Male	51
HUANG Changsheng	Employee Supervisor	Male	51
LIN Min	Employee Supervisor	Male	44
ZHOU Xiaohong	Employee Supervisor	Male	48
CHEN Yan	Shareholder Supervisor	Male	51
TANG Jun	Shareholder Supervisor	Male	45
ZHOU Yongkang	External Supervisor	Male	66
CHEN Zhengsheng	External Supervisor	Male	64
YIN Xianglong	External Supervisor	Male	52
WANG Min	Vice President	Male	51
LIU Jianhua	Vice President	Male	49
YANG Shiyin	Vice President	Female	49
ZHOU Guohua	Vice President	Male	49
ZHOU Wenfeng	Joint Company Secretary, Acting Secretary to the Board	Male	46

Changes in Directors, Supervisors and Senior Management

1. The term of office of Mr. YIN Mingshan as a Director has expired, and he officially retired as a non-executive Director of the Bank, and ceased to be a member of the Remuneration and Appraisal Committee, Nomination Committee and Strategic Committee of the Bank upon the conclusion of the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014.
2. Mr. YANG Jun was appointed as a non-executive Director at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On March 20, 2014, the Board proposed and approved the appointment of Mr. YANG Jun as a member of the Strategic Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board. The appointment of Mr. YANG Jun was reviewed with approval of his qualification of directorship by the CBRC Chongqing Bureau on April 28, 2014.
3. Mr. KONG Xiangbin was appointed as an independent non-executive Director at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On March 20, 2014, the Board proposed and approved the appointment of Mr. KONG Xiangbin as a member of the Connected Transactions Control Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board. The appointment of Mr. KONG Xiangbin was reviewed with approval of his qualification of directorship by the CBRC Chongqing Bureau on April 28, 2014.
4. Mr. WANG Pengguo was appointed as an independent non-executive Director at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On March 20, 2014, the Board proposed and approved the appointment of Mr. WANG Pengguo as a member of the Connected Transactions Control Committee, Audit Committee, Remuneration and Appraisal Committee and Nomination Committee under the Board. The appointment of Mr. WANG Pengguo was reviewed with approval of his qualification of directorship by the CBRC Chongqing Bureau on April 28, 2014.
5. Dr. JIN Jingyu was appointed as an independent non-executive Director at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. On March 20, 2014, the Board proposed and approved the appointment of Dr. JIN Jingyu as a member of the Connected Transactions Control Committee, Remuneration and Appraisal Committee, Nomination Committee and Information Technology Guidance Committee under the Board. The appointment of Dr. JIN Jingyu was reviewed with approval of his qualification of directorship by the CBRC Chongqing Bureau on April 28, 2014.
6. The term of office of Dr. ZHANG Weiguo as an independent non-executive Director has expired, and he did not stand for re-election as a Director of the fifth session of the Board at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. In accordance with relevant PRC laws, regulations and corporate constitutions, Dr. ZHANG Weiguo continued to perform his duties as an independent non-executive Director and a member of respective Board committees of the Bank, until Dr. JIN Jingyu took the office of Director as approved by the CBRC Chongqing Bureau on April 28, 2014. When Dr. JIN Jingyu effectively took the office, Dr. ZHANG Weiguo resigned as an independent non-executive Director of the Bank, as well as the chairman of the Remuneration and Appraisal Committee and Nomination Committee, and a member of Information Technology Guidance Committee and Connected Transactions Control Committee of the Bank.

Directors, Supervisors and Senior Management

7. The term of office of Dr. SUN Fangcheng as an independent non-executive Director has expired, and he did not stand for re-election as a Director of the fifth session of the Board at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. In accordance with relevant PRC laws, regulations and corporate constitutions, Dr. SUN Fangcheng continued to perform his duties as an independent non-executive Director and a member of respective Board committees of the Bank, until Dr. WANG Pengguo took the office of Director as approved by the CBRC Chongqing Bureau on April 28, 2014. When Mr. WANG Pengguo effectively took the office, Dr. SUN Fangcheng officially resigned as an independent non-executive Director of the Bank, as well as the chairman of the Audit Committee, and a member of Remuneration and Appraisal Committee, Nomination Committee and Connected Transactions Control Committee of the Bank.
8. The term of office of Mr. HAN Deyun as an independent non-executive Director has expired, and he did not stand for re-election as a Director of the fifth session of the Board at the second extraordinary general meeting of 2014 held by the Bank on March 7, 2014. In accordance with relevant PRC laws, regulations and corporate constitutions, Dr. HAN Deyun continued to perform his duties as an independent non-executive Director and a member of respective Board committees of the Bank, until Mr. KONG Xiangbin took the office of Director as approved by the CBRC Chongqing Bureau on April 28, 2014. When Mr. KONG Xiangbin effectively took the office, Mr. HAN Deyun officially retired as an independent non-executive Director of the Bank, as well as a member of the Remuneration and Appraisal Committee and Nomination Committee, and the chairman of Connected Transactions Control Committee of the Bank.
9. Mr. XIANG Li, a non-executive Director of the Bank, has resigned from his position as a non-executive Director and a member of Strategic Committee under the Board of the Bank with effective from December 30, 2014.
10. On March 7, 2014, the Bank held the second extraordinary general meeting of 2014, where Mr. ZHOU Yongkang, Mr. CHEN Zhengsheng and Mr. YIN Xianglong were elected as external Supervisors of the fifth session of the board of Supervisors, and Mr. CHEN Yan and Mr. TANG Jun as shareholder Supervisors of the fifth session of the board of Supervisors. On the same date, Ms. WEN Yuping officially retired as an external Supervisor, and Mr. SI Houchun and Mr. LIU Xingyu officially retired as a shareholder Supervisor of the Bank.
11. At the meeting of the board of Supervisors held by the Bank on May 27, 2014, Ms. MA Qianzhen's resignation of chairperson of the board of Supervisors due to retirement was approved; while her resignation of an employee Supervisor was approved at the employee representatives' meeting held by the Bank on May 29, 2014. Given the above changes, the board of Supervisors of the Bank resolved to appoint Mr. HUANG Changsheng, the current employee Supervisor, to chair the board of Supervisors with effective from May 27, 2014, until the new Chairperson of the board of Supervisors is elected officially.
12. On March 24, 2015, the Bank held an employee representatives' meeting and Mr. YANG Xiaotao, Mr. HUANG Changsheng, Mr. LIN Min and Mr. ZHOU Xiaohong were elected as the employee Supervisors of the fifth session of the board of Supervisors of the Bank. Mr. YANG Xiaotao was elected as the Chairperson of the board of Supervisors of the Bank on the meeting of the board of Supervisors held on the same date and Ms. Wan Jiayu resigned as the employee Supervisor of the Bank.

13. Mr. NIU Yueqiang, vice president of the Bank, due to work re-designation, resigned from his position as vice president of the Bank on February 28, 2014. His resignation was approved by the Board on March 20, 2014.
14. Mr. ZUO Xiaobo, chief information officer, resigned from his position due to personal reasons on March 11, 2014. His resignation was approved by the Board on March 20, 2014. Mr. ZHOU Guohua (chief operation executive) served as chief information officer for the time being.
15. Mr. LI Zaining left the office of secretary to the Board on December 25, 2014 as he reached the retirement age. Mr. ZHOU Wenfeng was appointed as acting secretary to the Board of the Bank with effect from December 30, 2014.

Biographies of Directors, Supervisors and Senior Management

1. Biographies of Directors

Executive Directors

Mr. GAN Weimin (甘為民), aged 47, has been an executive Director since June 26, 2007 and chairman of the Bank since December 28, 2012.

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

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

Mr. RAN Hailing (冉海陵), aged 51, has been an executive Director since February 18, 2011 and president of the Bank since April 9, 2013.

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

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

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

Directors, Supervisors and Senior Management

Ms. NI Yuemin (倪月敏), aged 49, has been an executive Director since February 1, 2013. Ms. NI joined the Bank in October 2009 and has been the vice president since May 7, 2010, and chief financial officer of the Bank since December 29, 2010.

Before joining the Bank, Ms. NI worked as chief of the Examination and Distribution Division and chief of the Property Rights Administration Division of Chongqing State-owned Assets Supervision and Administration Commission from October 2003 to October 2009 and deputy chief of the Enterprise Division I of Chongqing Municipal Finance Bureau from September 2000 to October 2003.

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

Mr. ZHAN Wanghua (詹旺華), aged 49, was nominated by Dah Sing Bank, one of our substantial shareholders, to join the Bank as an executive Director on February 1, 2013 and has been the chief risk officer since February 1, 2013. Prior to joining the Bank, Mr. ZHAN worked as the director of the risk management department and the secretary of risk control committee of Dah Sing Bank (China) Co., Ltd. (大新銀行(中國)有限公司).

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

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

Non-executive Directors

Mr. WONG Hon Hing (黃漢興), aged 62, nominated by Dah Sing Bank, one of our substantial shareholders, has been a non-executive Director and vice chairman of the Bank since July 25, 2007.

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

Directors, Supervisors and Senior Management

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

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

Mr. QIN Wei (覃偉), aged 53, nominated by Yufu, one of our substantial shareholders, has been a non-executive Director since February 18, 2011.

Mr. QIN has been a Party Committee member and vice general manager of Yufu since March 2008. Mr. QIN had successively held various positions since he commenced his career in August 1983, including a section member of the first enterprise finance section of Chongqing Municipal Finance Bureau, deputy head of Jiulongpo district factory settlement team and Jiangbei district factory settlement team, a senior staff member of the general office, deputy director of the general office, vice division chief of the industry and traffic division and division chief of the enterprise division I, and the enterprise division.

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

Mr. DENG Yong (鄧勇), aged 55, nominated by Yufu, one of our substantial shareholders, has been a non-executive Director of the Bank since February 1, 2013.

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

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

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

Directors, Supervisors and Senior Management

Ms. LV Wei (呂維), aged 43, nominated by Chongqing Road & Bridge, has been a non-executive Director since June 3, 2009.

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

Ms. LV has been a director of Chongqing Road & Bridge (listed on Shanghai Stock Exchange, stock code: 600106) since August 2007.

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

Mr. YANG Jun (楊駿), aged 54, nominated by Lifan Industrial (Group) Co., Ltd., one of our substantial shareholders, has been a non-executive Director of the Bank since April 28, 2014.

Mr. YANG is currently vice president of Lifan Industrial (Group) Co., Ltd. Mr. Yang was deputy general manager of Chongqing Lifan Holdings Co., Ltd. (重慶力帆控股有限公司) from May 2011 to June 2013, general manager of Chongqing Lifan Passenger Vehicle Co., Ltd. (重慶力帆乘用車有限公司) from May 2008 to May 2011, general manager of Chongqing Lifan Automobile Co., Ltd. (重慶力帆汽車有限公司) from May 2004 to May 2008 and general manager of Chongqing Lifan Motorcycle Manufacturing Co., Ltd. (重慶力帆摩托車製造有限公司) from February 1997 to May 2004. Prior to that, Mr. YANG served successively as secretary of general manager, director of the General Affairs Office and assistant to general manager of China Rural Development Investment and Trust Corporation, Hainan Branch (中國農村發展信託投資公司海南公司) from February 1993 to February 1997. He was office director of Foreign Investment Service Center of the Economic Cooperation Bureau of Hainan (海南省經濟合作廳外商投資服務中心) from March 1991 to February 1993. He was an engineering technician of the Transportation Division of the State-owned Wangjiang Machinery Manufacturing Plant (望江機器製造總廠) from August 1989 to March 1991.

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

Independent Non-executive Directors

Mr. LI He (李和), aged 61, was appointed as an independent non-executive Director on September 4, 2013.

Directors, Supervisors and Senior Management

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

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

Mr. TO Koon Man Henry (杜冠文), aged 62, was appointed as an independent non-executive Director on September 4, 2013.

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

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

Mr. KONG Xiangbin (孔祥彬), aged 45, is an independent non-executive Director of the Bank since April 28, 2014.

Mr. KONG is Director of Chongqing Zhongshi Law Office (重慶中世律師事務所). Mr. KONG has been appointed as director of Chongqing Zhongshi Law Office since January 2003. He also serves concurrently as a member of the Chongqing Committee of Chinese People's Political Consultative Conference, a member of the Chongqing Arbitration Committee and an executive director of Chongqing Law Society. Mr. KONG served as deputy director of Chongqing Lida Law Firm (重慶麗達律師事務所) from July 1998 to January 2003, and head of sales department of the Yumei branch of Chongqing General Trading Group (重慶商社集團渝美分公司) from July 1992 to July 1998. Mr. KONG has served as a legal advisor for Chongqing Steel Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 601005; listed on the Hong Kong Stock Exchange, stock code: 1053) since January 2006, for Radio & TV Advertising Branch of Chongqing Radio & TV Media Group Co., Ltd. since May 2008, for Chongqing Municipality Agricultural Guarantee Co., Ltd. since May 2008, for Financial Office and Corporate Listing Office of Nan'an District, Chongqing since May 2009, for Chongqing Yonghui Supermarket Co., Ltd. since June 2009, and for Qianyuan Micro-Credit Loan Co., Ltd., Jiangbei District, Chongqing since May 2012.

Directors, Supervisors and Senior Management

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

Mr. WANG Pengguo (王彭果), aged 43, has been an independent non-executive Director of the Bank since April 28, 2014.

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

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

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

Dr. JIN Jingyu (靳景玉), aged 49, has been an independent non-executive Director of the Bank since April 28, 2014.

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

Dr. JIN has served in the Chongqing Technology and Business University (重慶工商大學) (formerly known as Chongqing College of Commerce (重慶商學院) in 2003 and before) since May 1997, where he has served successively as associate professor, professor and deputy director of the Department of Finance and Investment. Dr. JIN also served concurrently as the chairman of Chongqing Tandy Pharmaceutical Industry Co., Ltd. (重慶天地藥業有限公司) from June 2005 to February 2010, and

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served concurrently as a director and secretary to the board of Chongqing Wanli Storage Battery Co., Ltd. (重慶萬里蓄電池股份有限公司) (now known as Chongqing Wanli New Energy Co., Ltd. (重慶萬里新能源股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600847)), from January 2006 to March 2010, served as a director and secretary to the board of Southwest Synthetic Pharmaceutical Co., Ltd. (西南合成制藥股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000788), from July 2002 to June 2003, and a business director of the Financing Service Company (融資服務公司) and general manager of the 1st business division of Dapeng Securities Company Limited (大鵬證券有限責任公司) from September 1997 to September 2002. Dr. JIN is currently an independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (重慶機電股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 2722).

Dr. JIN graduated with a bachelor's degree from the department of mathematics of Henan University (河南大學) in 1991, studied in the University of Science and Technology of China (中國科學技術大學) major in management science and received a master's degree in engineering in 1995, and studied in Southwest Jiaotong University (西南交通大學) majoring in management science and engineering and received a doctor's degree in management in 2007. Dr. JIN is a director of the corporate operations research branch of the Operations Research Society of China (中國運籌協會), a director of the China Investment Professional Construction Committee (中國投資專業建設委員會) and a part-time researcher of the Upper Yangtze River Economic Research Center (長江上游經濟研究中心).

2. Biographies of Supervisors *Employee Supervisors*

Mr. YANG Xiaotao (楊小濤), aged 51, has been an employee Supervisor since March 2015 and is currently the chairperson of the board of Supervisors of the Bank.

Mr. YANG Xiaotao joined the Bank in March 2015. He is currently a party committee member of the Bank. Mr. YANG Xiaotao worked at Wulong sub-branch of Agricultural Bank of China since November 1979 and held a number of positions including officer and director at Huolu Office and Xiangkou Office, chief of industrial and commercial credit section, vice president, president and party committee secretary of the sub-branch. He served as vice president, party committee member and union chairman at Chongqing Fuling Branch of Agricultural Bank of China from August 1998 to July 2003. He was in charge of the overall operations of Chongqing Changshou District Rural Credit Cooperative from July 2003 to April 2004, and served as chairman and party committee secretary of Chongqing Changshou District Rural Credit Cooperative from April 2004 to November 2006. He was deputy director and party committee member of Chongqing Rural Credit Cooperative from November 2006 to June 2008, and vice president and party committee member of Chongqing Rural Commercial Bank Co., Ltd. from June 2008 to February 2015. Mr. YANG did not hold any directorship in any other listed companies in the last three years.

Mr. YANG Xiaotao obtained an executive master degree in business administration from Xiamen University in June 2013. Mr. YANG is a senior economist.

Directors, Supervisors and Senior Management

Mr. HUANG Changsheng (黃常勝), aged 51, was appointed as our employee Supervisor in April 2013.

Mr. HUANG joined the Bank in October 1995. Mr. HUANG is currently deputy secretary of the party committee, secretary of the Discipline Committee and chairman of the labor union of the Bank. Mr. HUANG previously served as director of the banking department, director of the credit department and director of the general office of Xiaolongkan sub-branch of the Bank, assistant to manager of Guanyinqiao sub-branch of the Bank, assistant to director, deputy director and director of the general office of the Bank, secretary to the Board and deputy director of the Board's office (in charge), general manager of the human resources department of the Bank, head of the preparation group of Guiyang Branch, and secretary of the party committee and president of Guiyang Branch of the Bank.

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

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

Mr. LIN Min (林敏), aged 44, was appointed as our employee Supervisor in April 2013. Mr. LIN joined the Bank in December 1999. Mr. LIN is currently president of Xi'an branch of the Bank and secretary of this branch committee of the party. Mr. LIN previously served as assistant to manager of Linjiangmen sub-branch, deputy manager of Fuling sub-branch, deputy general manager of the marketing department (in charge), manager of Nanping sub-branch, manager of Banan sub-branch, and a member of the preparation group of Xi'an Branch of the Bank.

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

Mr. LIN obtained an executive master in business administration degree from Chongqing University in December 2009. Mr. LIN is an accountant and a senior economist.

Mr. ZHOU Xiaohong (周曉紅), aged 48, has been an employee Supervisor since March 2015. Mr. ZHOU joined the Bank in April 1995. He is currently the president and party committee secretary of Jianxinbei Road sub-branch of the Bank. Mr. ZHOU previously served as director of planning and credit department, the regional managing officer of credit department of Daxigou sub-branch of the Bank, the assistant to president, deputy president (in charge) and president of Jianxindong Road sub-branch of the Bank.

Directors, Supervisors and Senior Management

Prior to joining the Bank, Mr. ZHOU worked as an officer of deputy director level at the economic coordination office and Northeast office (Harbin) of Chongqing government from April 1993 to April 1995. Mr. ZHOU did not hold any directorship in any other listed companies in the last three years.

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

Shareholder Supervisors

Mr. CHEN Yan (陳焰), aged 51, was appointed as a Supervisor of the Bank in March 2014. Mr. CHEN was a shareholder Supervisor.

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

Mr. CHEN served successively as an expert member of the asset appraisal and review committee, and manager of the appraisal and legal department, the debt management department, the operation management department and the investment business department of the Chongqing Representative Office of China Huarong Asset Management Corporation (中國華融資產管理公司) from 2001 to 2009. Prior to that, Mr. CHEN served as deputy general manager of Chongqing Huitong Land and Assets Appraisal Co., Ltd. (重慶匯通土地資產評估有限公司) from 1998 to 2001, director of

the general office of Chongqing Zhongye Property Development Co., Ltd. under the MCC Group (中冶集團重慶中冶房地產開發有限公司) from 1997 to 1998, deputy director of the general office of Chongqing Xiexin Property Development Co., Ltd. (重慶協信房地產開發有限公司) from 1996 to 1997, deputy factory manager of Chengdu Feixiang Surveying Instrument Plant (成都飛翔測繪儀器廠) from 1992 to 1996, and a teacher at Chongqing Zishui Middle School (重慶市字水中學) from 1984 to 1992. Mr. CHEN did not hold any directorship in any other listed companies in the last three years.

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

Mr. TANG Jun (唐峻), aged 45, was appointed as a Supervisor of the Bank in March 2014. Mr. TANG was a shareholder Supervisor.

Mr. TANG has served as the general manager of Chongqing Yugao Science & Technology Industry (Group) Co., Ltd. (重慶渝高科技產業(集團)股份有限公司) since November 2011 and the general manager of Chongqing Beiheng Investment & Development Ltd. (重慶北恒投資發展有限公司) since November 2012. Mr. TANG served as deputy general manager of Chongqing Yugao Science & Technology Industry (Group) Co., Ltd. from July 2008 to November 2011, an assistant to the general manager and a manager of the property branch of Chongqing Yugao Science & Technology Industry (Group) Co., Ltd. from July 2007 to July 2008, successively served as manager of the general department and deputy manager of the property branch of Chongqing Yugao Science & Technology Industry (Group) Co., Ltd. from April 1993 to July 2007, and

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served as chief construction engineer at Chongqing Second Construction Company (重慶第二建築工程公司) from July 1991 to 1993. Mr. TANG did not hold any directorship in any other listed companies in the last three years.

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

External Supervisors

Mr. ZHOU Yongkang (周永康), aged 66, was appointed as a Supervisor of the Bank in December 2010. Mr. ZHOU is an external Supervisor.

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

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

Mr. CHEN Zhengsheng (陳正生), aged 64, was appointed as a Supervisor of the Bank in May 2013. Mr. CHEN is an external Supervisor.

Mr. CHEN has over 39 years of experience in the banking industry. Mr. CHEN held a number of positions in the Chongqing Branch of Industrial and Commercial Bank of China between May 1984 and April 2011, including director of Jiefangbei Local Branch, deputy director of the office of Central City District (currently Yuzhong District), director of fund planning office, and vice president and counsel of Chongqing Branch. He was deputy head of the credit group and deputy director of the former Chongqing Qixinggang Local Branch of the People's Bank of China between April 1972 and May 1984. Mr. CHEN retired in April 2011. Mr. CHEN has been an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 3618) from December 2011 to December 2014, an independent director of Chongqing Yukaifa Company Limited (重慶渝開發股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000514) from August 2012, and an independent director of Loncin Motor Company Limited (隆鑫通用動力股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 603766) from November 2012.

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

Mr. YIN Xianglong (殷翔龍), aged 52, was appointed as a Supervisor of the Bank in March 2014. Mr. YIN is an external Supervisor.

Mr. YIN has been the deputy head of Kanghua Certified Public Accountants (康華會計師事務所) since November 2010. Mr. YIN served as deputy head of the Chongqing branch of RSM China Certified Public Accountants (中瑞岳華會計師事

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

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

3. Biographies of Senior Management

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

Mr. WANG Min (王敏), aged 51, joined the Bank as vice president in September 2006. He is responsible for the management of general office (financial research institute), treasury management department, financial markets department, wealth management department, and administrative department, assisting the asset and liability management department.

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

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

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

Mr. LIU Jianhua (劉建華), aged 49, was appointed as vice president of the Bank in October 2014. Mr. LIU joined the Bank in December 1996. He had served as deputy manager and manager of Shangqingsi sub-branch, manager of Renhe Street sub-branch, employee Supervisor of the second, third and fourth session of the board of Supervisors, general manager of the corporate banking department and chief executive officer of the retail banking business of the Bank. He is currently responsible for management and development of small and micro enterprise banking business, settlement operations business and safety protection of the Bank.

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

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Mr. LIU obtained an executive master of business administration degree from Chongqing University in December 2011, and obtained a graduation certificate from the postgraduate course in law of Chongqing Party School of the Chinese Communist Party in June 2001. Mr. LIU is a senior economist. In 2009, he was awarded the title of “Model Worker” in the third session of evaluation by Chongqing Municipality People’s Government.

Ms. YANG Shiyin (楊世銀), aged 49, was appointed as vice president of the Bank in October 2014. Ms. YANG joined the Bank in September 2001. She had served as chief and manager of Yangjiaping sub-branch, and chief and manager of Jiefangbei sub-branch of the Bank. She is currently responsible for management and development of corporate and international businesses of the Bank.

Prior to joining the Bank, Ms. YANG served as deputy section chief of currency exchange section, chief cashier and director of banking department of Jiulongpo sub-branch of Bank of China in Chongqing from May 1989 to August 2001, and accountant of Chongqing Jiulongpo Department Store and Wholesale Company (重慶市九龍坡地區百貨批發公司) from August 1987 to May 1989. Ms. YANG did not hold any directorship in any other listed companies in the last three years.

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

Mr. ZHOU Guohua (周國華), aged 49, was appointed as vice president of the Bank in October 2014. Mr. ZHOU joined the Bank in September 2003. He had served as chief and assistant to the director of the office of the board of Supervisors, deputy manager of Yubei sub-branch (in charge), and manager of

Chongqing Hi-tech Industrial Development Zone branch, chief and manager of Great Hall sub-branch and chief operations officer of the Bank. He is currently responsible for the management and development of the retail business, information technology and review business of the Bank.

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

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

For the biography of **Mr. ZHAN Wanghua (詹旺華)**, please refer to the section headed “Biographies of Directors” in this annual report.

Mr. ZHOU Wenfeng (周文鋒), aged 46, was appointed as a joint company secretary of the Bank on July 16, 2013, and as an acting secretary to the Board of the Bank on December 30, 2014.

Mr. ZHOU joined the Bank in November 2003. In April 2007, Mr. ZHOU has served as director of the listing office of the Bank since April 2007. Prior to that, from February to April 2007, Mr. ZHOU worked as deputy director of the capital raising & listing office of the Bank; he served as deputy director of office of the Board of the Bank from December 2004 to February 2007; he served as vice general manager of market development department of the Bank from March 2004 to December 2004, and assistant to manager of Fuling sub-branch of the Bank from November 2003 to March 2004.

Directors, Supervisors and Senior Management

Before joining the Bank, Mr. ZHOU had served as secretary and head of the Fuling Committee Office of the Party, director member of Fuling Bureau of Finance, vice general manager of Tongji Industrial Co., Ltd, and general manager of Yinke Economic and Technology Credit Guarantee Co., Ltd. from March 1992 to November 2003.

Mr. ZHOU obtained his bachelor's degree in philosophy from Xiamen University in July 1989.

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

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

Corporate Governance Report

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

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

None of the Directors is aware of any information which would reasonably indicate that the Bank was not in compliance with the code provisions set out in the Code during the Reporting Period.

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

General Meeting

Information of General Meetings

During the year of 2014, the Bank held four general meetings, details of which are set out below:

At the 2014 first extraordinary general meeting of the Bank held on January 17, 2014, proposals were considered and approved on the matters mainly including the amendments to the Articles of Association and procedural rules of general meetings, the appointment of Huatai Property & Casualty Insurance Co. Ltd. as the liability insurance underwriting institution of liability insurance for Directors, Supervisors, senior management personnel and prospectus of the Bank, and the termination of proposed share issuance and capital increase.

At the 2014 second extraordinary general meeting of the Bank held on March 7, 2014, 22 proposals were considered and approved on the matters mainly including the re-election and appointment of Directors of the fifth session of the Board, the re-election and appointment of Supervisors (other than employee Supervisors) of the fifth session of board of Supervisors, the appointment and replacement of the international and domestic auditors of the Bank for the year ended December 31, 2013, and the write-off of non-performing loans of Zarva Technology (Group) Co. Ltd.

At the 2013 annual general meeting of the Bank held on May 16, 2014, 10 proposals were considered and approved on the matters mainly including the 2013 work report of the Board of Directors, the 2013 work report of the board of Supervisors, the 2013 final account report, the 2013 profit distribution plan, the 2014 financial budget plan, the 2013 annual report, the adjustment of delegation of authorities by general meeting to the Board, the reappointment of external auditors for the year of 2014 and delegating the Board to determine their remuneration, reissuance of eligible tier-2 capital instruments and the amendments to the Articles of Association of Bank of Chongqing Co., Ltd.

At the 2014 third extraordinary general meeting of the Bank held on November 21, 2014, proposals were considered and approved on the matters including the confirmation of current Articles of Association, the proposed adoption of the share incentive scheme for senior management personnel and the approval of the amended Connected Transactions Administrative Measures.

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

The Board and Special Committees **Implementation of Resolutions of General Meetings by the Board**

During the Reporting Period, the Board strictly implemented the resolutions passed at general meetings and the matters entrusted by general meetings, and earnestly implemented the proposals considered and approved at general meetings regarding the 2013 profit distribution plan, the 2014 financial budget, the reappointment of external auditors for the year of 2014, the amendments to the Articles of Association, the amendments to the procedural rules of general meetings, the amendments to the procedural rules of the Board, and the amendments to the procedural rules of the special committees.

Composition of the Board

As at the end of the Reporting Period, the Board of the Bank comprised a total of 14 Directors, including four executive Directors, namely, Mr. GAN Weimin (Chairman), Mr. RAN Hailing (President), Ms. NI Yuemin (Vice President and Chief Financial Officer) and Mr. ZHAN Wanghua (Chief Risk Officer); five non-executive Directors, namely, Mr. WONG Hon Hing (Vice Chairman), Mr. QIN Wei, Mr. DENG Yong, Ms. LV Wei, Mr. YANG Jun; and five independent non-executive Directors, namely, Mr. LI He, Mr. TO Koon Man Henry, Mr. KONG Xiangbin, Mr. WANG Pengguo and Dr. JIN Jingyu.

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

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

The Board is also responsible for performing corporate governance functions. During the Reporting Period, the Board performed the corporate governance functions as set out in code provision D.3.1 of the Code.

Changes in Directors

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

Operation of the Board

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

Corporate Governance Report

will send the finalized minutes of Board meetings to all Directors as soon as possible. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The President reports regularly to and is overseen by the Board.

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

The Board has set up an office as its working body, which is responsible for preparation of general meetings, Board meetings and meetings of the special committees under the Board and other routine matters; the Board has set up Investor Relations and Securities Affairs Department, which is responsible for information disclosure and the management of investor relations; the Board has set up Corporate Culture and Public Relations Department, which is responsible for reputation risk management and corporate culture construction; the Board has set up the department of internal audit, which is responsible for the internal audit of the Board.

Duties and Powers of the Board

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

- (1) convening general meetings and reporting its performance to general meetings;
- (2) implementing the resolutions adopted at general meetings;

- (3) deciding on business plans, investment proposals and development strategy of the Bank;
- (4) formulating the annual financial budget and final accounts of the Bank;
- (5) formulating profit distribution plan and loss recovery plan of the Bank;
- (6) making proposals regarding increase or reduction of the Bank's registered capital, issue of bonds or other securities and listing plans;
- (7) formulating proposals on major acquisitions, share repurchases, mergers, separation, dissolution or change in corporate form of the Bank;
- (8) deciding on external investments, acquisition and disposal of assets, pledges of assets, trust asset management and major connected transactions of the Bank within the authorities authorized by the general meeting;
- (9) considering and approving any guarantee to be provided by the Bank when the total amount of external financing guarantees of the Bank has exceeded 10% (excluded) but not more than 30% (included) of the latest audited total assets of the Bank;
- (10) deciding on establishment, dissolution and merger of the Bank's internal management departments and branches;
- (11) appointing or removing the president and the secretary to the Board; to appoint or remove vice presidents, the chief financial officer, the chief executive officer and other senior management personnel based on the recommendations of the president, and to decide on matters relating to their emoluments and their rewards and punishments;

- (12) overseeing the senior management's performance of their duties to ensure that senior management has effectively performed its management duties;
- (13) establishing the Bank's basic management system, and conducting regular evaluations to improve corporate governance of the Bank;
- (14) determining the Bank's policies on risk management and internal control;
- (15) managing proposals for any amendments to the Articles of Association of the Bank;
- (16) handling information disclosure matters and assume ultimate responsibility for completeness and accuracy of the accounting and financial reporting system of the Bank;
- (17) proposing appointment or change of auditors of the Bank at general meetings;
- (18) receiving the work report of the president and assessing his performance;
- (19) reviewing the Bank's development strategy on a regular basis and supervising its implementation, managing the Bank's capital base, and assuming ultimate responsibility for the capital adequacy ratio management; and
- (20) exercising other duties and powers prescribed by the laws, administrative regulations, department rules or the Articles of Association of the Bank or conferred by the general meetings.

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

Appointment of Directors

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

Board Meetings

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

Corporate Governance Report

During the Reporting Period, the Board convened 16 meetings in total (including written resolutions), at which 100 proposals were considered and approved on the matters mainly including amendments to relevant corporate governance documents, financial reports, profit distribution and nomination of Director candidates. Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2014 (Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present) are set out below:

Members of the Board	Attendance in person/by proxy/required (times)								
	The Board	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Strategic Committee	Risk Management Committee	Connected Transactions Control Committee	Information Technology Guidance Committee	General Meeting
Executive Directors									
GAN Weimin	16/0/16				6/0/6	10/0/10			4/0/4
RAN Hailing	16/0/16				6/0/6	10/0/10		3/0/5	3/0/4
NI Yuemin	14/2/16				6/0/6			5/0/5	2/0/4
ZHAN Wanghua	15/1/16					9/0/10		5/0/5	3/0/4
Non-executive Directors									
YIN Mingshan	1/0/1		1/0/1	1/0/1	1/0/1				0/0/1
WONG Hon Hing	16/0/16				6/0/6			5/0/5	4/0/4
XIANG Li	9/7/16				4/0/6				0/0/4
QIN Wei	12/4/16				4/0/6				0/0/4
DENG Yong	12/4/16	6/0/6							1/0/4
LV Wei	16/0/16	6/0/6	10/0/10	6/0/6					2/0/4
YANG Jun	11/1/12		5/0/5	4/0/4	4/0/4				1/0/2
Independent non-executive Directors									
ZHANG Weiguo	4/0/4		5/0/5	2/0/2			4/0/4	1/0/2	0/0/2
SUN Fangcheng	3/1/4	4/0/4	5/0/5	2/0/2			4/0/4		2/0/2
HAN Deyun	4/0/4		5/0/5	2/0/2			4/0/4		0/0/2
LI He	15/1/16	5/0/6				9/0/10	6/0/7		3/0/4
TO Koon Man Henry	16/0/16	6/0/6				10/0/10	7/0/7		4/0/4
KONG Xiangbin	12/0/12		5/0/5	4/0/4			3/0/3		2/0/2
WANG Pengguo	12/0/12	2/0/2	5/0/5	4/0/4			3/0/3		1/0/2
JIN Jingyu	12/0/12		5/0/5	4/0/4			3/0/3	3/0/3	2/0/2

Note: 1. For details of changes in Directors, please refer to the paragraph above headed "Changes in Directors".

2. Attendance in person include participation by way of on-site attendance as well as electronic means such as telephone and online video conference.

Independent Non-executive Directors

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

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

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

Director's Responsibilities for the Preparation of Financial Statements

The Directors of the Bank have acknowledged their responsibility for preparing the financial statements of the Bank for the year ended December 31, 2014.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operation results and cash flows of the Bank. In preparing the financial statements for the year ended December 31, 2014, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

Continuous Professional Development Program for Directors

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

Training for the Directors shall be carried out on an ongoing basis. The Bank encourages all Directors to participate in continuous professional development, to develop and update their knowledge and skills. During the Reporting Period, the Bank provided the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will make their contribution to the Board with informed and relevant information, abide by the Code and enhance their awareness of sound corporate governance practices.

In addition, certain Directors attended the seminars and training courses provided by professional institutions. For the year ended December 31, 2014, the trainings attended by the Directors covered the following topics:

1. The Internet financial strategy
2. Internal audit and corporate governance of commercial banks
3. Improve Directors' ability in performance of duties
4. Research of Xi'an branches

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Directors	Topics of Trainings Attended
Executive Directors	
GAN Weimin	1. 2. 3
RAN Hailing	1. 3
NI Yuemin	1. 3
ZHAN Wanghua	1. 2. 3
Non-executive Directors	
WONG Hon Hing	1. 2. 3. 4
QIN Wei	
DENG Yong	3
LV Wei	1
YANG Jun	1
Independent Non-executive Directors	
LI He	1
TO Koon Man Henry	1. 2. 3
KONG Xiangbin	1. 4
WANG Pengguo	1. 3. 4
JIN Jingyu	1

Corporate Governance Functions of the Board

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

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

Special Committees under the Board

The Board of the Bank has set up seven special committees: Audit Committee, Remuneration and Appraisal Committee, Nomination Committee, Strategic Committee, Information Technology Guidance Committee, Connected Transactions Control Committee and Risk Management Committee. The special committees under the Board have operated in accordance with their respective terms of reference defined by the Board.

(I) Audit Committee

As at December 31, 2014, the Bank's Audit Committee consisted of five Directors, including Mr. WANG Pengguo (independent non-executive Director) as chairman, and Mr. DENG Yong (non-executive Director), Ms. LV Wei (non-executive Director), Mr. LI He (independent non-executive Director) and Mr. TO Koon Man Henry (independent non-executive Director) as members. The establishment of the Audit Committee complies with Rules 3.10(2) and 3.21 of the Listing Rules and paragraph C3 of the Code set out in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee include:

1. to conduct audit analysis and monitoring assessment on significant matters of the Bank including implementation of strategic planning, corporate governance, risk management, internal control, business development and information technology and the overall risks that may arise;
2. to provide guidance to special audits on risk management, connected transactions management, compliance management, financial management, treasury management, remuneration management, information technology management and other aspects;

3. with respect to external auditors:

- (1) to make recommendations to the Board on appointment and removal of the external auditors (including any questions on resignation or dismissal of such auditors), and give opinions on the qualification, expenses and terms of engagement for such auditors;
 - (2) to review and monitor whether the external auditors are independent and objective and the audit procedures are effective in accordance with appropriate criteria, and discuss with the external auditors on the nature and scope of the audit and reporting obligations before the audit commences;
 - (3) to develop and implement policies on the engagement of an external auditor to provide non-audit services;
 - (4) to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and the management's response; and
 - (5) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
4. to monitor accounting policies, financial position and financial reporting procedures, examine financial information and its disclosure including the integrity of financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Bank, and to review significant financial reporting

Corporate Governance Report

judgments contained therein. In this regard, in reviewing the relevant statements and reports before submission to the Board, the committee shall focus particularly on:

- (1) any changes in the accounting policies and practices;
- (2) areas involving major judgment calls;
- (3) significant adjustments resulting from audit;
- (4) the going concern assumptions and any qualified opinions;
- (5) compliance with accounting standards; and
- (6) compliance with the Listing Rules and other legal or regulatory requirements in relation to financial reporting;

With regard to the aforesaid duties, the Audit Committee must liaise with the Board and senior management, and must meet, at least twice a year, with the auditors. The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting functions, compliance officer or auditors;

5. to be in charge of the Bank's annual audits, and supervise the senior management to remedy the problems identified in audit and implement the auditing recommendations;

6. to act as the key representative body for overseeing the Bank's relation with the external auditor; and to serve as a bridge between the internal audit department and external auditors, and ensure coordination between the internal and external auditors; to decide on establishment of internal audit department, staffing, appointment and dismissal of the person in charge, audit project budget and remuneration of internal auditors, and ensure that the internal audit department is adequately resourced in the Bank;
7. to approve the internal audit regulations such as internal audit rules, mid- to long-term audit plans and annual work plans, and monitor their implementation;
8. to regularly examine the Bank's internal audit work and assess working procedures and results of the internal audit department, and report to the Board;
9. with respect to internal control matters:
 - (1) to review and monitor financial control, internal control and risk management systems of the Bank, review relevant rules and regulations and their implementation, and examine and evaluate the compliance and effectiveness of major business activities of the Bank;
 - (2) to discuss with the management on the internal control system, and conduct continuous inspection and supervision to ensure that the management has discharged its duty to establish an effective internal control system, including the adequacy of resources, qualifications and experience of staff of the Bank in respect of its accounting and financial reporting function, and their training programs and budget;

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

During the Reporting Period, the Audit Committee held a total of six meetings, at which 19 matters were considered including amendments to the working rules of the Audit Committee, the 2013 financial statements and notes thereto, the 2013 internal audit evaluation report, the 2013 final accounts, the 2013 profit distribution plan, the 2014 financial budget, and the reappointment of external auditors for the year of 2014. Meanwhile, the Audit Committee held two meetings with the auditors in accordance with the code provisions of the Code.

(II) Remuneration and Appraisal Committee

As at December 31, 2014, the Bank's remuneration and appraisal committee consisted of five Directors, including Dr. JIN Jingyu (independent non-executive Director) as chairman, and Ms. LV Wei (non-executive Director), Mr. YANG Jun (non-executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the Remuneration and Appraisal Committee include:

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

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

During the Reporting Period, the Remuneration and Appraisal Committee held six meetings in total, at which seven proposals were considered on the matters including amendments to the working rules of the Remuneration and Appraisal committee and cashing the remuneration of executives of the headquarter. All members of Remuneration and Appraisal Committee attended meetings in person.

(III) Nomination Committee

As at December 31, 2014, the Bank's Nomination Committee consisted of five Directors, including Dr. JIN Jingyu (independent non-executive Director) as chairman, and Ms. LV Wei (non-executive Director), Mr. YANG Jun (non-executive Director), Mr. KONG Xiangbin (independent non-executive Director) and Mr. WANG Pengguo (independent non-executive Director) as members, with a majority of the members being independent non-executive Directors.

The primary duties of the Nomination Committee include:

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

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

During the Reporting Period, the Nomination Committee held ten meetings in total, at which 15 proposals were considered on the matters including amendments to the working rules of the Nomination Committee and examination on qualifications of Directors.

The diversity policy of the Board is summarized as follows:

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

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

(IV) Strategic Committee

As at December 31, 2014, the Bank's Strategic Committee consisted of six Directors, including Mr. GAN Weimin (Chairman and executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Ms. NI Yuemin (executive Director and Chief Financial Officer), Mr. WONG Hon Hing (non-executive Director), Mr. QIN Wei (non-executive Director) and Mr. YANG Jun (non-executive Director) as members.

The primary duties of the Strategic Committee include:

1. to conduct real-time analysis on macro economy and financial situation both at home and abroad, interpret the systems and policies at home and abroad which have significant influence on the Bank's strategic direction and business decisions, conduct real-time analysis on the Bank's core competitiveness and conduct prospective study on the new trend in the development of banking, in order to provide decision-making reference and basis for the strategic management of the Board, and to formulate business objectives and long-term development strategy of the Bank;
2. to study and formulate the mid- to long-term development strategy of the Bank, including but not limited to:
 - (1) to study and formulate the mid- to long-term strategic objectives of the Bank;
 - (2) to study the business model of the Bank's operation and development and formulate the Bank's development direction and business structure;

Corporate Governance Report

- (3) to study and approve the plan of establishment and dissolution and merger of the Bank's internal organizational structure;
 - (4) to approve the optimization plans of establishment, elimination, dissolution and merger and relocation of branches and independent accounting sub-branches within Chongqing under the annual institution development plan approved by the Board; and
 - (5) to study and approve the mid- to long-term business development plans of the branches of the Bank;
3. to study and adjust the annual business plan submitted by the management, and submit it to the Board for consideration and approval;
 4. to study and formulate the relevant systems and implementation plans of the Bank's foreign investment, mergers and acquisitions, examine major investments, for example, fixed assets investments and equity investments, and put forward suggestions or opinions;
 5. to oversee and inspect the implementation of the Bank's strategic planning, annual business plans and investment schemes;
 6. to study the major matters which have influence on the development of the Bank and make recommendations;
 7. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's shares are listed and as delegated by the Board.

During the Reporting Period, the Strategic Committee held six meetings in total to report and consider 18 matters including the establishment of Chongqing Mashang Consumer Finance Co., Ltd. (重慶馬上消費金融股份有限公司) by the Bank, the amendments to the procedural rules of the Strategic Committee, and branch offices deployment plan in 2015.

(V) Risk Management Committee

As at December 31, 2014, the Bank's Risk Management Committee consisted of five Directors, including Mr. LI He (independent non-executive Directors) as chairman, and Mr. GAN Weimin (Chairman and executive Director), Mr. RAN Hailing (executive Director and President), Mr. ZHAN Wanghua (executive Director and Chief Risk Officer) and Mr. TO Koon Man Henry (independent non-executive Director) as members.

The primary duties of the Risk Management Committee include:

1. Business Strategies and Plans:
 - (1) to consider the Bank's risk strategy, preferences, and tolerance, and make recommendations and suggestions to the Board;
 - (2) to consider or make recommendations on the risk management function division of the Board and senior management, and report to the Board for approval;
 - (3) to consider the Bank's risk limit management framework and the limit, and report to the Board for approval;
 - (4) to consider the Bank's overall policy of risk management, and report to the Board for approval;

- (5) to consider the Bank's overall policy of compliance management, and report to the Board for approval;
 - (6) to consider the Bank's overall policy of security work and anti-money laundering work, and report to the Board for approval;
 - (7) to consider and approve the risk organization structure and its function;
 - (8) to consider and approve the Bank's risk management standard, important risk measurement methods and tools; and
 - (9) to consider and approve the risk class policy, including credit risk, operational risk and market risk.
2. Operation and Implementation:
- (1) to consider the power of the president delegated by the Board and risk-taking activities that go beyond the scope of authority of the management, and report to the Board for approval;
 - (2) to receive the report of the Bank's management on the implementation of risk policy regularly on a quarterly basis, put forward suggestions and measures for improvement and report the result to the Board;
 - (3) to monitor all kinds of risks the Bank faces, consider and approve risk monitoring report, compliance risk report, asset and liability management analysis report, and report to the Board;
- (4) to put forward the overall requirements of security work, consider and approve the security work report and report to the Board; and
 - (5) to put forward the overall requirements of anti-money laundering work, consider and approve the anti-money laundering work report and report to the Board; and
3. Monitoring and Evaluation:
- (1) to evaluate whether the Bank establishes a complete system of risk management organization, personnel, procedures, systems and internal control;
 - (2) to oversee the implementation of the management on the Bank's risk management principles, standards and policies;
 - (3) to receive the report of Risk Management and Internal Control Committee on considering and approving matters, monitor and evaluate the effectiveness of the risk management operation of the management level;
 - (4) to examine and evaluate the effectiveness of the Bank's security work; and
 - (5) to examine and evaluate the effectiveness of the Bank's anti-money laundering work.

During the Reporting Period, the Risk Management Committee held ten meetings in total to report and consider 31 matters including the 2013 risk monitoring report and the risk management strategies for 2014 of the Bank, and the amendments to the procedural rules of the Risk Management Committee.

(VI) Connected Transactions Control Committee

As at December 31, 2014, the Bank's Connected Transactions Control Committee consisted of five Directors, including Mr. KONG Xiangbin (independent non-executive Director) as chairman, and Mr. LI He (independent non-executive Director), Mr. TO Koon Man Henry (independent non-executive Director), Mr. WANG Pengguo (independent non-executive Director), and Dr. JIN Jingyu (independent non-executive Director) as members, with all members being independent non-executive Directors.

The primary duties of the connected transactions control committee include:

1. to draft the management system of connected transactions, monitor and examine the implementation of the connected transactions system of the Bank's Directors, senior management and connected persons;
2. to control the amount of connected transactions and regulate connected transactions to ensure the transactions comply with regulations;
3. to accept the filing of general connected transactions;
4. to conduct first review of the connected transaction proposals needed to be submitted to the Board for consideration and approval, put forward professional review opinions before submitting to the Board for approval;
5. to collect, sort and confirm the list and information of the Bank's connected parties; and
6. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's shares are listed and as delegated by the Board.

During the Reporting Period, the Connected Transactions Control Committee held seven meetings in total, at which 12 proposals involving connected transactions were considered on the matters including changes in the list of connected persons as well as credit facilities and loans granted to Chongqing Foreign Trade (Group) (重慶對外經貿(集團)有限公司), Chongqing Chuanyi Automation Co., Ltd., and Chongqing Liangjiang New District Development and Investment Group Co., Ltd (重慶兩江新區開發投資集團有限公司).

(VII) Information Technology Guidance Committee

As at December 31, 2014, the Bank's information technology guidance committee consisted of five Directors, including Mr. WONG Hon Hing (non-executive Director) as chairman, and Mr. RAN Hailing (executive Director and President), Ms. NI Yuemin (executive Director and Chief Financial Officer), Mr. ZHAN Wanghua (executive Director and Chief Risk Officer) and Dr. JIN Jingyu (independent non-executive Director) as members.

The primary duties of the Information Technology Guidance Committee include:

1. to examine and approve the Bank's information technology strategies, organization structure of information technology governance and major information technology projects which go beyond the authority of the senior management and budgets, to ensure their consistency with the overall business strategy and major policies;
2. to regularly assess the overall performance of information technology work as well as the implementation progress of information technology strategic planning and major projects on an annual basis, and continue to promote the implementation of information technology strategies;

3. to coordinate the Risk Management Committee to master the major information technology risk and determine the acceptable risk level; guide and supervise the senior management and relevant management departments to carry out activities for identification, measurement, monitoring and control of information technology risk;
4. to coordinate the Audit Committee and internal audit departments to carry out information technology audits, and supervise the rectification;
5. to guide the work of the Information Technology Management Committee, and conduct a first review of its annual report on information technology risk before submitting to the Board;
6. to hire external information technology experts as required, invite or tell the Bank's senior management and functional department staff to attend meetings, receive the reports of relevant department on information technology situation, put forward improvement measures or suggestions and monitor their implementation; and
7. to exercise other duties prescribed in the laws, administrative regulations and rules, required by applicable securities regulatory authorities in the jurisdiction where the Bank's shares are listed and as delegated by the Board.

During the Reporting Period, the information technology guidance committee held five meetings in total, at which 12 matters were considered including the 2013 information technology risk monitoring report, amendments to the procedural rules of the Information Technology Guidance Committee, and the 2015 plan for the construction of key technology systems.

Board of Supervisors

Composition of the board of Supervisors

As at the end of the Reporting Period, the board of Supervisors comprised eight Supervisors, including two shareholder Supervisors, namely, Mr. CHEN Yan and Mr. TANG Jun; three external Supervisors, namely, Mr. ZHOU Yongkang, Mr. CHEN Zhengsheng and Mr. YIN Xianglong; and three employee Supervisors, namely, Mr. HUANG Changsheng, Ms. WAN Jiayu and Mr. LIN Min.

Chairperson of the board of Supervisors (the interim person-in-charge of the board of Supervisors)

Ms. MA Qianzhen, due to retirement, officially retired as the Chairperson of the board of Supervisors of the Bank on May 27, 2014, and retired as an employee Supervisor of the Bank on May 29, 2014. For that reason, the board of Supervisors decided to temporarily appoint the current employee Supervisor Mr. HUANG Changsheng to be in charge of the board of Supervisors and be responsible for organizing and performing the duties of the board of Supervisors, effective from May 27, 2014 to the date of the appointment of the new Chairperson of the board of Supervisors. On 24 March, 2015, Mr. YANG Xiaotao was elected as Chairman of the board of Supervisors of the Bank by the board of Supervisors, with effect from the same date.

Changes in Supervisors

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

Meetings of the board of Supervisors

In 2014, the board of Supervisors held a total of nine meetings, at which 33 proposals were considered and audited on matters including the appraisal report on performance of Directors, audit report on resigned senior management personnel, report of the board of Supervisors, report on supervision and inspection, periodic report of the Bank, final account report and profit distribution plan.

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Attendance records of the Supervisors at the meetings of the board of Supervisors during the Reporting Period are set out below:

Members of the board of Supervisors	Attendance in person/by proxy required (times)
MA Qianzhen	6/0/6
HUANG Changsheng	9/0/9
WAN Jiayu	8/1/9
LIN Min	8/1/9
SI Houchun	2/1/3
LIU Xingyu	1/2/3
CHEN Yan	5/1/6
TANG Jun	4/2/6
ZHOU Yongkang	8/1/9
WEN Yuping	3/0/3
CHEN Zhengsheng	9/0/9
YIN Xianglong	6/0/6

Special Committee under the board of Supervisors

The Bank maintained a Supervision and Nomination Committee under the board of Supervisors. The Supervision and Nomination Committee of the board of Supervisors has operated in accordance with its terms of reference defined by the board of Supervisors of the Bank.

Supervision and Nomination Committee

As at December 31, 2014, the Bank's supervision and nomination committee consisted of four Supervisors, including Mr. ZHOU Yongkang (external Supervisor) as chairman, and Mr. HUANG Changsheng (employee Supervisor), Mr. CHEN Zhengsheng (external Supervisor) and Ms. WAN Jiayu (employee Supervisor) as members.

The primary duties of the Supervision and Nomination Committee include:

1. formulating specific proposal for the board of Supervisors to exercise its supervisory functions and powers.
2. executing its functions of supervising and auditing with the authorization of the board of Supervisors and to be responsible for formulating the audit proposal for supervising the due diligence of Directors, Chairman and senior management members; formulating audit proposal for the resignation and retirement of Directors and senior management members; formulating proposal for supervising and auditing the Bank's treasury activities, operation decisions, risk management and internal control with the authorization of the board of Supervisors, and organizing the implementation of such audit activities.

3. conducting investigation on specific matters of the Bank with the authorization of the board of Supervisors and reporting the results to the board of Supervisors.
 4. formulating the procedures and criteria for selecting and appointing Supervisors according to relevant laws and conducting preliminary review on the qualifications and conditions for candidates of Supervisors and proposing to the board of Supervisors.
 5. exercising other duties prescribed in laws, administrative regulations and rules required by applicable securities regulatory authorities in the jurisdictions where the Bank's share are listed, and as delegated by the board of Supervisors.
- (2) to organize the implementation of the Bank's annual business plan and investment proposals;
 - (3) to draft plans for the establishment of the Bank's internal management structure;
 - (4) to draft the Bank's basic management system;
 - (5) to formulate concrete regulatory systems for the Bank;
 - (6) to nominate candidates and recommend removal to the Board for vice presidents, the chief financial officer, the chief executive officer and other senior management members;
 - (7) to appoint or remove other executive officers within internal management departments and branches (other than those required to be appointed or removed by the Board);
 - (8) to authorize senior management members and executive officers of the internal functional departments and branches to engage in ordinary operation and management;
 - (9) to take urgent measures to assist the Bank in case of a run on the Bank or other major emergencies, and report to the relevant banking regulatory authorities, the Board, and the board of Supervisors immediately; and
 - (10) to exercise other duties and powers prescribed in the Articles of Association or delegated by the Board.

During the Reporting Period, the Supervision and Nomination Committee held a total of three meetings, at which audit proposals regarding to the resignation and retirement of 4 Directors and 2 senior management members, proposal of specific investigation of credit risk management of the Bank by the board of Supervisors, and proposal of reviewing the qualifications of the candidates of Supervisors were considered.

Senior Management

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

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

- (1) to be in charge of the Bank's day-to-day operations and administration, organize the implementation of the Board's resolutions, and report his work to the Board;

Delegation of Power by the Board

The Board and the management led by the President exercise their respective powers in accordance with their responsibilities as set out in the Articles of Association of the Bank. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank.

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Major capital expenditure projects should be approved by the Board through the annual budget proposal and then be implemented. Any projects that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the President with the authorization by the Board. Such other matters delegated by the Board to the management include loans and guarantees, related party transactions, mortgage financing and guarantees, inter-bank financing business, acquisition of fixed assets, disposal of assets, disposal of non-performing assets and mortgage assets, write-off of assets, donations to external bodies, and establishment, merger and relocation of non-independent accounting sub-branches, provided that the amount of such transaction does not exceed a certain limit. For details, please refer to the section headed “Duties and Powers of the Board” in the Corporate Governance Report of this annual report.

Chairman and President

The roles and functions of the Chairman and the President of the Bank are carried out by different persons to comply with the suggestions of the Listing Rules.

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

Securities Transactions by Directors and Supervisors

The Bank has adopted the Administrative Measures on Holding of Shares and Change of Shareholdings by Directors, Supervisors and Senior Management Personnel of Bank of Chongqing Co., Ltd. (“Administrative Measures”) regarding securities transactions by Directors, Supervisors and senior managements on terms no less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors confirmed that they have complied with the Administrative Measures during the Reporting Period.

External Auditors and Auditors’ Remuneration

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the Independent Auditor’s Report on pages 116 to 117.

The Bank has engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian (special general partnership) respectively as the international and domestic auditors of the Bank for 2014. The fees as agreed to be paid by the Bank to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian (special general partnership) for the audit of the financial statements for the year ended December 31, 2014 were RMB2,000,000.

Internal Control

The Board is responsible for establishing a sound internal control system and its effective implementation. The board of Supervisors supervises the establishment and implementation of internal control by the Board and senior management. The senior management is responsible for day-to-day operation of internal control across the Bank. Meanwhile, the Board has established the Audit Committee, the Risk Management Committee and the Connected Transactions Control Committee to fulfill the respective responsibility for internal control management and evaluate the effectiveness of internal control.

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

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

During the year ended December 31, 2014, the Board conducted an annual review of the effectiveness of the Bank's internal control system. The review covered all significant controls of the Group, including financial, operational and compliance controls and risk management functions. The Board also believes that the resources, qualifications and experience of staff of the Bank's accounting and financial reporting function as well as their training programs and financial budgets are adequate and appropriate. There was no significant area of concern during the year.

Company Secretary

Ms. HO Wing Tsz Wendy of Tricor Services Limited, an external service provider, has been engaged as a joint company secretary of the Bank, and Mr. ZHOU Wenfeng, joint company secretary, is the chief contact person for the external company secretary. Each of them has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended December 31, 2014.

Information Disclosure

Effective Communication with Shareholders

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

Amendments to the Articles of Association

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

Given that the CBRC issued the Work Guide to Consumer Rights Protection Efforts in the Banking Industry (Doc. YINJIANFA [2013] No. 38) in August 2013, and CBRC's Notice on Stock Rights Pledge among Commercial Banks (Doc. YINJIANFA [2013] No. 43) in November 2013, in order to better implement the above two documents and make them serve as the basic system and behavioral mechanism of the Bank, and according to the provisions of the relevant laws, regulations and the relevant regulatory requirements, the Board has proposed and approved the relevant

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amendments to the Articles of Association at the first meeting of the fifth session of Board of Directors. The said amendments were approved by the 2013 annual general meeting of Bank of Chongqing Co. Ltd. on May 16, 2014, and were submitted to CBRC Chongqing Bureau for approval.

The amended Articles of Association was approved by CBRC Chongqing Bureau on September 28, 2014, and affirmed by shareholders at the 2014 third extraordinary general meeting on November 21, 2014. The current Articles of Association is published on the websites of the Hong Kong Stock Exchange and the Bank.

Shareholders' Rights

Procedures for Request of Shareholders for Convening an Extraordinary General Meeting

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

Proposals at General Meetings

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

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

Investor Relations

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

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

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

Tel: +86 (23) 6379 2129

Fax: +86 (23) 6379 9024

E-mail: ir@bankofchongqing.com

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

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

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

Shareholders' Enquiries

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990

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

Investor Relations and Securities Affairs, Bank of Chongqing Co., Ltd.
No. 153 Zourong Road, Yuzhong District, Chongqing, the PRC
Tel: +86 (23) 6379 2129
Fax: +86 (23) 6379 9024

Additional Information

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

Report of the Board of Directors

The Board is pleased to present the report of the Board of Directors together with the audited financial statements of the Bank for the year ended December 31, 2014.

Principal Activities

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

Profits and Dividends

The Bank's revenue for the year ended December 31, 2014 and the Bank's financial position as at the same date are set out in the section headed "Financial Statements" of this annual report.

Pursuant to the resolutions of the 2013 annual general meeting of the Bank, on May 16, 2014, the Bank distributed to all shareholders a final dividend for the year ended December 31, 2013 of RMB0.224 per Share (tax inclusive) in an aggregate amount of RMB605,970,961.12 (tax inclusive) based on the annual profit and number of issued shares as of December 31, 2013. The final dividends for year 2013 were distributed to holders of H Shares and holders of domestic Shares of the Bank on July 16, 2014.

The Board of the Bank has proposed a final dividend of RMB0.272 per Share (tax inclusive) in cash for the year ended December 31, 2014 in an aggregate amount of RMB735,821,881.36 (tax inclusive) to all shareholders of the Bank. The dividend distribution proposal will

be submitted to the 2014 annual general meeting for approval. If the proposal is approved, the dividend will be distributed to holders of domestic Shares and holders of H Shares whose names appear on the register of members on June 30, 2015. The proposed dividend will be denominated in RMB. Dividends to holders of domestic Shares shall be paid in RMB, and dividends to holders of H Shares shall be paid in Hong Kong dollars. The exchange rate of RMB to HK\$ to be adopted shall be the average middle rates of the five business days preceding the date of declaration of such dividends by the Bank (being June 12, 2015, inclusive) as announced by the People's Bank of China. The register of members of the Bank will be closed from Tuesday, June 23, 2015 to Tuesday, June 30, 2015 (both days inclusive), during which period no transfer of domestic Share or H Share will be registered. In order to be entitled to the 2014 final dividend payment, holders of H shares of the Bank who have not registered the related transfer documents are required to lodge the transfer documents together with the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, June 22, 2015.

The Board will distribute the 2014 final dividends on Monday, July 20, 2015. If there are any changes to the expected dividend payment date, an announcement will be published.

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

(All amounts expressed in millions of RMB except percentages, unless otherwise stated)	2013	2012	2011
Cash dividend (tax inclusive)	605.97	141.44	101.03
As a percentage of profit for the year	26.02%	7.35%	6.79%

Annual General Meeting of 2014 and Closure of Register of Members

The Bank's 2014 annual general meeting will be held on Friday, June 12, 2015. In order to determine the holders of H Shares who are eligible to attend and vote at the 2014 annual general meeting, the register of members of the Bank will be closed from Tuesday, May 12, 2015 to Friday, June 12, 2015 (both days inclusive), during which period no transfer of shares will be registered. Holders of H Shares of the Bank who wish to attend and vote at the 2014 annual general meeting must lodge all transfer documents accompanied by the relevant share certificates with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, May 11, 2015.

Changes in the Reserves

Details of the changes in the reserves of the Bank for the year ended December 31, 2014 are set out in the "Consolidated Statement of Changes in Equity" of this annual report.

Summary of Financial Information

The summary of the operating results and assets and liabilities of the Bank for the five years ended December 31, 2014 is set out in the "Financial Highlights" of this annual report.

Donations

The charitable and other donations made by the Bank for the year ended December 31, 2014 amounted to approximately RMB5.72 million.

Property and Equipment

Details of the changes in property and equipment of the Bank for the year ended December 31, 2014 are set out in the note "Property and Equipment" to the "Financial Statements" of this annual report.

Retirement Benefits

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

Substantial Shareholders

Details of the Bank's substantial shareholders as at December 31, 2014 are set out in "Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons" and the relevant parts of the notes to the "Financial Statements" of this annual report.

Purchase, Sale and Redemption of Listed Securities of the Bank

During the year ended December 31, 2014, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

Pre-emptive Rights

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

Major Customers

In 2014, the aggregate amount of interest income and other operating income generated from the five largest customers of the Bank represented an amount not exceeding 30% of the total interest income and other operating income of the Bank.

Use of Proceeds

The Bank applied the proceeds from the initial public offering in accordance with the usage as disclosed in the Prospectus – to strengthen its capital base to support the ongoing growth of its business.

Report of the Board of Directors

Share Capital

Details of the change in share capital of the Bank during the Reporting Period are set out in the note “Share Capital” to the “Financial Statements” in this annual report.

Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Bank are set out in the “Directors, Supervisors and Senior Management” of this annual report.

Confirmation of Independence by the Independent Non-executive Directors

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence, and was of the view that all of its

independent non-executive Directors are independent pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules.

Directors’, Supervisors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As at December 31, 2014, the interests of the Directors, the Supervisors and the chief executives of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules are as follows:

Domestic Shares

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

Save as disclosed above, none of the Directors, the Supervisors, or the chief executives of the Bank or their associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at December 31, 2014.

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

There are no relationships between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.

Arrangements to Purchase Shares or Debentures

At no time during the year ended December 31, 2014 was the Bank, its holding company or any of its fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Directors' and Supervisors' Interests in Contracts and Service Contracts

Saved for the continuing connected transactions which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at December 31, 2014 and at any time during the year, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any contract (excluding service contracts) of significance in relation to the Bank's business to which the Bank is a party.

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

Management Contract

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

Directors and Supervisors' Interests in Competing Businesses

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

Corporate Governance

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

Connected Transactions

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) and certain third parties specified under the Listing Rules constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, as such connected transactions were entered into in the ordinary and usual course of business and on normal commercial terms or better, they can be fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all of its connected transactions and confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules.

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

Remuneration Policies for Directors, Supervisors and Senior Management

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

The remuneration system for the Directors, Supervisors and senior management of the Bank adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The structure of the remuneration system consists of basic salary, annual performance bonus, mid-to-long term incentives, allowances and benefits. The Bank

Report of the Board of Directors

makes contribution to various statutory pension plans organized by governments at all levels in the PRC for its Directors, Supervisors and senior management. The Bank has established a share incentive scheme for senior management (Chairman, President, Vice President and Chief Officers of the Bank) in 2014, which is being gradually implemented pursuant to relative approval procedures. In addition, as no related national policy is issued, the Bank has not implemented any other mid-to-long term incentive scheme for the Directors, Supervisors and senior management.

Public Float

Based on the public information available to the Bank and to the knowledge of the Directors, as at the Latest Practicable Date, the Bank has maintained sufficient public float as required by the Listing Rule and the waiver granted by the Hong Kong Stock Exchange.

Tax Relief (H shareholders)

Non-resident enterprise shareholders

According to the Enterprise Income Tax Law of the PRC and the related provisions of implementation, both effective on January 1, 2008, the Bank shall withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose name appear on the register of H shareholders on June 30, 2015.

Non-resident individual shareholders

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

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

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

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

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

Auditors

PricewaterhouseCoopers Zhong Tian LLP (special general partnership) and PricewaterhouseCoopers were appointed as the domestic and international auditors for 2014 respectively.

PricewaterhouseCoopers has audited the Bank's financial report for 2014 prepared according to the international financial reporting standards and issued an auditor report with no qualified opinions.

Report of the Board of Supervisors

In 2014, the board of Supervisors diligently performed its duties, proactively conducted supervision on performance of duties, finances, internal control and risk management, and played its role in improving the corporate governance and promoting the sustainable and sound development of the Bank pursuant to laws and regulations and the Articles of Association of the Bank.

I. Report on Major Tasks

During the Reporting Period, nine meetings were held by the board of Supervisors, at which 33 resolutions, briefings and reports in aggregate were received and considered, including various Reports on Supervision and Inspection, Appraisal Report on Performance of Directors, Resignation Audit Reports on Members of Senior Management, Reports of the board of Supervisors, Periodic Reports of the Bank, Final Budget Report, as well as the Profit Distribution Plan and Nomination of Candidates for Supervisors. Three meetings for Supervision and Nomination Committee of the board of Supervisors were held, at which three resolutions were considered, including Plan for Supervision and Inspection, Plan for Resignation Audit, as well as Review of Qualifications of Candidates for Supervisors. In addition, Supervisors were in-attendance at shareholders' meetings as well as on-site meetings of the Board of Directors and its special committees for four times and 24 times, respectively.

Performance Supervision and Appraisal. During the Reporting Period, an overall appraisal on performance of duties by Directors and members of senior management in 2013 was conducted through routine supervision and centralized inspection, and individual appraisals of the Chairman of the Board, President and Chief Financial Officer were conducted separately. Resignation performance appraisals and resignation audits of the four resigning Directors and two members of senior management were conducted respectively.

Conducting annual centralized supervision and expanding the coverage of supervision. In the beginning of 2014, the centralized supervision and inspection on 2013 was carried out by the board of Supervisors, revolving around five aspects, including financial activities, risk management, internal control, strategic development issues as well as performance of duties by Directors and members of senior management. Inspection was conducted to recognize achievements and reveal areas with room for improvement in profit per capita and overall risk management.

Proactively carrying out special supervision and inspection to improve the pertinence of supervision. During the Reporting Period, in light of the macro-economy condition and the risks exposed to, the board of Supervisors successively carried out two special supervisions over innovative business and credit risks management. Through inspections, the board of Supervisors made recommendations on system construction, regulation of operation and strengthening the risk management in respect of innovative business. In terms of credit risks management, advices were given on three aspects: effective implementation of risk control measures, fulfillment of duties at the stages of pre-credit, during the process and post-loan as well as the improvement in the timely and effectively mitigation of risks.

Continuously keeping abreast of the rectification to enhance the efficiency of supervision. In the fourth quarter of 2014, the board of Supervisors conducted a follow-up appraisal on the rectification work. By checking on the rectification to problems revealed in the centralized supervision and inspection carried out earlier this year and the special inspections in 2013, the board of Supervisors effectively facilitated the implementation of rectification measures.

Report of the Board of Supervisors

Deepening the daily supervision to keep supervision as a routine. On the one hand, the board of Supervisors regularly reviewed operational reports on finance, internal control, risk management, credit control and assets and liabilities management, and timely warned of prominent changes in the business indicators and any relevant signals. On the other hand, the board of Supervisors conducted analysis, investigation and research on the operation from time to time. By briefly analyzing the cost-to-income structure and indicators for the interim report of the Bank in the first and the second half of the year respectively, an improvement proposal, based on horizontal and vertical comparison and analysis, was developed.

Self-reinforcement to better performance: In 2014, three trainings for Supervisors were organized, involving the affairs of board of Supervisors, Internet finance and the utilization of audit concepts in dealing with affairs of the board of Supervisors. By proactively communicating and sharing working experiences with other banks, the board of Supervisors learned and absorbed advanced experiences, and improved its work through constant learning to enhance its efficiency of supervision.

II. Independent Opinions on Relevant Matters

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

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

trends in the nation, making key decisions and adjustments in a timely manner. This enabled them to make remarkable achievements, including the improvement in the corporate governance, optimization of the organizational structure and adjustment to the strategic planning, establishment of a comprehensive risk management system, enhancement of strategic transformation, and promotion of the corporate cultural construction, laying a solid foundation for the deepening of reform and acceleration of the development of the Bank. The decisions of the Board of Directors were made with sound reason, and complied with the procedures set out in the Articles of Association of the Bank.

During the Reporting Period, the senior management conscientiously and comprehensively implemented the regulatory requirements imposed by relevant regulatory authorities and the resolutions of the Board of Directors and the board of Supervisors. Under a complex and challenging economic and financial environment, the senior management proactively overcome difficulties, kept innovative, responded to market changes and seized opportunities to reinforce management, optimize organizational structure and accelerate transformation. This enhanced operation management standards continuously, promoted the capability in risk control effectively and the stable growth of the operation results, laying a solid foundation for the continuous healthy development of the Bank.

2. Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank had been operating in compliance with relevant laws and regulations. Its decision-making procedures complied with laws, regulations and the Articles of Association of the Bank.

Report of the Board of Supervisors

The Directors and senior management were faithful, honest and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the Articles of Association of the Bank or to have committed any act detrimental to the interests of the Bank.

3. Financial Reporting

The 2014 financial report of the Bank gave a true and fair view of the financial position and operating results of the Bank.

4. Acquisition and Disposal of Assets

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

5. Related Party Transactions

During the Reporting Period, the board of Supervisors was not aware of any acts detrimental to the interests of the Bank in related party transactions.

6. Internal Control

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

7. Social Responsibility

During the Reporting Period, the Bank earnestly undertook social responsibilities. The board of Supervisors had no objection to the 2014 Social Responsibility Report of the Bank.

Internal Control

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

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

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

Pursuant to the Basic Rules on Enterprise Internal Control, the Board has assessed the internal control system, covering all the major controls including financial control, operation control, compliance control and risk management function. The Board is of the opinion that the staff in charge of the Bank's accounting and financial reporting functions are equipped with sufficient resources, qualifications and experience, and their training and budget are also sufficient. After assessment, the Board considers that during the period from January 1, 2014 to December 31, 2014, it was not aware of any material defect in the Bank's design or implementation of its internal control or of any material errors in the disclosure of information in the annual report, indicating an effective internal control of the Bank.

Internal Audit

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

In 2014, by taking measures such as reforms on streamlining allocation of audit resources, establishing and operating the audit management system, establishing and improving the audit rectification system and quality control system, the internal audit department of the Bank enhanced its internal audit quality and performance capabilities and achieved a comprehensive inspection of three non-local branches and all the outlets in Chongqing. This audit covered key businesses and key aspects including credit, settlement, capital, bills and information technology, effectively facilitating the further improvement of internal control standards and the risk management capabilities of the Bank.

Independent Auditor's Report

To the shareholders of Bank of Chongqing Co., Ltd

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

We have audited the financial statements of Bank of Chongqing Co., Ltd ('the Bank') set out on pages 118 to 219, which comprise the bank statements of financial position as at 31 December 2014, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Bank as at 31 December 2014, and of the Bank's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20th March 2015

Statements of Comprehensive Income

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

	Note	2014	2013
Interest income		13,236,153	10,467,150
Interest expense		(7,004,455)	(5,288,532)
Net interest income	5	6,231,698	5,178,618
Fee and commission income		974,857	694,318
Fee and commission expense		(66,011)	(49,737)
Net fee and commission income	6	908,846	644,581
Net trading gains/(losses)	7	160,189	(89,789)
Net gains/(losses) on investment securities		150,637	76,162
Other operating income	8	31,740	64,928
Operating income		7,483,110	5,874,500
Operating expenses	9	(2,805,275)	(2,282,772)
Impairment losses	11	(889,566)	(535,718)
Operating profit		3,788,269	3,056,010
Share of profit of an associate	20	2,035	1,435
Profit before income tax		3,790,304	3,057,445
Income tax expense	13	(963,161)	(728,179)
Net profit		2,827,143	2,329,266
Net profit for the year attributable to shareholders of the Bank		2,827,143	2,329,266
Earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)			
– basic and diluted	14	1.05	1.10

Statements of Comprehensive Income

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

	Note	2014	2013
Net profit for the year attributable to shareholders of the Bank		2,827,143	2,329,266
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale ('AFS') securities			
changes in fair value recorded in equity		271,884	(127,416)
Less: Related income tax impact		(67,971)	31,854
Subtotal		203,913	(95,562)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Surplus on remeasurement of retirement benefits		(1,777)	304
Less: Related income tax impact		444	(76)
Subtotal		(1,333)	228
Total other comprehensive income, net of tax	37	202,580	(95,334)
Total comprehensive income for the year attributable to shareholders of the Bank		3,029,723	2,233,932
Dividends			
Dividends declared during the year	32	605,971	141,443

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

Gan Weimin
Chairman

Ran Hailing
President

Ni Yuemin
Vice President and
Chief Financial Officer

Li Yingjun
General Manger of
Financial Department

Statements of Financial Position

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

	Note	Year End 31 December	
		2014	2013
ASSETS			
Cash and balances with central banks	15	35,699,093	32,822,748
Due from other banks and financial institutions	16	54,409,453	32,143,462
Financial assets at fair value through profit or loss	17	4,798,210	2,009,537
Loans and advances to customers	18	104,114,756	88,637,824
Investment securities	19		
– Loans and receivables		53,388,377	35,000,560
– Available-for-sale ('AFS')		10,293,703	4,956,959
– Held-to-maturity ('HTM')		7,297,640	7,473,242
Investment in an associate	20	26,405	24,370
Property, plant and equipment	21	2,396,654	2,068,972
Deferred income tax assets	26	317,765	305,651
Other assets	22	1,789,089	1,343,690
Total assets		274,531,145	206,787,015
LIABILITIES			
Due to other banks and financial institutions	23	81,635,724	33,749,572
Customer deposits	24	167,932,436	148,801,045
Other liabilities	25	5,056,289	5,804,219
Current tax liabilities		218,597	175,138
Debts issued	28	3,785,076	4,777,770
Total liabilities		258,628,122	193,307,744
EQUITY			
Capital and reserves attributable to the Bank's shareholders			
Share capital	29	2,705,228	2,705,228
Capital surplus	30	2,444,623	2,444,623
Other reserves	31	3,798,252	2,653,606
Retained earnings		6,954,920	5,675,814
Total equity		15,903,023	13,479,271
Total liabilities and equity		274,531,145	206,787,015

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

Gan Weimin
Chairman

Ran Hailing
President

Ni Yuemin
Vice President and
Chief Financial Officer

Li Yingjun
General Manager of
Financial Department

Statements of Changes in Equity

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

	Other reserves							Retained earnings	Total
	Share capital (Note 29)	Capital surplus (Note 30)	Surplus reserve (Note 31)	General reserve (Note 31)	Revaluation reserve for AFS securities (Note 31)	Surplus on remeasurement of retirement benefits (Note 31)			
Balance at 1 January 2013	2,020,619	800	689,567	1,010,330	(17,981)	1,347	4,553,668	8,258,350	
Net profit for the year	-	-	-	-	-	-	2,329,266	2,329,266	
Changes taken to other comprehensive income	-	-	-	-	(95,562)	228	-	(95,334)	
Total comprehensive income	-	-	-	-	(95,562)	228	2,329,266	2,233,932	
Shares issued	684,609	2,443,823	-	-	-	-	-	3,128,432	
Dividends (Note 32)	-	-	-	-	-	-	(141,443)	(141,443)	
Transfer to other reserves	-	-	232,927	832,750	-	-	(1,065,677)	-	
Balance at 31 December 2013	2,705,228	2,444,623	922,494	1,843,080	(113,543)	1,575	5,675,814	13,479,271	
Balance at 1 January 2014	2,705,228	2,444,623	922,494	1,843,080	(113,543)	1,575	5,675,814	13,479,271	
Net profit for the year	-	-	-	-	-	-	2,827,143	2,827,143	
Changes taken to other comprehensive income	-	-	-	-	203,913	(1,333)	-	202,580	
Total comprehensive income	-	-	-	-	203,913	(1,333)	2,827,143	3,029,723	
Shares issued	-	-	-	-	-	-	-	-	
Dividends (Note 32)	-	-	-	-	-	-	(605,971)	(605,971)	
Transfer to other reserves	-	-	282,714	659,352	-	-	(942,066)	-	
Balance at 31 December 2014	2,705,228	2,444,623	1,205,208	2,502,432	90,370	242	6,954,920	15,903,023	

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

Gan Weimin
Chairman

Ran Hailing
President

Ni Yuemin
Vice President and Chief
Financial Officer

Li Yingjun
General Manger of Financial
Department

Statements of Cash Flows

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

	2014	2013
Cash flows from operating activities:		
Profit before income tax	3,790,304	3,057,445
Adjustments:		
Depreciation and amortisation	136,803	116,371
Impairment losses on loans	732,023	535,632
Impairment losses on other assets	157,543	86
Net gains on disposal of property, plant and equipment	(650)	(9,929)
Net gains on de-recognition of investment securities	(150,637)	(76,162)
Share of results of an associate	(2,035)	(1,435)
Interest income arising from investment securities	(3,822,850)	(2,668,905)
Interest expense arising from bonds issued	218,423	208,603
Net increase in operating assets:		
Net increase in restricted deposit balances with central banks	(3,334,802)	(5,030,031)
Net (increase)/decrease in due from and placements to banks and other financial institutions	829,532	(723,581)
Net increase in financial assets held under resale agreements	(25,102,735)	(7,541,671)
Net increase in loans and advances to customers	(16,210,817)	(13,911,237)
Net increase in other operating assets	(13,157)	(55,624)
Net increase in operating liabilities:		
Net increase in borrowings from central banks	459,880	961,361
Net increase in due to and placements from banks and other financial institutions	20,373,828	9,951,644
Net decrease in financial assets sold under repurchase agreements	27,052,444	(4,822,574)
Net increase in customer deposits	19,131,391	34,757,860
Net increase in other operating liabilities	2,359,355	4,022,685
Income tax paid	(999,787)	(828,752)
Net cash inflows from operating activities	25,604,056	17,941,786

Statements of Cash Flows

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

	2014	2013
Cash flows from investing activities:		
Dividends received	10,000	8,659
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	4,918	12,897
Purchase of property and equipment, intangible assets and other long-term assets	(471,697)	(745,527)
Proceeds from sale and redemption of investments	101,535,297	64,199,230
Purchase of investment securities	(127,465,628)	(79,197,040)
Net cash (outflows)/inflows from investing activities	(26,387,110)	(15,721,781)
Cash flows from financing activities:		
Proceeds from issuance of shares	–	3,098,370
Proceeds from issuance of bonds	–	2,985,000
Cash paid to redeem the issued bonds	(1,000,000)	–
Interest paid in relation to issued bonds	(70,654)	(110,384)
Dividend paid to shareholders of the Bank	(605,157)	(147,244)
Net cash (outflows)/inflows from financing activities	(1,675,811)	5,825,742
Effect of exchange rate changes on cash and cash equivalents	(6,804)	(150,212)
Net (decrease)/increase in cash and cash equivalents	(2,465,669)	7,895,535
Cash and cash equivalents at beginning of the year	14,220,581	6,325,046
Cash and cash equivalents at end of the year (Note 38)	11,754,912	14,220,581

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

Gan Weimin
Chairman

Ran Hailing
President

Ni Yuemin
*Vice President and Chief
Financial Officer*

Li Yingjun
*General Manger of Financial
Department*

Notes to the Financial Statements

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

1 GENERAL

The Bank was formerly known as Chongqing Urban Cooperative Bank (重慶城市合作銀行), which was established by consolidating 37 urban credit cooperatives and one urban credit union in Chongqing with the approval of Yinfu [1996] No.140 by the People's Bank of China ('PBOC'). On 30 March 1998, the Bank was renamed as 'Commercial Bank of Chongqing Co., Ltd' (重慶市商業銀行股份有限公司) with the approval of Yuyinfu [1998] No.48 by the PBOC Chongqing Branch. On 1 August 2007, the Bank was further renamed as 'Bank of Chongqing Co., Ltd.' (重慶銀行股份有限公司) with the approval of Yinjianfu [2007] No.325 by the China Banking Regulatory Commission ('CBRC'). In 6 Nov 2013, the Bank was listed on the Stock Exchange of Hong Kong Limited.

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

As at 31 December 2014, the Bank operated the business through 123 sub-branches including a business department, a small enterprise loan center, and 4 branches covering all 38 districts and counties of Chongqing as well as three provinces in western China, namely Sichuan Province, Shaanxi Province and Guizhou Province.

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

These financial statements have been approved by the Bank's Board of Directors on 20 March 2015.

2 ACCOUNTING POLICIES

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

2.1 Basis of presentation

The financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards ('IFRS') and disclosure requirements of the Hong Kong Companies Ordinance and the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited.

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

The financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

2 ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

The Bank has adopted the following new or revised IFRSs effective for the current year as listed below:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities
Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Assets impairment-Recoverable amount disclosures for non-financial assets
New interpretations to IFRIC 21	Levies
Amendments to IAS 19 (Revised)	Employee benefits – Defined benefit plans
IFRS (Revised)	Annual improvements to IFRSs 2010-2012 cycle
IFRS (Revised)	Annual improvements to IFRSs 2011-2013 cycle

Amendments to IFRS 10, IFRS 12 and IAS 27

By virtue of this amendment, many funds and other similar entities are exempted from consolidating of most of their subsidiaries. Instead, their subsidiaries are measured at fair value through profit and loss. This amendment introduces exemptions for those entities which fulfills the definition of ‘Investment entities’. The disclosure requirements in IFRS 12 ‘Disclosure of interest in other entities’ are included.

Amendments to IAS 32

This amendment acts as a practice note to IAS 32, ‘Financial instruments: Presentation’. It clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendments to IAS 36

This amendment has made changes to the disclosures required by IAS 36, impairment of assets when recoverable amount is determined based on fair value less costs of disposal.

IFRIC 21

IFRIC 21 is the interpretation of IAS 37 provisions, contingent liabilities and contingent assets). IAS 37 states the criteria of liability recognition which includes current liability occurring from past transaction of the entity (called liability affairs). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of a levy.

Amendments to IAS 19 (Revised)

The amendments to IAS 19 (Revised) clarify how an entity should account for contributions made by employees or third parties to defined benefit plans that are either constructive or set out in the formal terms of the plan based on whether those contributions are linked to service or not linked to service. Such contributions that are not linked to service would affect the remeasurement of net defined benefit liability (or asset). For contributions that are linked to service, they would reduce service cost as follows:

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

Annual Improvements to IFRSs 2010-2012 Cycle

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

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

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

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

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

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

Annual Improvements to IFRSs 2011-2013 Cycle

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

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

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

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

The adoption of these new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Bank.

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

		Effective for annual period beginning on or after
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Changes from the 2012-2014 cycle of the annual improvements project	1 January 2016
Amendments to IFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to IFRS 9	Financial Instruments	1 January 2018
New Hong Kong Companies Ordinance (Cap.622)	Accounts and Audit	31 March 2014

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

Amendment to IFRS 11

The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in IFRS/HKFRS 3, Business combinations). Specifically, an investor will need to:

- measure identifiable assets and liabilities at fair value;
- expense acquisition-related costs;
- recognise deferred tax; and
- recognise the residual as goodwill.

All other principles of business combination accounting apply unless they conflict with IFRS 11.

The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

IFRS 14

IFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

IFRS 14 permits eligible first- time adopters of IFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. IFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

IAS 16 and IAS 38 (Revised)

The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

- where the intangible asset is expressed as a measure of revenue; or
- where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

IFRS 10 and IAS 28 (Revised)

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

IAS 27

The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual improvements 2012-2014 Cycle

The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations'
- IFRS 7, 'Financial instruments: Disclosures'
- IAS 19, 'Employee benefits'
- IAS 34, 'Interim financial reporting'

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

IFRS 15

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition:

IFRIC/HK(IFRIC) 13 Customer Loyalty Programmes, IFRIC/HK(IFRIC) 15 Agreements for the Construction of Real Estate, IFRIC/HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services.

IFRS 9

IFRS 9 (2014), 'Financial instruments' replaces the whole of IAS 39.

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

IFRS 9 (Continued)

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more ‘rule-based’ approach of IAS 39.

The Bank is considering the impact of IFRS 9 on the financial statements.

New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 ‘Accounts and Audit’ of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Bank’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Bank is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant.

Except the above mentioned impact of IFRS 9, the adoption of the above new IFRSs and amendments to IFRSs issued but not yet effective is not expected to have a material effect on the Bank’s operating results, financial position or other comprehensive income.

2.2 Associates

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

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

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Financial assets

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

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

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

b) *Loans and receivables*

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

c) *Held-to-maturity financial assets*

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

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

d) *Available-for-sale financial assets*

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Financial assets (Continued)

d) *Available-for-sale financial assets (Continued)*

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

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

2.4 Impairment of financial assets

a) *Assets carried at amortised cost*

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

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

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Impairment of financial assets (Continued)

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

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

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

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Impairment of financial assets (Continued)

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

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

b) *Assets classified as available-for-sale*

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

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.5 Financial liabilities

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

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

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

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied:

(1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and there is objective evidence that the Bank has a recent actual pattern of short term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any interest expenses related to the financial liabilities are recognised in profit or loss. A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is carried at fair value and any gains or losses from changes in fair value are recognised in profit or loss.

The Bank did not hold financial liabilities at fair value through profit or loss on book as at 31 December 2014 and 2013.

(b) Other financial liabilities

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.6 Interest income and expense

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

2.7 Fee and commission income

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

2.8 Dividend income

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

2.9 Sale/purchase and repurchase/resale agreements

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

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

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

2.10 Property, plant and equipment

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

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.10 Property, plant and equipment (Continued)

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

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

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

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

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

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

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.11 Repossessed assets

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

2.12 Land use rights

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

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

2.13 Intangible assets

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

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

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

2.14 Investment property

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.14 Investment property (Continued)

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

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

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

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

2.15 Operating Leases

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

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

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

2.16 Cash and cash equivalents

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

2.17 Provisions

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income taxes

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

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

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

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

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

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

2.19 Share capital

Ordinary shares are classified as equity.

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.20 Employee benefits

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

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

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

2.21 Foreign currency translation

a) *Functional and presentation currency*

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

b) *Transactions and balances*

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

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.22 Contingent liabilities

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

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

2.23 Financial guarantee contracts

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

2.24 Fiduciary activities

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

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

Notes to the Financial Statements

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

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.25 Segment reporting

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

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

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

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

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

2.26 Offset financial assets and liabilities

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

3 FINANCIAL RISK MANAGEMENT

Overview

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

Overview (Continued)

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

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

3.1 Credit risk

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

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

3.1.1 Credit risk measurement

(a) Credit business

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

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.1 Credit risk measurement (Continued)

(a) Credit business (Continued)

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

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

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

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

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

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

Risk management department coordinates the classification of loans. The classification of loans is performed monthly and adjusted timely. Risk management department summarizes the reclassification information justified by corporate credit management department, small and micro enterprise banking department and personal banking department monthly and reports to risk management and internal control committee for approval. The classification of loans is monitored through credit management system.

(b) Treasury business

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.2 Risk limit control and mitigation policies

(a) Credit business

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

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

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

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

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

(b) Treasury business

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

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

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.2 Risk limit control and mitigation policies (Continued)

(b) Treasury business (Continued)

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

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

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

The Bank invests in trust schemes and directional asset management plans which are guaranteed by banks or third party companies, or secured by collateral. The Bank sets credit risk limit to the counter party banks and third party companies to mitigate the risk associated therewith.

3.1.3 Collateral and guarantees

The Bank has a range of policies and practices intended to mitigate credit risk. The most useful practice is to accept collaterals. The Bank implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as stocks.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.3 Collateral and guarantees (Continued)

The value of collaterals at the time of loan origination is determined by risk assessment department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collateral for corporate loans and individual loans are as follows:

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

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

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

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

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

3.1.4 Impairment and provisioning policies

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

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.4 Impairment and provisioning policies (Continued)

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

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

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

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

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements:

	Year End 31 December	
	2014	2013
Assets		
Balances with central banks	35,059,587	32,148,172
Due from other banks and financial institutions	54,409,453	32,143,462
Held for trading – debt securities	4,798,210	2,009,537
Loans and advances to customers		
– Loans to corporate entities	72,303,701	64,017,082
– Loans to individuals	31,811,055	24,620,742
Investment securities – loans and receivables	53,388,377	35,000,560
Investment securities – available-for-sales	10,002,567	4,774,095
Investment securities – held-to-maturity	7,297,640	7,473,242
Other financial assets	1,439,144	991,253
	270,509,734	203,178,145
Off-statement exposures		
Financial guarantees, acceptances and letters of credit	40,482,262	37,197,782
Unused credit card limits	1,078,065	802,728
	41,560,327	38,000,510

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2014 and 31 December 2013, without taking account of any related collateral or other credit enhancements. For on-statement assets, the exposures above are based on net carrying amounts as reported in the statement of financial position.

As shown above, as at 31 December 2014, total on-statement exposure derived from loans is 38.49% (31 December 2013: 43.63%).

Even though the growth of economy is slowing down and there is a general concern over the credit asset quality, management is confident in its ability to continue to control and maintain minimal exposure to credit risk to the Bank from its loans and advances based on the following at 31 December 2014:

- 97.20% of its loans and advances portfolio were categorized as Pass of the five-category system (2013: 98.84%);
- 79.10% (2013: 83.03%) of the individual portfolio were backed by collateral;
- 98.58% (2013: 99.45%) of the loans and advances portfolio were considered to be neither past due nor impaired;
- RMB731,980 thousand (2013: RMB354,602 thousand) loans and advances assessed on an individual basis, 0.69% (2013: 0.39%) were impaired.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (Continued)

3.1.6 Loans and advances

Loans and advances are summarised as follows:

	Year End 31 December			
	2014		2013	
	Loans and advances to customers	Discounted bills and trading bills	Loans and advances to customers	Discounted bills and trading bills
Neither past due nor impaired	99,410,622	5,523,583	84,731,487	5,275,837
Past due but not impaired	782,666	–	142,390	–
Individually impaired	731,980	–	354,602	–
Gross	100,925,268	5,523,583	85,228,479	5,275,837
Less: Collective impairment allowances	(2,010,915)	(61,865)	(1,691,853)	(59,089)
Individual impairment allowances	(261,315)	–	(115,550)	–
Total allowance	(2,272,230)	(61,865)	(1,807,403)	(59,089)
Net amount	98,653,038	5,461,718	83,421,076	5,216,748

(a) Gross loans and advances neither past due nor impaired

The Bank monitors the credit risk of corporate loans and advances neither past due nor impaired by applying its grading system to customers.

31 December 2014	Five-category classification		
	Pass	Special mention	Total
Corporate entities			
– Commercial loans	65,702,645	1,331,873	67,034,518
– Discounted bills	4,866,911	–	4,866,911
– Trade finance	656,672	–	656,672
Subtotal	71,226,228	1,331,873	72,558,101
Individual	32,178,671	197,433	32,376,104
Total	103,404,899	1,529,306	104,934,205

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.6 Loans and advances (continued)

(a) Gross loans and advances neither past due nor impaired (continued)

31 December 2013	Five-category classification		
	Pass	Special mention	Total
Corporate entities			
– Commercial loans	59,160,309	518,175	59,678,484
– Discounted bills	5,245,372	–	5,245,372
– Trade finance	30,465	–	30,465
Subtotal	64,436,146	518,175	64,954,321
Individual	24,936,295	116,708	25,053,003
Total	89,372,441	634,883	90,007,324

(b) Loans and advances past due but not impaired

Gross amount of loans and advances by types of customers that were past due but not impaired are as follows:

	31 December 2014				
	Past due up to 30 days	Past due 30 – 60 days	Past due 60 – 90 days	Past due over 90 days	Total
Corporate entities	243,773	377,235	64,992	50,000	736,000
Individual	32,226	13,085	1,353	2	46,666
Total	275,999	390,320	66,345	50,002	782,666

	31 December 2013				
	Past due up to 30 days	Past due 30 – 60 days	Past due 60 – 90 days	Past due over 90 days	Total
Corporate entities	–	29,996	99,230	–	129,226
Individual	4,369	3,747	5,048	–	13,164
Total	4,369	33,743	104,278	–	142,390

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.6 Loans and advances (continued)

(c) Loans and advances that are individually impaired

As at 31 December 2014, individually impaired loans and advances to customers before taking into consideration the collateral held amounted to RMB731,980 thousand (2013: RMB354,602 thousand).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	Year End 31 December	
	2014	2013
Corporate entities	604,039	245,412
Individual	127,941	109,190
Individually impaired loans and advance to customers	731,980	354,602
Fair value of collaterals		
Corporate entities	917,641	244,692
Individual	136,837	75,123
Individually impaired loans and advances to customers	1,054,478	319,815

No individually-impaired amount due from other banks and financial institutions was held by the Bank as at 31 December 2014 and 31 December 2013.

The fair value of collaterals is estimated based on the latest available external valuations, the realization experience of the current collaterals and the market conditions.

(d) Loans and advances renegotiated

Restructuring activities include approval of debtor repayment plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue to be made. These policies are under continuous review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans. There were no renegotiated loans as at 31 December 2014 and 31 December 2013.

(e) Concentration risk analysis for loans and advances to customers (gross) by geographic sectors:

	Year End 31 December 2014			Year End 31 December 2013		
	Gross amount	%	Impaired loan ratio	Gross amount	%	Impaired loan ratio
Chongqing City	78,752,092	73.98	0.31%	66,815,524	73.83	0.26%
Sichuan Province	12,367,550	11.62	1.48%	10,107,910	11.17	1.10%
Guizhou Province	8,511,383	8.00	3.56%	8,264,874	9.13	0.80%
Shanxi Province	6,817,826	6.40	0.02%	5,316,008	5.87	0.02%
Total	106,448,851	100.00	0.69%	90,504,316	100.00	0.39%

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.6 Loans and advances (continued)

(f) Industry analysis

Concentration risks analysis for loans and advances to customers (gross) by economic sectors:

	Year End 31 December 2014		Year End 31 December 2013	
	Amount	%	Amount	%
Corporate loans				
Manufacturing	16,318,878	22.08	15,550,827	23.80
Wholesale and retail trade	15,018,762	20.32	10,597,333	16.22
Real estate	10,362,332	14.02	6,572,898	10.06
Construction	7,346,188	9.94	6,893,052	10.55
Administration of water conservancy, environment and public facilities	4,960,790	6.71	4,155,130	6.36
Renting and business activities	3,283,354	4.44	4,599,200	7.04
Transportation, storage and postal service	1,945,510	2.63	2,738,775	4.19
Mining	2,399,014	3.25	2,630,498	4.03
Electricity, gas and water production and supply	1,733,604	2.35	1,412,688	2.16
Agriculture, forestry, animal husbandry and fishery	1,167,468	1.58	1,143,960	1.75
Household Services and other Services	621,921	0.84	853,643	1.31
Education	502,960	0.68	826,451	1.26
Financing	403,863	0.55	515,993	0.79
Scientific research, technology services and geological prospecting	376,190	0.51	477,196	0.73
IT and telecommunication service	272,192	0.37	382,263	0.59
Accommodation and catering	390,153	0.53	267,039	0.41
Culture, sports and entertainment	357,130	0.48	247,700	0.38
Public administration and social organizations	1,197,700	1.62	150,000	0.23
Health, social security and social welfare	373,220	0.51	68,941	0.11
Discounted bills	4,866,911	6.59	5,245,372	8.03
Total corporate loans	73,898,140	100.00	65,328,959	100.00
Individual loans				
Mortgage loans	17,339,942	53.27	15,790,408	62.72
Individual business loans	9,080,283	27.90	6,127,637	24.34
Individual consumption loans	3,876,509	11.91	2,233,591	8.87
Credit card advances	2,253,277	6.92	1,007,641	4.00
Others	700	0.00	16,080	0.07
Total individual loans	32,550,711	100.00	25,175,357	100.00
Gross amount of loans and advances before allowance for impairment	106,448,851		90,504,316	

The economic sector risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.6 Loans and advances (continued)

(g) Type of collateral analysis

Analysis for loans and advances to customers (gross) by type of collateral:

	Year End 31 December	
	2014	2013
Collateralised loans	54,197,524	41,959,416
Pledged loans	13,515,506	11,263,885
Guaranteed loans	34,350,040	32,529,589
Unsecured loans	4,385,781	4,751,426
Total	106,448,851	90,504,316

3.1.7 Investment securities

The table below presents an analysis of investment securities by independent rating agencies designation including China Chengxin International Credit Rating Co., Ltd, Dagong Global Credit Rating Co., Ltd, China Lianhe Credit Rating Co., Ltd, Shanghai Fareast Credit Rating Co., Ltd, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd and Pengyuan Credit Rating Co., Ltd, Colden Credit Rating International Co., Ltd for RMB securities, Standard & Poor's for Foreign currency securities as at 31 December 2014 and 31 December 2013:

31 December 2014	Investment securities-loans and receivables	Investment securities-available-for-sale ('AFS')-debt securities	Investment securities-held-to-maturity ('HTM')	Held for trading-debt securities	Total
RMB securities					
AAA	71,000	720,000	236,000	50,859	1,077,859
AA- to AA+	12,000	4,400,402	230,000	4,093,819	8,736,221
Unrated ^(a)	53,305,377	4,882,165	6,831,640	653,532	65,672,714
Total	53,388,377	10,002,567	7,297,640	4,798,210	75,486,794

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.7 Investment securities (continued)

30 December 2013	Investment securities-loans and receivables	Investment securities-available-for-sale ('AFS')-debt securities	Investment securities-held-to-maturity ('HTM')	Held for trading-debt securities	Total
RMB securities					
AAA	–	–	236,000	219,043	455,043
AA- to AA+	–	1,640,870	360,000	1,790,494	3,791,364
Unrated ^(a)	35,000,560	3,133,225	6,877,242	–	45,011,027
Total	35,000,560	4,774,095	7,473,242	2,009,537	49,257,434

(a) These mainly represent investment and trading securities issued by PRC Ministry of Finance, central bank, policy banks and other oversea financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies. Loans and receivables mainly include profit-guaranteed wealth management products with fixed income, and the beneficiary rights of trust schemes, whose principle and income are guaranteed or collateralised. There were no overdue debt securities held, no individually impaired debt securities. The impairment provision for loans and receivables was RMB154,172 thousand as at 31 December 2014 (31 December 2013: 0).

3.1.8 Repossessed assets

	Year End 31 December	
	2014	2013
Business properties	8,983	13,818
Residential properties	1,080	3,016
Others	–	945
Total	10,063	17,779

Repossessed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Bank does not generally occupy repossessed properties for its business use. Repossessed assets are classified in the statement of financial position as other assets.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.9 Concentration risk analysis for financial assets with credit risk exposure Geographical sectors

	Year End 31 December 2014			
	Mainland China	Hong Kong	Others	Total
Financial Assets				
Balances with central banks	35,059,587	–	–	35,059,587
Due from other banks and financial institutions	53,853,781	206,749	348,923	54,409,453
Financial assets at fair value through profit or loss	4,798,210	–	–	4,798,210
Loans and advances to customers	104,114,756	–	–	104,114,756
Investment securities-loans and receivables	53,388,377	–	–	53,388,377
Investment securities-available- for-sale-debt securities	10,002,567	–	–	10,002,567
Investment securities-held- to-maturity	7,297,640	–	–	7,297,640
Other financial assets	1,439,144	–	–	1,439,144
	269,954,062	206,749	348,923	270,509,734
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	40,482,262	–	–	40,482,262
Unused credit card limits	1,078,065	–	–	1,078,065
	41,560,327	–	–	41,560,327

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Credit risk (continued)

3.1.9 Concentration risk analysis for financial assets with credit risk exposure (continued) Geographical sectors (continued)

	Year End 31 December 2013			
	Mainland China	Hong Kong	Others	Total
Financial Assets				
Balances with central banks	32,148,172	–	–	32,148,172
Due from other banks and financial institutions	31,746,563	150,346	246,553	32,143,462
Financial assets at fair value through profit or loss	2,009,537	–	–	2,009,537
Loans and advances to customers	88,637,824	–	–	88,637,824
Investment securities-loans and receivables	35,000,560	–	–	35,000,560
Investment securities-available- for-sale-debt securities	4,774,095	–	–	4,774,095
Investment securities-held- to-maturity	7,473,242	–	–	7,473,242
Other financial assets	991,253	–	–	991,253
	202,781,246	150,346	246,553	203,178,145
Off-statement exposures				
Financial guarantees, acceptances and letters of credit	37,197,782	–	–	37,197,782
Unused credit card limits	802,728	–	–	802,728
	38,000,510	–	–	38,000,510

The counterparties are mainly located in Mainland China.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk

3.2.1 Overview

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates and prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

In accordance with the requirements of the CBRC, the Bank categorizes its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or in order to economically hedge other elements of the trading book or the banking book. The banking book consists of the investment book through which the Bank purchases financial instruments with excess funds and other financial instruments that are not captured in trading book.

The market arising from trading and non-trading activities are concentrated in Bank treasury business and monitored by two teams separately. Regular reports are submitted to the Board of Directors and head of each business unit.

3.2.2 Sensitivity tests

Interest rate sensitivity test

The result of the interest rate sensitivity tests set out in the table below is based on the following assumptions. The projections assume that yield curves move by the same amount and, therefore, do not reflect the potential impact on net interest income due to changes in certain rates while others remain unchanged. The projections make other assumptions, including that all positions run to maturity. But the Bank has not considered the following: changes after the balance sheet date, the impact of interest rate fluctuations on the customers' behaviors; the complicated relationship between complex structured products and interest rate fluctuations; the impact of interest rate fluctuations on market prices; the impact of interest rate fluctuations on off-balance sheet products; and impact affected by risk management.

Base on the above gap analysis on the interest rate, the Bank implemented sensitivity test to analyze the sensitivity of bank's net interest income against change in interest rate. The table below illustrates the potential impact of a parallel 100 basis point move in interest rates on the financial position of the Bank at 31 December 2014 and 2013 on the net interest income of the coming year.

	Expected changes of net interest income	
	Year End 31 December	
	2014	2013
+ 100 basis point parallel move in all yield curves	161,435	150,527
- 100 basis point parallel move in all yield curves	(161,435)	(150,527)

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.2 Sensitivity tests (Continued)

Interest rate sensitivity test (Continued)

The table below illustrates the potential impact of a 100 basis point move on the other comprehensive income of the Bank.

	Change of other comprehensive income	
	Year End 31 December	
	2014	2013
+ 100 basis point parallel move in all yield curves	(281,050)	(54,736)
- 100 basis point parallel move in all yield curves	289,543	56,926

Foreign exchange sensitivity test

The Bank performs exchange rate sensitivity analysis on net profit before tax for the Bank by measuring the impact of a change in exchange rate on financial position, including on balance sheet and off balance sheet. On the assumptions below: the sensitivities of foreign currencies are exchange gains or losses of RMB against foreign currencies fluctuation by 1% absolute value in closing price at balance sheet dates. The foreign currency exchange rates against RMB move by the same amount and same trends. The portfolio of assets and liabilities has a static structure of foreign exchange risk and all positions are held and renewed after maturity. The Bank has not considered the following: business changes after the balance sheet date, the impact of exchange rate fluctuations on the customers' behaviors; the complicated relationship between complex structured products and exchange rate fluctuations; and the impact of exchange rate fluctuations on market prices, the impact of exchange rate fluctuations on off-balance sheet products; and the impacted of risk management.

The table below illustrates the potential impact of an appreciation of RMB against foreign currencies by 1% on the Bank's net profit before tax:

	Net profit/(loss) before tax	
	Year End 31 December	
	2014	2013
+ 1% upward change of foreign exchange rate	3,660	12,334
- 1% downward change of foreign exchange rate	(3,660)	(12,334)

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk of the Bank mainly comes from the interest rate change's effect on net interest income, which was caused by the mismatch of the interest rate sensitive assets and liabilities' maturity date or the re-pricing date.

The Bank's Assets and Liabilities Management Committee is responsible for establishing, periodically examining and monitoring the exercising of the policies, procedures and detailed operating rules regarding interest rate risk. Financial market department is responsible for the front office treasury transactions; the accounting department is responsible for the settlement at the back office. The assets and liabilities management department is responsible for the analysis of RMB interest rate risk, submission of interest rate analysis report to the Assets and Liabilities Management Committee, timely reporting and dealing with the extraordinary situation of interest rate risk identified.

Financial market department follows the Bank's interest rate management policies and conducts the front office treasury transactions under the Bank's approved interest rate limit. The Bank records the assets in trading book and non-trading book. The freely tradable financial instruments held for trading purpose or avoiding the risks of other items in trading book were recorded under the trading book; others were recorded under the non-trading book. Financial market department manages and conducts treasury transactions within the interest rate limit approved by the senior management, and monitors the market risk of the trading book and its risk limit compliance.

The Bank uses the RMB interest rate risk management system to monitor and manage the overall interest rate risk of the assets and liabilities under the non-trading book. At the current stage, the Bank manages the interest rate risk mainly through raising suggestion about the re-pricing date of assets and liabilities, setting market risk limit and other methods. The Bank analyses the interest rate gap and assesses the difference between the interest-bearing assets and liabilities which would mature or re-price within certain time period, to provide instruction for the adjustment of interest-bearing assets and liabilities' re-pricing date. Meanwhile, the Bank controls and manages interest risk by establishing investment portfolio's instruction and authorized limit. The Bank's treasury management conducts real-time market value assessment to monitor the investment risk more accurately. In addition, the Bank embranchments' interest rate risk for managing using the internal funding transfer-pricing system.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

The tables below summarise the Bank's exposures to interest rate risks. The tables show the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
31 December 2014							
Assets							
Cash and balances with central banks	35,059,587	-	-	-	-	639,506	35,699,093
Due from other banks and financial institutions	30,183,206	14,566,481	9,209,706	450,060	-	-	54,409,453
Financial assets at fair value through profit or loss	-	29,969	24,646	2,265,196	2,478,399	-	4,798,210
Loans and advances to customers	67,839,475	9,156,771	22,015,899	3,136,390	1,966,221	-	104,114,756
Investment securities							
– loans and receivables	780,799	4,043,881	13,076,622	35,487,075	-	-	53,388,377
– available-for-sale	519,252	604,480	3,031,302	3,195,743	2,651,804	291,122	10,293,703
– held-to-maturity	-	-	380,003	2,316,280	4,601,357	-	7,297,640
Investment in an associate	-	-	-	-	-	26,405	26,405
Other financial assets	-	-	-	-	-	1,442,841	1,442,841
Total assets	134,382,319	28,401,582	47,738,178	46,850,744	11,697,781	2,399,874	271,470,478
Liabilities							
Due to other banks and financial institutions	33,115,383	19,725,009	26,379,353	2,300,000	115,979	-	81,635,724
Customer deposits	70,834,890	16,251,782	39,226,135	41,596,966	22,663	-	167,932,436
Debts issued	-	-	-	3,785,076	-	-	3,785,076
Other financial liabilities	-	-	-	-	-	4,495,548	4,495,548
Total liabilities	103,950,273	35,976,791	65,605,488	47,682,042	138,642	4,495,548	257,848,784
Total interest sensitivity gap	30,432,046	(7,575,209)	(17,867,310)	(831,298)	11,559,139	(2,095,674)	13,621,694

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.3 Interest rate risk (Continued)

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

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.4 Foreign exchange risk

The International business department is responsible for the Bank's daily foreign exchange risk management. Pursuant the related regulation, the Bank at the current stage cannot conduct speculative proprietary foreign exchange trading. Therefore, currently the Bank's foreign exchange risk is mainly the foreign currency exposure risk for foreign currency settlement and trading on behalf of customers. Because the Bank has no derivative operating license, and is lack of effective hedging instruments for the above risk exposure, the Bank decreases and control foreign exchange rate risk by setting foreign currency exposure limits and stop-loss limits.

The tables show the Bank's total assets and liabilities at carrying amounts in RMB, categorized by the original currency.

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2014					
Assets					
Cash and balances with central banks	35,621,443	77,341	142	167	35,699,093
Due from other banks and financial institutions	53,076,318	1,187,425	7,916	137,794	54,409,453
Financial assets at fair value through profit or loss	4,798,210	-	-	-	4,798,210
Loans and advances to customers	103,205,675	909,081	-	-	104,114,756
Investment securities					
– loans and receivables	53,388,377	-	-	-	53,388,377
– available-for-sale	10,293,703	-	-	-	10,293,703
– held-to-maturity	7,297,640	-	-	-	7,297,640
Investment in an associate	26,405	-	-	-	26,405
Other financial assets	1,439,461	3,275	-	105	1,442,841
Total assets	269,147,232	2,177,122	8,058	138,066	271,470,478
Liabilities					
Due to other banks and financial institutions	81,419,070	100,540	-	116,114	81,635,724
Customer deposits	165,995,309	1,917,490	36	19,601	167,932,436
Debts issued	3,785,076	-	-	-	3,785,076
Other financial liabilities	4,452,487	32,687	8,022	2,352	4,495,548
Total liabilities	255,651,942	2,050,717	8,058	138,067	257,848,784
Net position	13,495,290	126,405	-	(1)	13,621,694
Financial guarantees and credit related commitments	41,503,995	50,610	-	5,722	41,560,327

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Market risk (Continued)

3.2.4 Foreign exchange risk (Continued)

	RMB	US Dollar	HK Dollar	Others	Total
31 December 2013					
Assets					
Cash and balances with central banks	32,814,960	7,451	149	188	32,822,748
Due from other banks and financial institutions	29,937,341	446,847	1,605,210	154,064	32,143,462
Financial assets at fair value through profit or loss	2,009,537	–	–	–	2,009,537
Loans and advances to customers	88,608,369	20,126	–	9,329	88,637,824
Investment securities					
– loans and receivables	35,000,560	–	–	–	35,000,560
– available-for-sale	4,956,959	–	–	–	4,956,959
– held-to-maturity	7,473,242	–	–	–	7,473,242
Investment in an associate	24,370	–	–	–	24,370
Other financial assets	988,830	804	807	812	991,253
Total assets	201,814,168	475,228	1,606,166	164,393	204,059,955
Liabilities					
Due to other banks and financial institutions	33,446,099	153,650	–	149,823	33,749,572
Customer deposits	148,630,679	157,228	39	13,099	148,801,045
Debts issued	4,777,770	–	–	–	4,777,770
Other financial liabilities	4,985,614	30,127	1,657	2,749	5,020,147
Total liabilities	191,840,162	341,005	1,696	165,671	192,348,534
Net position	9,974,006	134,223	1,604,470	(1,278)	11,711,421
Financial guarantees and credit related commitments					
	37,771,891	222,844	–	5,775	38,000,510

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk

3.3.1 Overview

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Bank's objective in liquidity management is to ensure the availability of adequate funding to meet its needs to fund deposits withdrawals and other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, matured deposits, loan draw downs, guarantees and cash deposit hold as collateral. The Board of Directors set limits on the minimum proportion of funds to be made available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. In addition, the Bank limits its loan to deposits ratio at below 75% as required by the PBOC. As at 31 December 2014 17.5% (18% as at 31 December 2013) of the Bank's total RMB denominated and 5% (5% as at 31 December 2013) of the total foreign currency denominated customer deposits must be deposited with the PBOC.

3.3.2 Liquidity risk management process

The board of directors or the subordinate special committee approve the policy, strategy, procedures, limit and contingency plan relate to the overall management of liquidity risk according to risk preference. Asset and liability management committee is established under the top management, which is responsible for formulating, assessing, the policies, strategies, programs, limits and the emergence plans related to the holistic management of the liquid risk management. Asset and liability management committee executes the daily operations in liquidity risk management. Assets and liabilities management department cooperates with financial trade management department and others, in order to form a well-organized, fully functional liquidity risk management system.

Bank of Chongqing actively applies new technology, in order to enhance the involvement of IT in liquidity risk management. The system monitors the liquidity index and exposure, which form a mechanism in regular, automatic liquidity risk assessment, and arrange the banking processes according to current liquidity exposure. Bank of Chongqing actively modifies the assets and liabilities maturity structure by applying internal fund transfer pricing, while taking control of the limit of the liquidity risk positively by carrying out performance assessment. Bank of Chongqing pays constant attention to its liquidity risk management process, holds the weekly meeting for assets and liabilities integration, enhances and improves liquidity risk related policy timely, eventually achieve its goal in liquidity risk management.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the undiscounted cash flows of the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2014									
Liabilities									
Due to other banks and financial institution	407,790	30,258,158	16,674,774	29,063,589	6,576,042	115,979	-	-	83,096,332
Customer deposits	58,257,607	12,905,832	16,323,336	39,999,164	44,572,474	30,024	-	-	172,088,437
Debts issued	-	-	-	1,488,400	7,563,608	904,268	-	-	9,956,276
Other liabilities	19,549	1,610,700	684,413	994,677	983,128	1,695	1,033,818	-	5,327,980
Total liabilities (contractual maturity dates)	58,684,946	44,774,690	33,682,523	71,545,830	59,695,252	1,051,966	1,033,818	-	270,469,025
Assets									
Cash and balances with central banks	639,506	6,004,746	-	-	-	-	29,054,841	-	35,699,093
Due from other banks and financial institutions	1,129,279	29,089,066	14,652,135	9,458,854	495,091	-	-	-	54,824,425
Non-derivative financial assets at fair value through profit or loss	-	4,798,210	-	-	-	-	-	-	4,798,210
Loans and advances to customers	-	10,931,797	9,974,954	45,283,509	24,223,054	37,456,781	-	1,325,341	129,195,436
Investment securities									
- loans and receivables	-	784,867	4,101,250	13,637,395	41,039,336	-	-	-	59,562,848
- available-for-sale ('AFS')	-	580,215	487,729	1,923,168	5,168,486	4,293,400	291,122	-	12,744,120
- held-to-maturity ('HTM')	-	3,284	48,454	870,642	8,987,428	8,448,992	-	-	18,358,800
Investment in an associate	-	-	-	-	-	-	26,405	-	26,405
Other assets	5,438	683,077	15,759	159,839	529,795	147,555	3,015,139	-	4,556,602
Assets held for managing liquidity risk (contractual maturity dates)	1,774,223	52,875,262	29,280,281	71,333,407	80,443,190	50,346,728	32,387,507	1,325,341	319,765,939

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2013									
Liabilities									
Due to other banks and financial institution	130,002	7,927,449	10,826,452	9,859,141	5,963,402	203,428	-	-	34,909,874
Customer deposits	57,010,613	10,489,671	15,253,776	29,182,067	41,282,096	10,331	-	-	153,228,554
Debts issued	-	-	54,400	196,500	3,723,642	1,790,928	-	-	5,765,470
Other liabilities	16,359	2,512,342	442,767	1,557,611	1,008,380	22,080	419,818	-	5,979,357
Total liabilities(contractual maturity dates)	57,156,974	20,929,462	26,577,395	40,795,319	51,977,520	2,026,767	419,818	-	199,883,255
Assets									
Cash and balances with central banks	674,576	6,428,134	-	-	-	-	25,720,038	-	32,822,748
Due from other banks and financial institutions	626,713	17,282,461	7,349,271	5,069,224	2,318,960	-	-	-	32,646,629
Non-derivative financial assets at fair value through profit or loss	-	2,009,537	-	-	-	-	-	-	2,009,537
Loans and advances to customers	-	6,677,613	8,811,586	43,709,143	16,537,938	35,195,565	-	300,511	111,232,356
Investment securities									
- loans and receivables	-	240,767	4,785,425	9,406,923	24,503,522	-	-	-	38,936,637
- available-for-sale ('AFS')	-	-	-	-	2,219,313	3,940,834	182,850	-	6,342,997
- held-to-maturity ('HTM')	-	30,057	497,489	442,236	2,617,538	6,066,365	-	-	9,653,685
Investment in an associate	-	-	-	-	-	-	24,370	-	24,370
Other assets	1,640	511,010	21,843	53,259	417,082	79,416	2,634,063	-	3,718,313
Assets held for managing liquidity risk (contractual maturity dates)	1,302,929	33,179,579	21,465,614	58,680,785	48,614,353	45,282,180	28,561,321	300,511	237,387,272

Assets available to meet all of the liabilities include cash, balances with central bank, items in the course of collection and treasury; due from other banks and financial institutions; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities, using credit commitment from other financial institutions, early termination of borrowing from other financial institutions and repurchase agreement and using the mandatory reserve deposits upon the PBOC's approval.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.4 Maturity analysis

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2014									
Assets									
Cash and balances with central banks	639,506	6,004,746	-	-	-	-	29,054,841	-	35,699,093
Due from other banks and financial institutions	1,129,279	29,053,926	14,566,481	9,209,707	450,060	-	-	-	54,409,453
Financial assets at fair value through profit or loss	-	4,798,210	-	-	-	-	-	-	4,798,210
Loans and advances to customers	-	10,915,560	9,853,580	43,351,800	20,014,309	19,069,062	-	910,445	104,114,756
Investment securities	-	-	-	-	-	-	-	-	-
- loans and receivables	-	782,305	4,054,322	13,089,440	35,462,310	-	-	-	53,388,377
- available-for-sale	-	579,494	486,202	1,894,527	4,390,554	2,651,803	291,123	-	10,293,703
- held-to-maturity	-	-	-	290,003	2,406,280	4,601,357	-	-	7,297,640
Investment in an associate	-	-	-	-	-	-	26,405	-	26,405
Other assets, including deferred income tax assets	5,438	683,077	15,759	159,839	529,794	147,556	3,015,139	-	4,556,602
Total assets	1,774,223	52,817,319	28,976,344	67,995,315	63,253,307	26,469,778	32,387,508	910,445	274,584,239
Liabilities									
Due to other banks and financial institution	407,790	30,220,064	16,525,574	28,066,317	6,300,000	115,979	-	-	81,635,724
Customer deposits	58,257,607	12,895,472	16,178,354	38,981,375	41,596,755	22,873	-	-	167,932,436
Debts issued	-	-	-	-	2,989,608	795,468	-	-	3,785,076
Other financial liabilities including deferred income tax liability	19,549	1,610,700	684,413	994,677	983,128	1,695	1,033,818	-	5,327,980
Total liabilities (contractual maturity dates)	58,684,946	44,726,236	33,388,341	68,042,369	51,869,491	936,015	1,033,818	-	258,681,216
Net liquidity gap	(56,910,723)	8,091,083	(4,411,997)	(47,054)	11,383,816	25,533,763	31,353,690	910,445	15,903,023

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Liquidity risk (Continued)

3.3.4 Maturity analysis (Continued)

	On Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Indefinite	Overdue	Total
31 December 2013									
Assets									
Cash and balances with central banks	674,576	6,428,134	-	-	-	-	25,720,038	-	32,822,748
Due from other banks and financial institutions	626,713	17,255,387	7,277,961	4,943,401	2,040,000	-	-	-	32,143,462
Financial assets at fair value through profit or loss	-	2,009,537	-	-	-	-	-	-	2,009,537
Loans and advances to customers	-	6,660,585	8,701,698	41,794,795	13,859,206	17,321,029	-	300,511	88,637,824
Investment securities									
– loans and receivables	-	240,537	4,731,390	9,079,233	20,949,400	-	-	-	35,000,560
– available-for-sale	-	-	-	-	2,031,390	2,742,719	182,850	-	4,956,959
– held-to-maturity	-	30,001	495,995	434,987	2,349,057	4,163,202	-	-	7,473,242
Investment in an associate	-	-	-	-	-	-	24,370	-	24,370
Other assets, including deferred income tax assets	1,640	511,010	21,843	53,259	417,082	79,416	2,634,063	-	3,718,313
Total assets	1,302,929	33,135,191	21,228,887	56,305,675	41,646,135	24,306,366	28,561,321	300,511	206,787,015
Liabilities									
Due to other banks and financial institution	130,002	7,909,641	10,736,657	9,513,601	5,310,000	149,671	-	-	33,749,572
Customer deposits	57,010,613	10,482,056	15,160,775	28,642,419	37,497,967	7,215	-	-	148,801,045
Debts issued	-	-	-	-	2,986,842	1,790,928	-	-	4,777,770
Other financial liabilities including deferred income tax liability	16,359	2,512,342	442,767	1,557,611	1,008,380	22,080	419,818	-	5,979,357
Total liabilities (contractual maturity dates)	57,156,974	20,904,039	26,340,199	39,713,631	46,803,189	1,969,894	419,818	-	193,307,744
Net liquidity gap	(55,854,045)	12,231,152	(5,111,312)	16,592,044	(5,157,054)	22,336,472	28,141,503	300,511	13,479,271

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Liquidity risk (Continued)

3.3.5 Off-balance-sheet items

The table below lists the off balance-sheet statement items of the Bank according to their remaining term to maturity, and also includes the future minimum lease payments under non-cancellable operating leases where the Bank are the lessees. The financial commitments are listed by the earliest maturity date in its notional principal.

31 December 2014	No later than 1 year	1-5 years	Over 5 years	Total
Unused credit card limits	1,078,065	–	–	1,078,065
Guarantees, acceptances and letters of credit	40,102,035	380,227	–	40,482,262
Operating lease commitments	51,549	85,366	18,796	155,711
Capital commitments	507,265	47,036	–	554,301
Total	41,738,914	512,629	18,796	42,270,339
31 December 2013	No later than 1 year	1-5 years	Over 5 years	Total
Unused credit card limits	802,728	–	–	802,728
Guarantees, acceptances and letters of credit	37,102,049	95,733	–	37,197,782
Operating lease commitments	50,842	97,025	2,164	150,031
Capital commitments	300,318	18,383	–	318,701
Total	38,255,937	211,141	2,164	38,469,242

The Bank has no irrevocable loan commitments.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value on 31 December 2014 and 31 December 2013.

	Year ended 31 December 2014				
	Carrying Value	Fair Value			Total
		Level I	Level II	Level III	
Financial assets					
Investment securities					
– loans and receivables	53,388,377	–	37,301,075	18,203,243	55,504,318
– held to maturity	7,297,640	–	7,451,436	–	7,451,436
Financial liabilities					
Debts issued	3,785,076	–	3,987,952	–	3,987,952
	Year ended 31 December 2013				
	Carrying Value	Fair Value			Total
		Level I	Level II	Level III	
Financial assets					
Investment securities					
– loans and receivables	35,000,560	–	28,719,306	7,197,005	35,916,311
– held to maturity	7,473,242	–	7,090,564	–	7,090,564
Financial liabilities					
Debts issued	4,777,770	–	4,825,443	–	4,825,443

Investment securities

The fair value for loans and receivables and held to maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Debts issued

The fair value of fixed interest bearing debts issued is calculated using a discounted cash flow model which is based on a current yield curve appropriate for the remaining term to maturity.

Other than above, the difference between the carrying value and fair value of those financial assets and liabilities not presented at their fair value on the statement of financial position are insignificant. Fair value is measured using a discounted future cash flow model.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by level of inputs to valuation techniques. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the bank's financial assets and liabilities that are measured at fair value at 31 December 2014 and 31 December 2013:

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	4,798,210	–	4,798,210
– Equity investment	–	–	–	–
	–	4,798,210	–	4,798,210
Investment securities-available-for-sale				
– Debt securities	–	10,002,581	–	10,002,581
– Equity investment	–	–	291,122	291,122
		10,002,581	291,122	10,293,703
Total	–	14,800,791	291,122	15,091,913

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,009,537	–	2,009,537
– Equity investment	–	–	–	–
	–	2,009,537	–	2,009,537
Investment securities-available-for-sale				
– Debt securities	–	4,774,109	–	4,774,109
– Equity investment	–	–	182,850	182,850
	–	4,774,109	182,850	4,956,959
Total	–	6,783,646	182,850	6,966,496

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

There were no transfers between levels 1 and 2 during the year.

There were no financial instruments in level 1 during the year.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Reconciliation of beginning and ending balances for level 3 financial assets and liabilities

	Investment securities-AFS	Total assets
1 January 2014	182,850	182,850
Total gains or losses		
– Other comprehensive income	108,272	108,272
– Switch off/Transfer from level 3	–	–
31 December 2014	291,122	291,122
Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2014	12,589	12,589

	Investment securities-AFS	Total assets
1 January 2013	199,052	199,052
Total gains or losses		
– Other comprehensive income	(14,982)	(14,982)
– Switch off/Transfer from level 3	(1,220)	(1,220)
31 December 2013	182,850	182,850
Total gains for the year included in statement of comprehensive income for assets/liabilities held at 31 December 2013	8,658	8,658

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.4 Fair values of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 for the year ended December 31, 2014 and for the year ended 31 December, 2013 presented as follows:

Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at December 31, 2014	Valuation Technique(s)	Unobservable Inputs	Weighted Average
Equity Securities – Banking	268,272	Market comparable companies	PB multiple (a)	1.33
			Discount for lack of marketability(b)	22.16%
	Fair Value at December 31, 2013	Valuation Technique(s)	Unobservable Inputs	Weighted Average
Equity Securities – Banking	160,000	Market comparable companies	PB multiple (a)	0.92
			Discount for lack of marketability(b)	16.70%

(a) Represents amounts used when the reporting entity has determined that market participants would use such multiples when pricing the investments.

(b) Represents amounts used when the reporting entity has determined that market participants would take into account these premiums and discounts when pricing the investments.

(c) Unobservable inputs that are not developed by the Bank are not included in the disclosure.

(d) Equity securities using recent transaction prices without adjustment amounted to RMB22,850 thousand as at December 31, 2014 and RMB22,850 thousand as at December 31, 2013.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored quarterly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBRC, for supervisory purposes. The required information is filed with the CBRC on a quarterly basis.

From this period, the Bank calculated the capital adequacy ratio based on the 'Administrative Measures for the Capital of Commercial Banks (Trial Implementation)' issued by China Banking Regulatory Commission ('CBRC') in June, 2012. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

In accordance with relevant regulation, the Bank's capital adequacy ratio should be no less than the following criterion:

- Core Tier One Capital adequacy ratio should be no less than 5%.
- Tier One Capital adequacy ratio should be no less than 6%.
- Capital adequacy ratio should be no less than 8%.
- Commercial Banks need to make provision reserve assets on the basis of minimum capital requirement. Reserve assets are required to be 2.5% of the risk-weighted assets, fulfilled by Core Tier One Capital.

In certain circumstances, commercial banks need to make provision of countercyclical capital on the basis of minimum capital requirement and reserve capital requirement. Countercyclical capital is required to be 0 to 2.5% of the risk-weighted assets, fulfilled by Core Tier One Capital.

From this period, the Bank calculated the capital adequacy ratio based on the new regulation which means the operational risk is included in the capital adequacy ratio measurement scope. The Bank's capital definition, risk-weighted assets on-balance-sheet and off-balance-sheet, off-balance-sheet credit risk transfer coefficient, etc. had been adjusted; the regulation change had an impact on the capital adequacy ratio of the Bank.

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.5 Capital management (Continued)

The capital adequacy ratio of 2014 half year under the 'Administrative Measures for the Capital of Commercial Banks (Trial Implementation)' is as follows:

	31 December 2014
Core capital:	
Share capital	2,705,228
Counted part of capital surplus	2,535,235
Surplus reserve and general risk reserves	3,707,640
Counted part of retained earnings	6,954,920
Core Tier 1 Capital deductibles items:	–
Full deductibles items	(84,564)
Threshold deduction items	–
Total Core Tier 1 Capital, net	15,818,459
Other Tier 1 Capital, net	–
Tier 2 Capital, net	2,244,252
Net capital	18,062,711
On-balance sheet risk-weighted assets	134,034,150
Off-balance sheet risk-weighted assets	13,996,784
Risk-weighted assets for exposure to counterparty credit risk	–
Total credit risk-weighted assets	148,030,934
Total market risk-weighted assets	5,048,619
Total operational risk-weighted assets	11,158,260
Total risk-weighted assets before applying capital base	164,237,813
Total risk-weighted assets after applying capital base	164,237,813
Core Tier 1 Capital adequacy ratio	9.63%
Tier 1 Capital adequacy ratio	9.63%
Capital adequacy ratio	11.00%

Notes to the Financial Statements

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.6 Fiduciary activities

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the financial statements. The Bank also grants entrusted loans on behalf of third-party lenders, which are not included in the financial statements.

	Year End 31 December	
	2014	2013
Assets held in investment custody accounts	12,704,900	4,711,900
Entrust loans	5,543,222	4,071,283

3.7 Unsecured wealth management products

The Bank issue and manage unsecured wealth management products to institutional and individual investors. The funds raised from the institutional and individual investors are invested in the open market bonds, trust schemes and directional asset management plans. The maturity of these unsecured wealth management products ranged from one month to three years.

The Bank assesses its control on the unsecured wealth management product. The Bank takes a fiduciary role on these wealth management products and has no contractual obligation to repay the principal or pre-determined interest. The risk exposure of the products is mainly from the fluctuation of the expected return of the bonds market and the performance of trust schemes and directional asset management plans. The risk of loss is born by the investors. The Bank recognizes the commission income from the products.

As at 31 December 2014, the funds raised from the unsecured wealth management products were RMB19,719,933 thousand(2013: RMB13,450,495 thousand). The Bank has recognized net commission income from unsecured wealth management products with the amount of RMB220,205 thousand for the year 2014 through provision of asset management service(2013: RMB160,024 thousand).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICES

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Impairment allowances on loans and advances

The Bank reviews its loan portfolios to assess impairment on a monthly basis, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the consolidated statement of comprehensive income, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Bank. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models. To the extent practical, only observable data is used in models, however areas such as credit risk (both ours and counterparties'), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

c) Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and past practice. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and business tax in the period during which such a determination is made (Note 26).

Notes to the Financial Statements

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICES (Continued)

d) Held-to-maturity

The bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to hold these investments to maturity other than for specific circumstances defined in IAS 39 such as, selling an insignificant amount close to maturity due to a significant, deterioration in the issuer's credit, or regulatory requirement, it will be required to reclassify the entire portfolio of assets as available-for-sale. The investments would therefore be measured at fair value, not at amortised cost.

e) Impairment of available-for-sale financial assets and held-to-maturity securities

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires management judgment. In making this judgment, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

The Bank recognises an impairment loss for an available-for-sale debt instrument and held to maturity debt securities when there is objective evidence that the debt instrument is impaired. Objective evidence of an impairment for a debt instrument exists when one or more events have occurred after the initial recognition of the debt instrument, that reduce the estimated future cash flows to be received on the debt instrument.

f) Definition of Structured Entity Control

Structured entity, refers that when judging the control side of the entity, the key elements to consider are the contracts which the entities' main activities are based on or the corresponding arrangements rather than the voting rights or similar rights (for example: the voting rights are just associated with administrative matters only).

When the Bank acts as asset manager in structured entity, the Bank needs to identify its own role as the agent or the trustee. If the Bank's role is just as agent, the Bank's primary responsibility is to exercise decision-making authority for other parties (other investors in the structured entity), and therefore the Bank does not control the structured entity. However, if the Bank's primary responsibility is to exercise decision-making authority for itself, thus the Bank controls the structured entity. During the evaluation the Bank makes to identify its own role as the agent or the trustee, the Bank considers many factors, such as: the scope of asset manager's decision-making power, rights held by other parties, Commission levels as management service provider, and any other arrangements (such as direct investment) which could affect commission level.

Notes to the Financial Statements

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

5 NET INTEREST INCOME

	2014	2013
Interest income		
Balances with central banks	484,995	430,482
Due from other banks and financial institutions	1,754,712	1,260,963
Loans and advances to customers	7,173,596	6,106,800
Investment securities	3,481,119	2,466,897
Financial assets at fair value through profit or loss	341,731	202,008
	13,236,153	10,467,150
Interest expense		
Due to other banks and financial institutions	(2,380,842)	(1,779,260)
Customer deposits	(4,405,190)	(3,300,669)
Debts issued	(218,423)	(208,603)
	(7,004,455)	(5,288,532)
Net interest income	6,231,698	5,178,618
	2014	2013
Interest income accrued on loans and advances to customers individually impaired	28,975	9,570
	2014	2013
Interest income on listed investments	470,205	234,726
Interest income on unlisted investments	3,352,645	2,434,179
	3,822,850	2,668,905

Notes to the Financial Statements

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

6 NET FEE AND COMMISSION INCOME

	2014	2013
Fee and commission income		
Commission income from financial advisory and consulting services	329,436	237,939
Commission income from wealth management agency service	230,612	180,224
Commission income from custodian service	214,271	128,348
Commission income from bank card services	111,007	72,466
Commission income from credit commitments	45,313	37,991
Commission income from settlement and agency services	44,218	37,350
	974,857	694,318
Fee and commission expense		
Commission expense from settlement and agency services	(43,792)	(32,658)
Commission expense from bank card services	(14,781)	(14,122)
Other commission expense	(7,438)	(2,957)
	(66,011)	(49,737)
Net fee and commission income	908,846	644,581

7 NET TRADING GAINS/(LOSSES)

	2014	2013
Foreign exchange	23,825	(37,375)
Interest rate instruments	136,364	(52,414)
	160,189	(89,789)

Net gains/(losses) on foreign exchange mainly include gains and losses from the retranslation of foreign currency monetary assets and liabilities into Renminbi and gains and losses from purchase of foreign currency spot.

The retranslation of foreign currency monetary assets and liabilities amounted to income of RMB12,274 thousand, losses of RMB15,509 thousand for the years ended 31 December 2014 and 2013.

Net gains/(losses) on interest rate instruments mainly include gains or losses generating from the fair value adjustment of the trading securities.

Notes to the Financial Statements

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

8 OTHER OPERATING INCOME

	2014	2013
Profit on sale of land use rights and buildings and investment properties	–	5,897
Profit on sale of foreclosed assets and other assets	5,726	32,672
Dividend income from unlisted available-for-sale investments	12,589	8,659
Government grants (i)	4,821	2,082
Rental income from investment property	1,484	1,441
Income from dormant account	1,531	3,155
Other miscellaneous income (ii)	5,589	11,022
	31,740	64,928

(i) *Government grants*

Government grant in 2013 was rewarded for outstanding financial institutions to support local economic development.

Government grant in 2014 was rewarded for financial interaction/support by Finance Bureau: RMB3,433 thousand, and subsidies and incentives for the social security center, industrial and commercial administrative bureau, Liupanshui people's government.

(ii) *Other miscellaneous income mainly comprises cashier surplus, compensation on breach of contract, incomes from writing off other payables etc.*

9 OPERATING EXPENSES

	2014	2013
Staff costs (including directors and supervisors' emoluments) (Note 10)	1,324,089	992,048
General and administrative expenses	734,708	685,074
Business tax and surcharges	483,663	381,018
Depreciation of property, plant and equipment (Note 21)	93,620	79,120
Amortization of intangible assets (Note 22(c))	17,392	12,904
Amortization of land use rights (Note 22(b))	4,863	4,897
Depreciation of investment properties (Note 22(d))	235	429
Amortization of long-term prepaid expenses	20,693	19,021
Rental expenses	88,859	68,537
Professional fees	19,337	32,174
Donations	5,720	5,968
Others	12,096	1,582
	2,805,275	2,282,772

Notes to the Financial Statements

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

10 STAFF COSTS (INCLUDING DIRECTORS AND SUPERVISORS' EMOLUMENTS)

	2014	2013
Salaries and bonuses	956,556	665,965
Pension costs (Note 27)	127,313	109,667
Housing benefits and subsidies	61,780	54,001
Labor union and staff education expenses	27,336	22,225
Other social security and benefit costs	151,104	140,190
	1,324,089	992,048

11 IMPAIRMENT LOSSES

	2014	2013
Loans and advances to customers (Note 18(b))		
– Collectively assessed	321,838	517,314
– Individually assessed	410,185	18,318
Loans and receivables (Note 19)	154,172	–
Others	3,371	86
	889,566	535,718

Notes to the Financial Statements

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

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments for the year ended 31 December 2014 are as follows:

Name	2014				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive directors					
Gan Weimin ⁽¹⁾	–	497	600	66	1,163
Ran Hailing (President) ⁽²⁾	–	497	600	93	1,190
Zhan Wanghua ⁽³⁾	–	300	396	–	696
Ni Yuemin ⁽⁴⁾	–	422	396	71	889
Non-executive directors					
Deng Yong	50	–	–	–	50
Qin Wei	44	–	–	–	44
WONG Hon Hing	82	–	–	–	82
Lv Wei	66	–	–	–	66
Xiang Li	38	–	–	–	38
Yin Mingshan	9	–	–	–	9
Zhang Weiguo	37	–	–	–	37
Li He ⁽⁹⁾	113	–	–	–	113
Han Deyun	37	–	–	–	37
Sun Fangcheng	37	–	–	–	37
TO Koon Man Henry ⁽⁹⁾	111	–	–	–	111
Yang Jun ⁽⁵⁾	52	–	–	–	52
Wang Pengguo ⁽⁶⁾	85	–	–	–	85
Kong Xiangbin ⁽⁶⁾	85	–	–	–	85
Jin Jingyu ⁽⁶⁾	87	–	–	–	87
Supervisors					
Huang Changsheng ⁽¹⁰⁾	–	422	396	66	884
Wan Jiayu	–	455	1,181	38	1,674
Lin Min	–	659	980	29	1,668
Zhou Yongkang	–	88	–	–	88
Chen Zhengsheng	–	73	–	–	73
Yin Xianglong ⁽¹¹⁾	–	64	–	–	64
Chen Yan ⁽¹²⁾	–	41	–	–	41
Tang Jun ⁽¹²⁾	–	33	–	–	33
Wen Yuping	–	15	–	–	15
Si Houchun	–	7	–	–	7
Liu Xingyu	–	5	–	–	5
Total	933	3,578	4,549	363	9,423

Notes to the Financial Statements

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

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments for the year ended 31 December 2013 are as follows:
(Continued)

Name	2013				Total
	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive directors					
Gan Weimin ⁽¹⁾	–	472	549	60	1,081
Ran Hailing (President) ⁽²⁾	–	397	552	84	1,033
Koo Tak Wing ⁽³⁾	–	61	47	–	108
Zhan Wanghua ⁽³⁾	–	250	308	–	558
Ni Yuemin ⁽⁴⁾	–	398	355	64	817
Non-executive directors					
Liu Liangcai ⁽⁷⁾	10	–	–	–	10
Deng Yong	60	–	–	–	60
Qin Wei	70	–	–	–	70
WONG Hon Hing	94	–	–	–	94
Lu Wei	84	–	–	–	84
Xiang Li	21	–	–	–	21
Wu Jiahong ⁽⁸⁾	27	–	–	–	27
Yin Mingshan	68	–	–	–	68
Zhang Weiguo	115	–	–	–	115
Xiao Changhua ⁽⁹⁾	106	–	–	–	106
Li He ⁽⁹⁾	63	–	–	–	63
Han Deyun	113	–	–	–	113
Sun Fangcheng	176	–	–	–	176
TO Koon Man Henry ⁽⁹⁾	56	–	–	–	56
Horace S.Y. Fan ⁽⁹⁾	96	–	–	–	96
Supervisors					
Ma Qianzhen ⁽¹⁰⁾	–	472	549	111	1,132
Huang Changsheng ⁽¹³⁾	–	323	277	55	655
Ren Cheng ⁽¹³⁾	–	152	195	19	366
Wan Jiayu	–	330	1,370	35	1,735
Lin Min ⁽¹³⁾	–	403	971	27	1,401
Zhou Yongkang	118	–	–	–	118
Chen Zhengsheng	53	–	–	–	53
Wen Yuping	105	–	–	–	105
Si Houchun	42	–	–	–	42
Liu Xingyu	38	–	–	–	38
Total	1,515	3,258	5,173	455	10,401

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

- (1) *Gan Weimin was approved as a chairman by the CBRC on 28 December 2012.*
- (2) *Ran Hailing was appointed as an agent governor on 28 December 2012, approved as a governor by the CBRC on 9 April 2013.*
- (3) *Zhan Wanghua was approved as a director as well as the Chief Risk Officer by the CBRC on 1 February 2013. Koo Tak Wing resigned on the same date.*
- (4) *Ni Yuemin approved as a director by the CBRC on 1 February 2013.*
- (5) *Yang Jun was appointed as a non-executive director on 7 March and approved by the CBRC on 28 April 2014.*
- (6) *Wang Pengguo, Kong Xiangbin and Jin Jingyu were approved as independent non-executive directors by the CBRC on 28 April 2014. Zhang Weiguo, Han Deyun and Sun Fangcheng resigned on the same date.*
- (7) *Liu Liangcai resigned on 6 February 2013.*
- (8) *Wu Jiahong resigned on 24 May 2013.*
- (9) *TO Koon Man Henry and Li He were approved as directors by the CBRC on 6 September 2013. Horace S.Y. Fan and Xiao Changhua resigned on the same date.*
- (10) *Ma Qianzhen has resigned his duty as chief supervisor at 27 May 2014, Huang Changsheng was appointed to manage his duty until the new chief supervisor has been reelected.*
- (11) *Yin Xianglong was appointed as a supervisor on 7 March 2014. Wen Yuping resigned on the same date.*
- (12) *Chen Yan and Tang Jun was appointed as supervisors on 7 March 2014. Si Houchun and Liu Xingyu resigned on the same date.*
- (13) *Huang Changsheng and Lin Min were appointed on 28 April 2013. Ren Cheng resigned on the same date.*

The total compensation packages for executive directors and supervisors for the year ended 31 December 2014 including discretionary bonus have not yet been finalised in accordance with relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Bank's 2014 financial statements. The final compensation for the year ended 31 December 2014 will be disclosed in a separate announcement when determined. The compensation amounts for these directors and supervisors for the year ended 31 December 2013 were restated based on the finalised amounts determined.

Notes to the Financial Statements

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

12 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Five highest paid individuals

For the years ended 31 December 2014, the five highest paid individuals in the Bank included zero director and zero supervisor (2013: 0 director and 1 supervisor).

The rest of the five highest paid individuals for the Relevant Year are as follows:

	2014	2013
Salaries and housing allowances and benefits	2,559	1,835
Discretionary bonuses	14,692	15,330
Employer's contribution to pension schemes	131	183
	17,382	17,348

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
RMB500,001 – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB2,000,000	–	4
RMB2,000,001 – RMB2,500,000	3	–
RMB2,500,001 – RMB3,000,000	1	–
RMB3,000,001 – RMB3,500,000	–	–
RMB3,500,001 – RMB4,000,000	–	–
RMB4,000,001 – RMB4,500,000	–	–
RMB4,500,001 – RMB5,000,000	–	–
RMB5,000,001 and above	1	1
	5	5

No emoluments had been paid by the Bank to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Bank or as compensation for loss of office.

Notes to the Financial Statements

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

13 INCOME TAX EXPENSE

	2014	2013
Current income tax	1,043,246	831,064
Deferred income tax (Note 26)	(80,085)	(102,885)
	963,161	728,179

Current income tax is calculated at 25% for each of the relevant year on the estimated assessable profit of the Bank for the respective year.

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (2013: 25%), to profit before income tax can be reconciled as follows:

	2014	2013
Profit before income tax	3,790,304	3,057,445
Tax calculated at a tax rate of 25%	947,576	764,361
Tax effect arising from income not subject to tax ^(a)	(49,332)	(44,077)
Tax effect of expenses that are not deductible for tax purposes ^(b)	66,082	7,895
Tax filing differences for previous years	(1,165)	–
Income tax expense	963,161	728,179

(a) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulation.

(b) The expenses that are not tax deductible for tax purposes mainly represent certain expenditure, such as entertainment expenses, non-deductible loan impairment etc., which exceed the tax deduction limits pursuant to PRC Law on corporate income tax.

14 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Net profit attributable to shareholders of the Bank (in RMB thousand)	2,827,143	2,329,266
Weighted average number of ordinary shares in issue (in thousand)	2,705,228	2,124,534
Basic earnings per share (expressed in RMB yuan)	1.05	1.10

(b) Diluted earnings per share

For the years ended 31 December 2014 and 2013, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

Notes to the Financial Statements

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

15 CASH AND BALANCES WITH CENTRAL BANKS

	Year ended 31 December	
	2014	2013
Cash	639,506	674,576
Mandatory reserve deposits	28,950,238	25,705,124
Surplus reserve deposits with central banks	6,004,746	6,428,134
Fiscal deposits	104,603	14,914
	35,699,093	32,822,748

The Bank is required to place mandatory deposits with central banks. The deposits are calculated based on the amount of deposits placed with the Bank by its customers.

	Year ended 31 December	
	2014	2013
Mandatory reserve rate for deposits denominated in RMB	17.5%	18%
Mandatory reserve rate for deposits denominated in foreign currencies	5%	5%

Mandatory reserve deposits with central banks are not available for use by the Bank in its day to day operations.

Surplus reserve deposits are maintained with the PBOC mainly for liquidity purpose.

16 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	Year ended 31 December	
	2014	2013
Deposits with other banks and financial institutions	2,879,279	6,390,676
Notes purchased under resale agreements	44,464,276	18,396,401
Securities purchased under resale agreements	1,999,800	3,000,000
Other financial assets purchased under resale agreements	2,480,060	2,445,000
Placements with other banks	2,586,038	1,911,385
	54,409,453	32,143,462
Less: impairment allowance on amounts due from other banks and financial institutions		
– Individual assessed provision	–	–
	54,409,453	32,143,462

There is no impairment allowance on amounts due from other banks and financial institutions in either Year 2014 or 2013.

Notes to the Financial Statements

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

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2014	2013
Other debt securities		
– Listed outside Hong Kong	2,588,293	815,733
– Unlisted – corporate bonds	2,209,917	1,193,804
	4,798,210	2,009,537

All the Bank's unlisted debt securities are traded in the Inter-bank bond market in Mainland China.

As at 31 December 2014 and 2013, no trading securities of the Bank were pledged to third parties under any repurchase agreements.

Financial assets at fair value through profit or loss are analyzed by issuer as follows:

	Year ended 31 December	
	2014	2013
Designated debt securities issued by:		
– Corporation	4,798,210	2,009,537

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	Year ended 31 December	
	2014	2013
Loans and advances to corporate entities		
– Corporate loans	69,031,229	60,083,587
– Discounted bills	4,866,911	5,245,372
Subtotal	73,898,140	65,328,959
Loans and advances to individuals		
– Mortgages loans	17,339,942	15,790,408
– Individual consumption loans	3,876,509	2,233,591
– Credit card advances	2,253,277	1,007,641
– Individual business loans	9,080,283	6,127,637
– Others	700	16,080
Subtotal	32,550,711	25,175,357
Total	106,448,851	90,504,316
Less: allowance for impairment losses		
– Collectively assessed	(2,072,780)	(1,750,942)
– Individual assessed	(261,315)	(115,550)
Total	(2,334,095)	(1,866,492)
Loans and advances to customers	104,114,756	88,637,824

Notes to the Financial Statements

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements on allowance for losses on loans and advances to customers:

	Year ended 31 December			
	2014		2013	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment
Balance at beginning of the year	1,750,942	115,550	1,233,628	143,660
Impairment allowances for loans and advances charged to profit or loss	394,100	514,349	609,529	95,156
Reversal of impairment allowances for loans and advances	(72,262)	(104,164)	(92,215)	(76,838)
Net impairment allowances for loans and advances charged to profit or loss (Note 11)	321,838	410,185	517,314	18,318
Unwinding discount on allowances	–	(28,975)	–	(9,570)
Loans and advances written off during the year as uncollectible	–	(236,990)	–	(41,082)
Recoveries of loans and advances written off in prior years	–	1,545	–	4,224
Balance at end of the year	2,072,780	261,315	1,750,942	115,550

	Year ended 31 December			
	2014		2013	
	Corporate	Individual	Corporate	Individual
Balance at beginning of the year	1,311,877	554,615	1,142,803	234,485
Impairment allowances for loans and advances charged to profit or loss	614,996	293,453	347,851	356,834
Reversal of impairment allowances for loans and advances	(155,239)	(21,187)	(143,913)	(25,140)
Net impairment allowances for loans and advances charged to profit or loss	459,757	272,266	203,938	331,694
Unwinding of discount on allowances	(26,506)	(2,469)	(7,856)	(1,714)
Loans and advances written off during the year as uncollectible	(151,046)	(85,944)	(31,020)	(10,062)
Recoveries of loans and advances written off in prior years	357	1,188	4,012	212
Balance at end of the year	1,594,439	739,656	1,311,877	554,615

Notes to the Financial Statements

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

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Individually identified loans with impairment allowance

	Year ended 31 December			
	2014		2013	
	Impaired loan	Specific Provision	Impaired loan	Specific Provision
Corporate	604,039	206,879	245,412	67,048
Individual	127,941	54,436	109,190	48,502
	731,980	261,315	354,602	115,550

	Year ended 31 December	
	2014	2013
Individually impaired loans to gross loans and advances to customers (percentage)	0.69%	0.39%

19 INVESTMENT SECURITIES

	Year ended 31 December	
	2014	2013
Investment securities – loans and receivables		
Debt securities – at amortised cost		
– Unlisted		
– Trust scheme ⁽¹⁾	35,989,622	27,909,790
– Wealth management product purchased from financial institutions	2,718,927	1,683,233
– Directional asset management plan ⁽²⁾	14,737,000	5,407,537
– Financial institutions bond with inactive market	97,000	–
Impairment	(154,172)	–
Loans and receivables – Total	53,388,377	35,000,560
Investment securities – available-for-sale		
Debt securities – at fair value		
– Listed outside Hong Kong	4,137,372	1,143,432
– Unlisted	5,865,195	3,630,663
Debt securities	10,002,567	4,774,095
Equity securities – at fair value		
– Unlisted	291,122	182,850
Equity securities	291,122	182,850
Others	14	14
Available-for-sale – Total	10,293,703	4,956,959

Notes to the Financial Statements

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

19 INVESTMENT SECURITIES (Continued)

	Year ended 31 December	
	2014	2013
Investment securities – held-to-maturity		
Debt securities-at amortized cost		
– Listed outside Hong Kong	4,708,824	4,584,645
– Unlisted	2,588,816	2,888,597
Held-to-maturity – Total	7,297,640	7,473,242

Investment securities' impairment movement:

	Loans and receivables	Available for sale financial assets	Held-to- maturity investments	Total
Year ended 1 Jan 2014	–	–	–	–
Charge for the year (Note 11)	154,172	–	–	154,172
Reversal of the Year	–	–	–	–
Year ended 31 Dec 2014	154,172	–	–	154,172

Investment securities are analysed by issuer as follows:

	Year ended 31 December	
	2014	2013
Investment Securities – loans and receivables		
– Trust companies	36,086,622	27,909,790
– Securities companies	14,737,000	5,407,537
– Commercial banks	2,718,927	1,683,233
Impairment	(154,172)	–
	53,388,377	35,000,560
Investment Securities – available-for-sale		
– Political bank bonds	3,737,961	2,901,170
– Corporate bonds	6,264,606	1,872,925
– Equity Investment at fair value	291,122	182,850
– Others	14	14
	10,293,703	4,956,959
Investment Securities – held-to-maturity		
– Government bonds	5,051,655	4,930,028
– Political bank bonds	1,779,985	1,947,214
– Commercial bank bonds	420,000	550,000
– Corporate bonds	46,000	46,000
	7,297,640	7,473,242

Notes to the Financial Statements

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

19 INVESTMENT SECURITIES (Continued)

(1) The trust schemes:

	Year ended 31 December	
	2014	2013
The trust schemes purchased from trust companies		
– guaranteed by third-party banks	4,724,400	15,206,829
– guaranteed by guarantee companies	4,518,900	2,841,900
– collateralized by properties	9,354,632	–
– guaranteed by third-party companies	2,463,490	300,000
– pledged by certificates of deposit	5,545,700	50,836
Subtotal	26,607,122	18,399,565
The trust schemes purchased from commercial banks		
– guaranteed by third-party banks	9,142,500	8,340,225
– guaranteed by guarantee companies	240,000	270,000
Subtotal	9,382,500	8,610,225
The trust schemes purchased from third-party companies		
– guaranteed by third-party companies	–	900,000
Subtotal	–	900,000
Total	35,989,622	27,909,790

(2) The directional asset management plans :

	Year ended 31 December	
	2014	2013
The asset management plan purchased from securities companies		
– guaranteed by third-party banks	12,172,000	4,837,000
– guaranteed by guarantee companies	140,000	150,000
– guaranteed by third-party companies	425,000	300,000
– pledged by certificates of deposit	–	120,537
Subtotal	12,737,000	5,407,537
The asset management plan purchased from commercial banks		
– guaranteed by third-party banks	2,000,000	–
Subtotal	2,000,000	–
Total	14,737,000	5,407,537

Notes to the Financial Statements

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

19 INVESTMENT SECURITIES (Continued)

Net gains/(losses) on investment securities include:

	Year ended 31 December	
	2014	2013
Net gains arising from de-recognition of held-for-trading financial assets	67,294	71,852
Net gains arising from de-recognition of available-for-sale financial assets	83,343	4,310
	150,637	76,162

20 INVESTMENT IN AN ASSOCIATE

	Year ended 31 December	
	2014	2013
Beginning of the year	24,370	22,935
Share of profit of an associate	2,035	1,435
End of the year	26,405	24,370

In 5 May 2011, the Bank invested RMB22,000 thousand in establishment of Xingyi Wanfeng Village Bank Co., Ltd., accounting for 20% of the registered capital of RMB110,000 thousand.

Investment in an associate of the Bank are unlisted corporation's ordinary shares. Assets, liabilities, revenue and profit/(loss) of an associate are as follows:

	Place of incorporation	Assets	Liabilities	Revenue	Profit	Interest held
As of/for the year ended 31 December 2014						
Xingyi Wanfeng Village Bank Co., Ltd.* (興義萬豐村鎮銀行有限責任公司)	The PRC	761,272	630,581	36,482	10,175	20%
As of/for the year ended 31 December 2013						
Xingyi Wanfeng Village Bank Co., Ltd.* (興義萬豐村鎮銀行有限責任公司)	The PRC	540,028	419,354	24,564	7,178	20%

* The English names of the associate represented the best efforts by management of the Bank in translating the Chinese name as the associate does not have an official English name.

Notes to the Financial Statements

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

21 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress	Total
Cost						
At 1 January 2014	1,333,045	18,720	270,437	90,182	834,768	2,547,152
Additions	51,555	13	45,430	19,084	305,561	421,643
Construction in progress transfer in/(out)	392,960	–	76	1,752	(394,788)	–
Investment properties transfer in	3,710	–	–	–	–	3,710
Disposals	(103)	(255)	(25,816)	(1,046)	–	(27,220)
Transfer to investment properties	(2,154)	–	–	–	–	(2,154)
At 31 December 2014	1,779,013	18,478	290,127	109,972	745,541	2,943,131
Accumulated depreciation						
At 1 January 2014	(235,219)	(13,679)	(176,436)	(52,846)	–	(478,180)
Charge for the year (Note 9)	(51,929)	(1,754)	(28,386)	(11,551)	–	(93,620)
Transfer in	(633)	–	–	–	–	(633)
Disposals	98	248	23,811	356	–	24,513
Transfer to investment properties	1,443	–	–	–	–	1,443
At 31 December 2014	(286,240)	(15,185)	(181,011)	(64,041)	–	(546,477)
Net book value						
At 31 December 2014	1,492,773	3,293	109,116	45,931	745,541	2,396,654
Cost						
At 1 January 2013	1,091,980	18,501	232,892	79,903	454,839	1,878,115
Additions	12,157	326	39,559	10,126	617,943	680,111
Construction in progress transfer in/(out)	233,386	552	3,330	746	(238,014)	–
Investment properties transfer in	2,175	–	–	–	–	2,175
Disposals	(6,653)	(659)	(5,344)	(593)	–	(13,249)
At 31 December 2013	1,333,045	18,720	270,437	90,182	834,768	2,547,152
Accumulated depreciation						
At 1 January 2013	(198,165)	(12,185)	(154,405)	(42,833)	–	(407,588)
Charge for the year (Note 9)	(39,194)	(2,133)	(27,205)	(10,588)	–	(79,120)
Transfer in	(949)	–	–	–	–	(949)
Disposals	3,089	639	5,174	575	–	9,477
At 31 December 2013	(235,219)	(13,679)	(176,436)	(52,846)	–	(478,180)
Net book value						
At 31 December 2013	1,097,826	5,041	94,001	37,336	834,768	2,068,972

As at 31 December 2014, certain buildings with carrying value of RMB342,025 thousand (2013:RMB84,601 thousand) for which registration for the property ownership certificates had not been completed. However, such registration process has a little effect on the rights of the Bank to these assets.

All buildings of the Bank are located outside Hong Kong.

Notes to the Financial Statements

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

21 PROPERTY PLANT AND EQUIPMENT (Continued)

The carrying values of the buildings are analysed based on the remaining lease terms as follows:

	Year ended 31 December	
	2014	2013
Held outside Hong Kong		
on long-term lease (over 50 years)	137	178
on medium-term lease (10-50 years)	1,492,636	1,097,648
	1,492,773	1,097,826

22 OTHER ASSETS

	Year ended 31 December	
	2014	2013
Interest receivable (Note(a))	1,299,591	867,239
Fee and commission receivable	139,553	124,014
Other receivables	20,039	15,931
Less: impairment allowance	(845)	(1,216)
Land use rights (Note(b))	168,046	172,909
Leasehold improvement	57,982	51,775
Intangible assets (Note(c))	62,564	59,476
Reprocessed assets	10,063	17,779
Prepaid rental expenses	27,064	28,150
Investment properties (Note(d))	5,032	7,633
	1,789,089	1,343,690

Notes:

(a) Interest receivable:

	Year ended 31 December	
	2014	2013
Due from and placements with banks, other financial institutions, and central banks	20,977	41,449
Debt securities	1,001,557	599,105
Loans and advances to customers	277,057	226,685
	1,299,591	867,239

Notes to the Financial Statements

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

22 OTHER ASSETS (Continued)

Notes: (Continued)

(b) Land use rights

	Year ended 31 December	
	2014	2013
Cost		
Beginning of the year	194,165	195,571
Additions	–	–
Disposals	–	(1,406)
End of the year	194,165	194,165
Accumulated amortization		
Beginning of the year	(21,256)	(16,666)
Additions (Note 9)	(4,863)	(4,897)
Transfer out	–	307
End of the year	(26,119)	(21,256)
Net book value		
End of the year	168,046	172,909

The net book values of land use rights are analyzed based on the remaining terms of the leases as follows:

	Year ended 31 December	
	2014	2013
Held outside Hong Kong on medium-term lease (10-50 years)	168,046	172,909

(c) Intangible assets

	Year ended 31 December	
	2014	2013
Cost		
Beginning of the year	106,157	73,588
Additions	20,480	32,569
End of the year	126,637	106,157
Accumulated amortization		
Beginning of the year	(46,681)	(33,777)
Additions (Note 9)	(17,392)	(12,904)
End of the year	(64,073)	(46,681)
Net book value		
End of the year	62,564	59,476

Notes to the Financial Statements

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

22 OTHER ASSETS (Continued)

Notes: (Continued)

(d) Investment properties

	Year ended 31 December	
	2014	2013
Cost		
Beginning of the year	11,424	13,599
Additions	–	–
Fixed assets transferred in	2,154	–
Transfer in from property, plant and equity	(3,710)	(2,175)
Disposals	–	–
End of the year	9,868	11,424
Accumulated depreciation		
Beginning of the year	(3,791)	(4,311)
Transferred from fixed assets	(1,443)	–
Additions (Note 9)	(235)	(429)
Disposals	633	949
End of the year	(4,836)	(3,791)
Net book value		
End of the year	5,032	7,633

The carrying amount of the investment properties is analysed based on the remaining terms of the leases as follows:

	Year ended 31 December	
	2014	2013
Held outside Hong Kong on medium-term lease (10-50 years)	5,032	7,633

23 DUE TO OTHER BANKS AND FINANCIAL INSTITUTIONS

	Year ended 31 December	
	2014	2013
Loans from the PBOC	2,918,096	2,458,216
Deposits from other banks	32,311,570	16,843,826
Deposits from other financial institutions	8,385,199	5,924,440
Loans from other banks	3,500,000	1,054,675
Notes sold under repurchase agreements	32,939,059	7,468,415
Securities sold under repurchase agreements	1,581,800	–
	81,635,724	33,749,572

Notes to the Financial Statements

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

24 CUSTOMER DEPOSITS

	Year ended 31 December	
	2014	2013
Corporate demand deposits	48,920,176	46,694,854
Corporate time deposits	64,523,802	56,788,904
Individual demand deposits	9,015,331	10,202,369
Individual time deposits	18,974,821	14,714,891
Other deposits	26,498,306	20,400,027
	167,932,436	148,801,045
Including:		
Pledged deposits held as collateral	24,585,657	20,286,637

25 OTHER LIABILITIES

	Year ended 31 December	
	2014	2013
Interest payable ^(a)	2,392,783	1,741,429
Wealth management product	1,384,185	2,938,325
Staff salary payable	315,183	175,959
Business and other tax payable	160,929	111,468
Dividends payable	13,872	13,058
Deferred income	60,000	60,000
Other payable	338,747	496,646
Settlement fund	1,937	84,525
Promissory notes	344,228	81,070
Others	44,425	101,739
	5,056,289	5,804,219

(a) Interest payable

	Year ended 31 December	
	2014	2013
Deposits from banks and other financial institutions	468,393	214,500
Customer Deposits	1,783,927	1,346,683
Debts issued	140,463	180,246
Total	2,392,783	1,741,429

Notes to the Financial Statements

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

26 DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% for the year ended 31 December 2014 (2013: 25%) for transactions in the PRC.

The movement in the deferred income tax account is as follows:

	Year ended 31 December	
	2014	2013
Balance at beginning of the year	305,651	170,912
Charge to profit or loss (Note(13))	80,085	102,885
Available-for-sale securities-fair value adjustment	(67,971)	31,854
At end of the year	317,765	305,651

Deferred income tax assets and liabilities are attributable to the following items:

	Year ended 31 December	
	2014	2013
Deferred income tax assets		
Assets impairment allowances	297,309	218,507
Losses of fair value change	–	48,968
Others	73,550	38,176
	370,859	305,651
Deferred income tax liabilities		
Fair value gains	(53,094)	–
Net deferred income tax assets	317,765	305,651

Deferred income tax in the statement of comprehensive income comprises the following temporary differences:

	Year ended 31 December	
	2014	2013
Assets impairment allowances	78,802	79,891
Fair value losses/(gains)	(34,091)	13,103
Others	35,374	9,891
	80,085	102,885

Notes to the Financial Statements

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

27 RETIREMENT BENEFIT OBLIGATIONS

The Bank pays supplementary retirement benefits to employees in Mainland China, who retired before 30 June 2011. The Bank's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Bank is committed to pay to the employees after their retirement using actuarial techniques. Such benefits are discounted to determine their present values. The discount rate is the yield on government bonds at the balance sheet date, the maturity dates of which approximate to the terms of the Bank's obligations. Actuarial gains and losses, changes in actuarial assumptions and amendments to pension plan are charged or credited to the statement of comprehensive income as they occur. The amounts recognised in the statement of financial position represent the present value of unfunded obligations plus any unrecognised actuarial gains and losses minus any unrecognised past service cost.

Employees who retire after 1 January 2010 can voluntarily participate in an annuity plan. The Bank contributes to the annuity plan based on certain percentage of the employees' gross salary and recognised in other comprehensive income as incurred.

	2014	2013
Expenses incurred for retirement benefit plans	94,999	79,201
Expenses incurred for supplementary retirement benefits	774	823
Expenses incurred for corporate annuity plan	31,540	29,643
	127,313	109,667

	Year ended 31 December	
	2014	2013
Statement of financial position obligations for:		
– Pension benefits	20,977	19,691

	2014	2013
Statement of comprehensive income charge for:		
– Pension benefits	774	823

The amounts recognized in the statements of financial position are determined as follows:

	Year ended 31 December	
	2014	2013
Present value of unfunded obligations	20,977	19,691
Unrecognized past service cost	–	–
Net liability in the statement of financial position	20,977	19,691

Notes to the Financial Statements

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

27 RETIREMENT BENEFIT OBLIGATIONS (Continued)

Movements of the carrying value of unfunded obligations are as follows:

	Year ended 31 December	
	2014	2013
Beginning of the year	19,691	20,533
Retirement benefits paid	(1,265)	(1,361)
Current service cost	–	–
Interest cost	774	823
Net actuarial gains	1,777	(304)
Past service cost	–	–
End of the year	20,977	19,691

Retirement benefit expenses recognized in the statements of comprehensive income are as follows:

	2014	2013
Current service cost	–	–
Interest cost	774	823
Past service cost	–	–
Retirement benefit expense-total	774	823

Revaluation of pension scheme recognized in the statements of other comprehensive income are as follows:

	2014	2013
Revaluation of pension scheme	1,333	(228)

The principal actuarial assumptions for calculating retirement benefits obligations are as follows:

	Year ended 31 December	
	2014	2013
Discount rate	4.06%	5.09%
Inflation rate for pension benefits	4.00%	4.00%

The mortality assumptions are determined based on the statistics published by China Insurance Regulatory Commission.

Notes to the Financial Statements

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

27 RETIREMENT BENEFIT OBLIGATIONS (Continued)

The following table lists an average life expectancy in years of a pensioner retiring at age 60 for male and 55 for female:

	Year ended 31 December	
	2014	2013
Male	22.08	22.08
Female	29.58	29.58

28 DEBTS ISSUED

	Year ended 31 December	
	2014	2013
Subordinated debts		
Fixed rate subordinated debt – 2019 ^(a)	–	995,856
Fixed rate subordinated debt – 2022 ^(b)	795,468	795,071
Financial debt		
Fixed rate financial debt – 2018 ^(c)	2,989,608	2,986,843
	3,785,076	4,777,770

(a) Pursuant to a resolution of the Extraordinary General Meeting approved on 11 November 2008 and the approval of Yinjianfu [2009] No. 42 by the CBRC (the 'Approval to Bank of Chongqing for issuing subordinated debts') on 9 February 2009, the Bank issued a RMB1 billion subordinated debt within China domestic Interbank Bond Market in April 2009. The fixed-rate subordinated debts issued on 3 April 2009 have a maturity of 10 years, with a fixed coupon rate of 5.31% per annum for the first five years, payable annually. The Bank exercised the redemption right to redeem all of the bonds at the face value on 3 April 2014.

(b) Pursuant to a resolution of the Extraordinary General Meeting approved on 12 August 2011 and the approval of Yinjianfu [2011] No. 511 by the CBRC (the 'Approval to Bank of Chongqing for issuing subordinated debts') on 18 November 2011, the Bank issued a RMB800 million subordinated debt within China domestic Interbank Bond Market in March 2012. The fixed-rate subordinated debt issued on 21 March 2012 has a maturity of 10 years, with a fixed coupon rate of 6.8% per annum for ten years, payable annually. The Bank has the option to redeem all of the bonds at the face value on 21 March 2017.

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

(c) Pursuant to a resolution of the Extraordinary General Meeting approved on 25 November 2011 and the approval of Yinjianfu [2012] No. 526 by the CBRC (the 'Approval to Bank of Chongqing for issuing small and micro enterprises financial bond') on 21 September 2012, the Bank issued a RMB3 billion financial bond within China domestic interbank bond market on April 2013. The fixed rate financial debt has a maturity of 5 years, with a fixed coupon rate of 4.78% per annum for five years, payable annually. The fund is raised all for small and micro enterprise loans.

As at 31 December 2014, there were no defaults of principal and interest or other breaches with respect to these debts from the issuance of these debt securities (2013: None).

Notes to the Financial Statements

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

29 SHARE CAPITAL

All shares of the Bank issued are fully paid common shares. The par value per share is RMB1 Yuan. The Bank's number of shares is as follows:

	Number of shares (in thousand)	Amount
As at 1 January 2014	2,705,228	2,705,228
Shares issued		
– H shares offering (Note 1)	–	–
As at 31 December 2014	2,705,228	2,705,228

Note 1: In accordance with the CSRC's Approval of Overseas Public Offering for Chongqing Bank Co., Ltd on 29th September 2013, the Bank issued 670,000,000 H shares with par value of RMB1 per share at offer price of HKD6 per share on 6 November 2013. On 4th December 2013, the Bank issued additional 14,608,901 H shares with par value of RMB1 per share at offer price of HKD6 per share under the over-allotment options granted during the initial public offering were partially exercised.

30 CAPITAL SURPLUS

Generally, transactions of the following nature are recorded in the capital reserve:

- (a) share premium arising from the issue of shares at prices in excess of their par value;
- (b) donations received from shareholders; and
- (c) any other items required by the PRC regulations to be so treated.

Capital reserve can be utilized for the issue of bonus shares or for increasing paid-in capital as approved by the shareholders.

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

As at 31 December 2014 and 2013, the Bank's capital surplus is shown as follow:

	Year ended 31 December	
	2014	2013
Stock premium	2,443,823	2,443,823
Donations received from shareholders	800	800
	2,444,623	2,444,623

Notes to the Financial Statements

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

31 OTHER RESERVES

	Surplus reserve ^(a)	General reserve ^(b)	Revaluation reserve for AFS securities	Surplus on remeasurement of retirement benefits	Total
Balance at 1 January 2014	922,494	1,843,080	(113,543)	1,575	2,653,606
Other comprehensive income	–	–	203,913	(1,333)	202,580
Addition	282,714	659,352	–	–	942,066
Balance at 31 December 2014	1,205,208	2,502,432	90,370	242	3,798,252
Balance at 1 January 2013	689,567	1,010,330	(17,981)	1,347	1,683,263
Other comprehensive income	–	–	(95,562)	228	(95,334)
Addition	232,927	832,750	–	–	1,065,677
Balance at 31 December 2013	922,494	1,843,080	(113,543)	1,575	2,653,606

(a) *Surplus reserve*

In accordance with the 'Company Law of the People's Republic of China' and the Bank's Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory reserve can be used for making up losses, or increasing the share capital.

In accordance with a resolution of the Board of Directors dated 20 March 2015, the Bank appropriated 10% of the net profit for the year ended 31 December 2014 to the statutory surplus reserves, amounting to RMB282,714 thousand (2013: RMB232,927 thousand).

(b) *General reserve*

Pursuant to Circulars No.49 'Notice on issuing administrative measures for provision of bad debt allowance for financial enterprise' and No.90 issued 'Notice on provision of bad debt allowance' by MOF in 2005 (the 'MOF Circulars'), effective from 17 May, 2005 and 5 September 2005 respectively, banks and certain other financial institutions in the PRC, are required to maintain adequate allowances for impairment losses against their risk assets. In addition, a general risk reserve should be established through the appropriation of retained earnings. As a guiding principle, the balance of general risk reserve should not be less than 1% of the aggregate amount of all risk assets.

Since 1 July 2012, the Bank appropriates general reserves according to the regulation of Circulars 'Appropriation Management Measures of Reserve Funds for Financial Enterprises' Caijin [2012] No. 20 issued by MOF. In principal the general reserve balance should not be below 1.5% of the ending balance of risk assets. This Circulars also stipulates that if the balance of general risk reserve can hardly reach 1.5% of the aggregate amount of all risk assets, the reserve may be appropriated to 1.5% during a period of several years, however, the appropriation cannot exceed 5 years in principle.

A General reserve of RMB924,150 thousand based on 1.5% of the ending balance of risk assets for the year ended 31 December 2014 will be proposed for approval at the Annual General Meeting. These financial statements do not reflect this General reserve.

Notes to the Financial Statements

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

32 DIVIDENDS

	2014	2013
Dividend declared during the year	605,971	141,443
Dividend per share (in Rmb yuan) (Based on prior year shares)	0.224	0.07

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up prior year's cumulative losses, if any;
- (ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the China Accounting Standards and (ii) the retained profit determined in accordance with IFRS.

A dividend of RMB0.272 per share in respect of profit for the year ended 31 December 2014 (2013:RMB0.224 per share), amounting to a total dividend of RMB735,822 thousand based on the number of shares issued as at 31 December 2014, will be proposed for approval at the Annual General Meeting. These financial statements do not reflect this dividend payable in liabilities.

33 STRUCTURED ENTITY

(a) Consolidated structured entity

The Bank has consolidated certain structured entities which mainly are wealth management products where the Bank provides financial guarantee. When assessing whether to consolidate structured entities, the Bank reviews all facts and circumstances to determine whether the Bank, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those wealth management products where the Bank provides financial guarantee, the Bank therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Bank does not have any investment in those products. The Bank concludes that these structured entities shall be consolidated.

As at 31 December 2014, the wealth management products managed and consolidated by the Bank amounted to RMB1,590,549 thousand (31 December 2013: 0). The financial impact of any individual wealth management products on the Bank's financial performance is not significant. Interests held by other interest holders are included in due to customers.

Notes to the Financial Statements

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

33 STRUCTURED ENTITY (Continued)

(b) Unconsolidated structured entity

(i) Unconsolidated structured entities managed by the Bank

The unconsolidated structure entities managed by the Bank were mainly wealth management products issued and managed by the Bank acting as an agent. Based on the analysis and research on the potential targeted clients, the Bank designed and sold capital investment and management plan to specific targeted clients, and the raised funds were then put into related financial market or invested in related financial products according to the product contracts. Gains would be allocated to investors after the Bank gained from investment. The Bank received corresponding wealth management commission fee income as the asset manager. The Bank regarded that the variable return was insignificant as to the structured entities. By the end of Dec 31, 2014, the maximum risk exposure of the unconsolidated structured entities was the commission fees of the wealth management product whose amount was insignificant.

By the end of Dec 31, 2014, the balance of the unconsolidated wealth management product issued and managed by the Bank was RMB19,719,933 thousand (2013: 13,450,495 thousand).

(ii) Unconsolidated structured entities invested by the Bank

In order to get gains by using capital, the unconsolidated structured entities invested by the Bank mainly included the wealth management products issued and managed by the third party, capital trust scheme and directional asset management plan. The Bank classified the unconsolidated structured entities as loans and receivables.

The table below lists the book value and maximum loss risk exposure of the asset due to the holdings of gains from unconsolidated structured entities (including interest receivable).

Year ended 31 December, 2014	Book value	Maximum risk exposure
Loans and receivables	53,840,656	53,840,656
Year ended 31 December, 2013	Book value	Maximum Risk exposure
Loans and receivables	35,353,189	35,353,189

Notes to the Financial Statements

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

33 STRUCTURED ENTITY (Continued)

(b) Unconsolidated structured entity (Continued)

(i) Unconsolidated structured entities invested by the Bank (Continued)

In 2014, the interest income and fee and commission income from the above unconsolidated structured entities were:

	Year ended 31 December 2014
Interest income	2,887,944
Fee and commission income	441,158
	3,329,102

In 2013, the interest income and fee and commission income from the above unconsolidated structured entities were:

	Year ended 31 December 2013
Interest income	2,096,205
Fee and commission income	304,791
	2,400,996

In 2014, there happened no loss related to the above unconsolidated structured entities (2013: 0).

By the end of Dec 31, 2014, the Bank had not provided any financial or other support plan to unconsolidated structured entities (2013: not provided).

34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank commits to extend to customers:

	Year ended 31 December	
	2014	2013
Guarantees	543,404	182,396
Letters of credit	1,711,865	686,209
Acceptances	38,226,993	36,329,177
Other commitments with an original maturity of		
– Under 1 year	1,078,065	802,728
	41,560,327	38,000,510

Notes to the Financial Statements

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

34 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Capital expenditure commitments

	Year ended 31 December	
	2014	2013
Contracted but not provided for:		
– Capital expenditure commitments for buildings	283,952	245,192
– Acquisition of IT system	66,633	62,748
	350,585	307,940
Authorized but not contracted for:		
– Capital expenditure commitments for buildings	203,716	10,761

Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	Year ended 31 December	
	2014	2013
Not later than 1 year	51,549	50,842
Later than 1 year and not later than 5 years	85,366	97,025
Later than 5 years	18,796	2,164
	155,711	150,031

Legal proceedings

Legal proceedings are initiated by third parties against the Bank as defendant. The Bank had one outstanding claims of RMB23,000 thousand as at 31 December 2014 (2013: two outstanding claims of RMB5,300 thousand and 920 thousand). After consulting legal professionals, management of the Bank believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Bank.

Notes to the Financial Statements

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

35 COLLATERAL

(a) Assets pledged

As at 31 December 2014, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	Year ended 31 December	
	2014	2013
Debt securities	1,581,800	–
Resale agreements Notes	21,183,692	7,468,415
Discount Notes	751,061	–
Total	23,516,553	7,468,415

As at 31 December 2014, repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

(b) Collateral accepted

The bank received debt securities and bills as collateral in connection with the purchase of assets under resale agreements. Certain of these collateral can be resold or repledged. As at 31 December 2014, the Bank has accepted collateral that can be resold or re-pledged with a carrying amount of RMB33,185,630 thousand (as at 31 December 2013: RMB21,396,401 thousand). The bank has resold or repledged collateral accepted with a carrying value of RMB21,183,692 thousand as at 31 December 2014 (as at 31 December 2013: RMB7,468,415 thousand).

36 CREDIT RISK-WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

	Year ended 31 December	
	2014	2013
Financial guarantees and credit related commitments	13,996,784	13,861,718

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

Notes to the Financial Statements

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

37 OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR

	Before tax amount	Tax expense (benefit)	Net of tax amount
As at 31 December 2014			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(271,884)	1,777	(270,107)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Revaluation of pension scheme	67,971	(444)	67,527
Other comprehensive (loss)/income for the year	(203,913)	1,333	(202,580)

	Before tax amount	Tax expense (benefit)	Net of tax amount
As at 31 December 2013			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Available-for-sale securities			
Changes in fair value taken to other comprehensive income	(127,416)	31,854	(95,562)
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Revaluation of pension scheme	304	(76)	228
Other comprehensive (loss)/income for the year	(127,112)	31,778	(95,334)

38 NOTES TO STATEMENTS OF CASH FLOW

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	Year ended 31 December	
	2014	2013
Cash and balances with central banks	6,644,252	7,102,709
Due from other banks and financial institutions	2,879,279	5,290,676
Placements with banks	2,231,381	1,827,196
	11,754,912	14,220,581

Notes to the Financial Statements

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

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Bank has control, joint control or significant influence over a party; or a party has control, joint control or significant influence over the Bank; or a party and the Bank are under the same control, joint control or significant influence of another party. Related parties can be individuals or enterprises. The major related parties of the Bank include: the Bank's associates, the major shareholders who have significant influence over the Bank's operating strategies and financial policies as well as the entities controlled by them, and the Bank's directors, supervisors, senior management and their family members.

The main transactions between the Bank and the related parties were loans and deposits, which were engaged under ordinary business terms.

All transaction balances and ranges of the interest rate with the related parties at the end of reporting period are as follows:

	Year ended 31 December	
	2014	2013
Loans and advances to customers	411,769	368,438
Customer deposits	965,324	1,275,605
Due to other banks and financial institutions	2,995	107,000
Investment securities-receivables	–	900,000
Fee and commission receivable	–	400

	Year ended 31 December	
	2014	2013
Loans and advances to customers	4.92%-7.21%	5.76%-7.80%
Customer deposits	0.20%-5.50%	0.39%-5.85%
Due to other banks and financial institutions	0.39%	0.05%-0.07%
Investment securities-receivables	–	9.70%-9.90%

	Year ended 31 December	
	2014	2013
Interest revenue	25,685	28,925
Interest expense	6,539	12,221
Fee and commission income	6,290	19,600

Notes to the Financial Statements

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

39 RELATED PARTY TRANSACTIONS (Continued)

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including Directors and Executive officers.

The Bank enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2014 and 2013, there were no material transactions and balances with key management personnel on an individual basis.

The key management compensation for the years ended 31 December 2014 and 2013 comprises:

	Year ended 31 December	
	2014	2013
Salaries allowances and benefits	4,511	5,334
Discretionary bonuses	4,549	5,329
Contribution to pension schemes	363	660
	9,423	11,323

Note the total compensation package for these key management personnel for the year ended 31 December 2014 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Bank's 2014 financial statements. The final compensation will be disclosed in a separate announcement when determined.

40 SEGMENT ANALYSIS

The Bank's operating segments are business units provide different financial products and service and are engaged in different types of financial transactions. As different operating segments face different clients and counter parties supported by specific techniques and market strategies, they operate independently.

The Bank has four operating segments. They are corporate banking, retail banking, treasury and other classes of business.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retailing banking mainly provides individual customers with financial products and services including deposits and loans.

Treasury mainly performs inter-bank lending and borrowing, bonds investment, re-purchasing and foreign currency transactions.

Unallocated classes of business perform the businesses not included in the above three segments or cannot be allocated with appropriate basis.

Notes to the Financial Statements

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

40 SEGMENT ANALYSIS (Continued)

	For the year ended 31 December 2014				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,089,251	679,154	3,463,293	–	6,231,698
Inter-segment net interest income/(expense)	2,130,299	493,782	(2,624,081)	–	–
Net interest income	4,219,550	1,172,936	839,212	–	6,231,698
Net fee and commission income	742,196	166,650	–	–	908,846
Net trading income	–	–	160,189	–	160,189
Net gains on investment securities	–	–	150,637	–	150,637
Share of profit of an associate	–	–	2,035	–	2,035
Other operating income	5,366	3,378	12,589	10,407	31,740
Impairment losses	(459,757)	(272,266)	(154,172)	(3,371)	(889,566)
Operating expense	(1,806,118)	(613,970)	(364,950)	(20,237)	(2,805,275)
– Depreciation and amortization	(88,078)	(29,941)	(17,797)	(987)	(136,803)
– Others	(1,718,040)	(584,029)	(347,153)	(19,250)	(2,668,472)
Profit before income tax	2,701,237	456,728	645,540	(13,201)	3,790,304

	31 December 2014				
Capital expenditure	189,321	56,333	225,489	554	471,697
Segment assets	110,186,011	32,786,014	131,236,323	322,797	274,531,145
Segment liabilities	(143,750,589)	(28,811,408)	(86,066,886)	761	(258,628,122)

Notes to the Financial Statements

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

40 SEGMENT ANALYSIS (Continued)

	For the year ended 31 December 2013				
	Corporate Banking	Retail Banking	Treasury	Unallocated	Total
Net Interest income from external customers	2,193,720	612,410	2,372,488	–	5,178,618
Inter-segment net interest income/(expense)	1,670,275	384,039	(2,054,314)	–	–
Net interest income	3,863,995	996,449	318,174	–	5,178,618
Net fee and commission income	466,427	178,154	–	–	644,581
Net trading income	–	–	(89,789)	–	(89,789)
Net gains on investment securities	–	–	76,162	–	76,162
Share of profit of an associate	–	–	1,435	–	1,435
Other operating income	35,762	4,288	8,659	16,219	64,928
Impairment losses	(203,938)	(331,694)	–	(86)	(535,718)
Operating expense	(1,649,309)	(433,281)	(189,492)	(10,690)	(2,282,772)
– Depreciation and amortization	(91,095)	(23,762)	(1,339)	(175)	(116,371)
– Others	(1,558,214)	(409,519)	(188,153)	(10,515)	(2,166,401)
Profit before income tax	2,512,937	413,916	125,149	5,443	3,057,445

	31 December 2013				
Capital expenditure	357,027	91,587	295,783	1,130	745,527
Segment assets	99,028,672	25,403,594	82,041,460	313,286	206,787,015
Segment liabilities	(129,009,036)	(25,352,437)	(38,942,492)	(3,779)	(193,307,744)

41 SUBSEQUENT EVENTS

Up to the date of this report, the Bank had no material events for disclosure after the balance sheet date.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

1. Liquidity Ratios

	December 31, 2014	December 31, 2013
RMB current assets to RMB current liabilities	52.41%	54.38%
Foreign currency current assets to foreign currency current liabilities	91.49%	447.11%

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBRC.

2. Cross-border Claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims mainly include due from other banks.

Cross-border claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	December 31, 2014	December 31, 2013
Asia Pacific excluding Mainland China	230,010	156,187
of which attributed to Hong Kong	206,749	150,346
Europe	23,693	3,386
North America	301,892	95,688
Oceania	77	55
Total	555,672	255,316

Unaudited Supplementary Financial Information
(All amounts expressed in thousands of RMB unless otherwise stated)

3. Currency concentrations

December 31, 2014	Equivalent in Renminbi			
	US Dollars	Hong Kong Dollars	Others	Total
Spot assets	2,177,122	8,058	138,066	2,323,246
Spot liabilities	(2,050,717)	(8,058)	(138,067)	(2,196,842)
Net position	126,405	–	(1)	126,404

December 31, 2013	Equivalent in Renminbi			
	US Dollars	Hong Kong Dollars	Others	Total
Spot assets	475,228	1,606,166	164,393	2,245,787
Spot liabilities	(341,005)	(1,696)	(165,671)	(508,372)
Net position	134,223	1,604,470	(1,278)	1,737,415

4. Overdue and Rescheduled Assets

(a) Gross amount of overdue loans

	As at December 31, 2014	As at December 31, 2013
Gross advances to customers which have been overdue for:		
– within 3 months	835,971	150,730
– between 3 and 6 months	156,913	60,366
– between 6 and 12 months	249,831	67,123
– over 12 months	237,012	166,803
Total	1,479,727	445,022

	As at December 31, 2014	As at December 31, 2013
Percentage:		
– within 3 months	56.50%	33.87%
– between 3 and 6 months	10.60%	13.57%
– between 6 and 12 months	16.88%	15.08%
– over 12 months	16.02%	37.48%
Total	100.00%	100.00%

Unaudited Supplementary Financial Information

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

4. Overdue and Rescheduled Assets (Continued)

(b) Overdue and rescheduled loans

	As at December 31, 2014	As at December 31, 2013
Total rescheduled loans and advances to customers	–	–

(c) Type of collateral of overdue loans

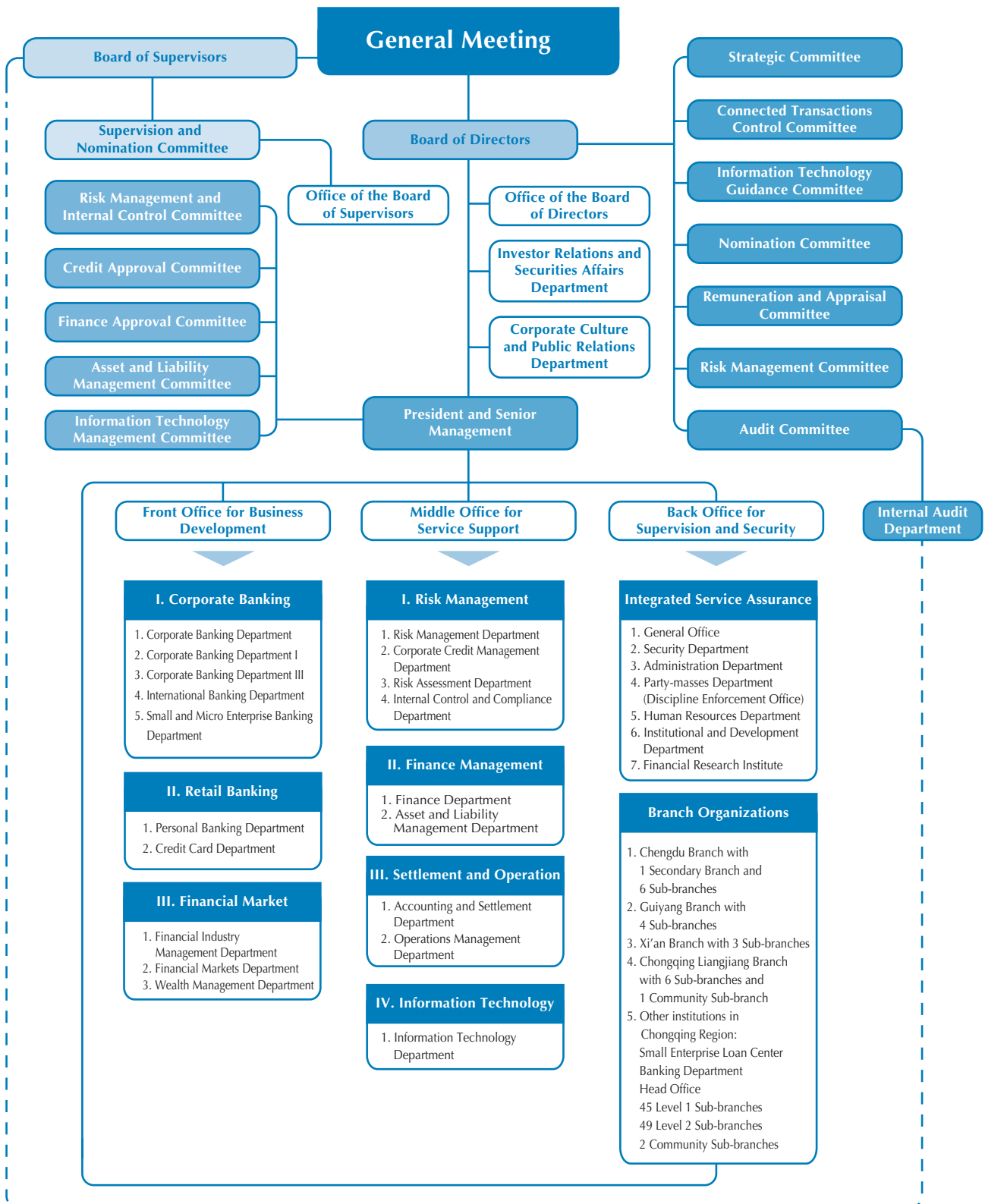
December 31, 2014	Past due 1-90 days (including 90 days)	Past due 90 days - 1 year (including 1 year)	Past due 1-3 years (including 3 years)	Past due Over 3 years	Total
Unsecured loans	44,404	7,259	3,717	–	55,380
Guaranteed loans	281,748	141,121	13,598	–	436,467
Collateralised loans	303,701	246,305	215,264	3	765,273
Pledged loans	206,116	12,062	4,429	–	222,607
Total	835,969	406,747	237,008	3	1,479,727

December 31, 2013	Past due 1-90 days (including 90 days)	Past due 90 days - 1 year (including 1 year)	Past due 1-3 years (including 3 years)	Past due Over 3 years	Total
Unsecured loans	5,220	8,824	1,586	720	16,350
Guaranteed loans	40,731	89,290	8,225	8,619	146,865
Collateralised loans	100,350	29,375	110,903	36,750	277,378
Pledged loans	4,429	–	–	–	4,429
Total	150,730	127,489	120,714	46,089	445,022

5. Geographical information

The Bank mainly operates its business in the mainland of China, and most of its loans and advances are granted to the clients from the city of Chongqing.

Organizational Chart



List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
1	Liangjiang Branch of Bank of Chongqing Co., Ltd.	No. 52 Middle Section of Huangshan Avenue, Yubei District, Chongqing	401121
2	Chengdu Branch of Bank of Chongqing Co., Ltd.	North Building, New Tianfu International Centre, No. 99 Tianfu Second Street, Hi-Tech Development Zone, Chengdu, Sichuan	610059
3	Guiyang Branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Building 2, Shengshi Huating, No. 51 Jiefang Road, Nanming District, Guiyang, Guizhou	550002
4	Xi'an Branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Building 2, Yinhe Xinzhuobiao Building, No. 25 Tangyan Road, Xi'an, Shaanxi	710075
5	Guangan Branch of Bank of Chongqing Co., Ltd.	1st Floor and 15th Floor, Guangan Power Administration Building, No. 9 Siyuan Avenue, Guangan District, Guangan, Sichuan	638000
6	Business Department of Bank of Chongqing Co., Ltd.	No. 153 Zourong Road, Yuzhong District, Chongqing	400010
7	Small Enterprise Loan Centre of Bank of Chongqing Co., Ltd.	No. 331 Donghu South Road, Yubei District, Chongqing	401147
8	Lijiatuo Sub-branch of Bank of Chongqing Co., Ltd.	Shop 5 No. 5, Mawangping Zheng Street, Lijiatuo, Banan District, Chongqing	400054
9	Shazheng Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-6 Shazheng Street, Shapingba District, Chongqing	400030
10	Longtousi Sub-branch of Bank of Chongqing Co., Ltd.	No. 331 Donghu South Road, Yubei District, Chongqing	401147
11	Fenglinxiushui Sub-branch of Bank of Chongqing Co., Ltd.	No. 52, 54, 56 and 58 Xihu Road, Yubei District, Chongqing	401120
12	Jianxin East Road Sub-branch of Bank of Chongqing Co., Ltd.	Baiyexing Building, No. 3-1 Jianxin East Road, Jiangbei District, Chongqing	400020
13	Qixinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 148 Zhongshan Yi Road, Yuzhong District, Chongqing	400013
14	Dadukou Sub-branch of Bank of Chongqing Co., Ltd.	No. 37-18 Cuibai Road, Chunhui Road Sub-district, Dadukou District, Chongqing	400084
15	Renmin Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 129 Renmin Road, Yuzhong District, Chongqing	400015
16	Jinkai Sub-branch of Bank of Chongqing Co., Ltd.	No. 11-1 Jintong Road, Beibu New District, Chongqing	401122
17	Xiyong Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Building, Xiyong Tian Street, Life Service Zone, Xiyong Electronics Park, Chongqing	401333
18	Renhe Street Sub-branch of Bank of Chongqing Co., Ltd.	No. 89 Renhe Street, Yuzhong District, Chongqing	400015
19	Jianxin North Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 23-4 Jianxin North Road, Jiangbei District, Chongqing	400020

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
20	High-Tech Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Yuzhou Road, Jiulongpo District, Chongqing	400039
21	Bayi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 258 Baiyi Road, Yuzhong District, Chongqing	400010
22	Caiyuanba Sub-branch of Bank of Chongqing Co., Ltd.	Building 3 Community 1, Waitan Shopping Mall, No. 175 Nanqu Road, Yuzhong District, Chongqing	400014
23	Dayanggou Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage), Oupeng Building, No. 216 Xinhua Road, Yuzhong District, Chongqing	400010
24	Jianxin West Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 2-1 Jianxin South Road, Jiangbei District, Chongqing	400020
25	Wusi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 30 Wusi Road, Yuzhong District, Chongqing	400010
26	Nanping Sub-branch of Bank of Chongqing Co., Ltd.	2-2, 1/F, No. 199 Nancheng Avenue, Nanping Sub-district, Nan'an District, Chongqing	400060
27	Yangjiaping Sub-branch of Bank of Chongqing Co., Ltd.	(Jianye Building) Yangjiaping Labour Village 3, Jiulongpo District, Chongqing	400050
28	Xiaolongkan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Xiaolongkan New Street, Shapingba District, Chongqing	400030
29	Minsheng Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 181 Minsheng Road, Yuzhong District, Chongqing	400010
30	Shangqingsi Sub-branch of Bank of Chongqing Co., Ltd.	No. 38-4, 5, 6, and 7 Zhongshan Si Road, Yuzhong District, Chongqing	400015
31	Chayuan New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-8 Tongjiang Avenue, Chayuan New District, Nan'an District, Chongqing	401336
32	Bishan Sub-branch of Bank of Chongqing Co., Ltd.	No. 205 (3 to 5) Jinjian Road, Bishan County, Chongqing	402760
33	Wenhuagong Sub-branch of Bank of Chongqing Co., Ltd.	No. 131 Zhongshan Er Road, Yuzhong District, Chongqing	400014
34	Lianglukou Sub-branch of Bank of Chongqing Co., Ltd.	No. 139 Zhongshan San Road, Yuzhong District, Chongqing	400015
35	Chongqing University Sub-branch of Bank of Chongqing Co., Ltd.	No. 83 Shabei Street, Shapingba District, Chongqing	400044
36	Tianxingqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 40-28 Tianxingqiao Zheng Street, Shapingba District, Chongqing	400030
37	Renhe Sub-branch of Bank of Chongqing Co., Ltd.	No. 50 Renhe Jile Avenue, Yubei District, Chongqing	401121
38	Chaotianmen Sub-branch of Bank of Chongqing Co., Ltd.	No. 7 Datong Street, Yuzhong District, Chongqing	400011

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
39	Daping Sub-branch of Bank of Chongqing Co., Ltd.	No. 121 Daping Changjiang Er Road, Yuzhong District, Chongqing	400042
40	Danzishi Sub-branch of Bank of Chongqing Co., Ltd.	No. 52 Danzishi New Street, Nan'an District, Chongqing	400061
41	Jiazhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 115 Jiazhou Road, Yubei District, Chongqing	401147
42	Songshuqiao Sub-branch of Bank of Chongqing Co., Ltd.	District A, Shanghai Building, No. 71 Wuling Road, Longxi Sub-district, Yubei District, Chongqing	401147
43	Baxian Avenue Sub-branch of Bank of Chongqing Co., Ltd.	No. 80 Yudongbaxian Avenue, Banan District, Chongqing	401320
44	The Great Hall Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Xuetianwan Zheng Street, Yuzhong District, Chongqing	400015
45	Sanxia Plaza Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage) Podium Building, Lihai Building, No. 99 Xiaoxin Street, Shapingba District, Chongqing	400030
46	Banan Sub-branch of Bank of Chongqing Co., Ltd.	No. 60-1 Xinshi Street, Banan District, Chongqing	401320
47	Minzu Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 20 Minzu Road, Yuzhong District, Chongqing	400011
48	Shaanxi Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 33 Shaanxi Road, Yuzhong District, Chongqing	400011
49	Changshou Sub-branch of Bank of Chongqing Co., Ltd.	No. 10 Taoyuan West Road, Changshou District, Chongqing	401220
50	Shuangqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 10-39 Xihu Avenue, Shuangqiao District, Chongqing	400900
51	Jiulong Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 36 Yangjiaping Xijiao Road, Jiulongpo District, Chongqing	400050
52	Fengcheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Xiangyang Road, Changshou District, Chongqing	401220
53	Dajian Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 9 Jiulongyuan Huoju Avenue, Jiulongpo District, Chongqing	400051
54	Ganghua Road Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Shuangshan Road, Dadukou District, Chongqing	400084
55	Yanjia Sub-branch of Bank of Chongqing Co., Ltd.	No. 33 Yucai Road, Yanjia Sub-district, Changshou District, Chongqing	401221
56	Zongbucheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 44 and 46 Huxie Road, Yuzhong District, Chongqing	400011
57	Beibeichaoyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 83 Zhongshan Road, Beibei District, Chongqing	400700
58	Tongliang Sub-branch of Bank of Chongqing Co., Ltd.	No. 10 Jiefang East Road, Bachuan Sub-district, Tongliang District, Chongqing	402560

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
59	Hechuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 12 and 14 Hechuan Jiaotong Street, Chongqing	401520
60	Liangjiang New District Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Xingguang Avenue, Gaoxin Park, Beibu New District, Chongqing	401121
61	Jiangjin Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-2 and 2-1, Building 1, Xiangrui Building, No. 518 Dingshan Avenue, Dingshan Sub-district, Jiangjin District, Chongqing	402260
62	Southwest University Sub-branch of Bank of Chongqing Co., Ltd.	No. 18 Shigang Village, Beibei District, Chongqing	400715
63	Tianshengqiao Sub-branch of Bank of Chongqing Co., Ltd.	No. 85-3 Huangshu Village, Beibei District, Chongqing	400716
64	Dazu Sub-branch of Bank of Chongqing Co., Ltd.	No. 257 Wuxing Avenue, Tangxiang Sub-district, Dazu County, Chongqing	402360
65	Tongnan Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 1/F, No. 86-92 Xingtong Avenue, Guilin Sub-district, Tongnan County, Chongqing	402660
66	Wansheng Sub-branch of Bank of Chongqing Co., Ltd.	No. 11 Wansheng Avenue, Wansheng District, Chongqing	400800
67	Qinggang Sub-branch of Bank of Chongqing Co., Ltd.	No. 190, 192 and 194 Zhong Street, Qinggang Sub-district, Bishan County, Chongqing	402760
68	Jiefangbei Sub-branch of Bank of Chongqing Co., Ltd.	No. 101 Minzu Road, Yuzhong District, Chongqing	400010
69	University City Sub-branch of Bank of Chongqing Co., Ltd.	No. 125-127 and 149-152, No. 17 University City West Road, Huxi Town, Shapingba District, Chongqing	401331
70	Qianjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1555 Xinhua Avenue (West Section), Qianjiang District, Chongqing	409000
71	Liangping Sub-branch of Bank of Chongqing Co., Ltd.	No. 2, 4, 6 and 8 Shuncheng Street, Liangshan Town, Liangping County, Chongqing	405200
72	Wanzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 28 Xincheng Road, Wanzhou District, Chongqing	404000
73	Fuling Sub-branch of Bank of Chongqing Co., Ltd.	G/F (street frontage), Stadium, Fuling District, Chongqing	408000
74	Nanmenshan Sub-branch of Bank of Chongqing Co., Ltd.	No. 1 Renmin East Road, Fuling District, Chongqing	408000
75	Nanchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 18-1 Heping Road, Nan Cheng Sub-district, Nanchuan District, Chongqing	408400
76	Zhong County Sub-branch of Bank of Chongqing Co., Ltd.	No. 3-1 Zhongbo Avenue, Zhongzhou Town, Zhong County, Chongqing	404300
77	Xiushan Sub-branch of Bank of Chongqing Co., Ltd.	No. 46 Fengxiang Road, Zhonghe Town, XiushanTujia and Miao Autonomous County, Chongqing	409900

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
78	Kai County Sub-branch of Bank of Chongqing Co., Ltd.	Shimin Plaza, Kaizhou Avenue (Middle Section), Kai County, Chongqing	405400
79	Fengdu Sub-branch of Bank of Chongqing Co., Ltd.	No. 184 and 186 Pingdu Avenue (West Section), Sanhe Town, Fengdu County, Chongqing	408200
80	Shizhu Sub-branch of Bank of Chongqing Co., Ltd.	No. 100-6 Wanshou Avenue, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing	409100
81	Lidu Sub-branch of Bank of Chongqing Co., Ltd.	No. 88 Julong Avenue, Lidu Sub-district, Fuling District, Chongqing	408100
82	Dianjiang Sub-branch of Bank of Chongqing Co., Ltd.	Unit 1-1, Building B5 1 Fengshan West Road, Guixi Town, Dianjiang County, Chongqing	408300
83	Yunyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 1299 Yunjiang Avenue, Shuangjiang Town, Yunyang County, Chongqing	404500
84	Wuxi Sub-branch of Bank of Chongqing Co., Ltd.	Entertainment and Sports Building, Chunshen Avenue, Chengxiang Town, Wuxi County, Chongqing	405800
85	Wulong Sub-branch of Bank of Chongqing Co., Ltd.	No. 117 Furong West Road, Xiangkou Town, Wulong County, Chongqing	408500
86	Youyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 Chengbei New District, Zhongduo Town, Youyang County, Chongqing	409800
87	Pengshui Sub-branch of Bank of Chongqing Co., Ltd.	G/F(street frontage) Binjiang Community, Hanjia Town, Pengshui County, Chongqing	409699
88	Wushan Sub-branch of Bank of Chongqing Co., Ltd.	No. 46 Guangdong Middle Road, Wushan County, Chongqing	404700
89	Chengkou Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Dongda Street, Gecheng Sub-district, Chengkou County, Chongqing	405900
90	Fengjie Sub-branch of Bank of Chongqing Co., Ltd.	No. 4 Qiaomu Street, Yong'an Town, Fengjie County, Chongqing	404600
91	Dashizi Sub-branch of Bank of Chongqing Co., Ltd.	No. 296 Jiefang Road, Chengdong Sub-district, Qianjiang District, Chongqing	409099
92	Xiushan County Wuyue Plaza Sub-branch of Bank of Chongqing Co., Ltd.	Shops 15, 16 and 17, 1/F, Building 1, Wuyue Plaza (South Zone), Yuxiu Avenue, Xiushan County, Chongqing	409900
93	Wulidian Sub-branch of Bank of Chongqing Co., Ltd.	No. 292 Jianxin East Road, Jiangbei District, Chongqing	400020
94	Beibei Sub-branch of Bank of Chongqing Co., Ltd.	No. 453, 455 and 457 Yunqing Road, Beibei District, Chongqing	400700
95	Yubei Sub-branch of Bank of Chongqing Co., Ltd.	Shops 1-1 and 2-1 of Integrated Commercial Complex of Shengjing Tianxia, No. 9 Baiguo Road, Shuanglonghu Sub-district, Yubei District, Chongqing	401120

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
96	Lianglu Sub-branch of Bank of Chongqing Co., Ltd.	No. 86 Shuanglonghu Avenue, Shuanglong Sub-district, Yubei District, Chongqing	401120
97	Qijiang Sub-branch of Bank of Chongqing Co., Ltd.	Sub No. 1-40 and Sub No. 2-225 to 229, Podium Building, Rongrun Kaixuan Mingcheng, No. 47 Jiulong Avenue, Wenlong Sub-district, Qijiang District, Chongqing	401420
98	Yongchuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 78 Renmin South Road, Yongchuan District, Chongqing	402160
99	Yongchuan Yuxi Square Sub-branch of Bank of Chongqing Co., Ltd.	No. 101-1-5 and 101-10 Xuanhua Road, Yongchuan District, Chongqing	402160
100	Rongchang Changyuan Sub-branch of Bank of Chongqing Co., Ltd.	No. 199-205 Binhe Middle Road, Changyuan Sub-district, Rongchang County, Chongqing	402460
101	Rongchang Sub-branch of Bank of Chongqing Co., Ltd.	1-3 and 2-3, No. 43-2 Changlong Avenue, Changzhou Sub-district, Rongchang County, Chongqing	402460
102	Dazu Longshui Sub-branch of Bank of Chongqing Co., Ltd.	1-8, 1-7-1, 1-7-2 and 1-6-2, Block G, Wujin Lvyou Cheng, Longshui Town, Dazu Sub-district, Chongqing	402368
103	Jiangjin Shuangfu Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1, 1-2 and 1-3, Basement, Block 1, Meifang Mansion, Shui'an Huadu, No. 95, 93, and 91 Shuangfu Avenue, Shuangfu Sub-district, Jiangjin District, Chongqing	402620
104	Minxinjiayuan Community Sub-branch of Bank of Chongqing Co., Ltd.	No. 530-15, 1/F, No. 3 Minxinjiayuan, Beibu New District, Chongqing	401147
105	Chongqing University Xinhua Village Community Sub-branch of Bank of Chongqing Co., Ltd.	No. 2 Shabei Street, Shapingba District, Chongqing	400044
106	Yuzui Sub-branch of Bank of Chongqing Co., Ltd.	No. 14, 15 and 16, 1/F, Building B2, Tuoxin. Liangjiang Qibocheng, No. 47 Yonghe Road, Yuzui, Liangjiang New District, Chongqing	400020
107	Yanghe Sub-branch of Bank of Chongqing Co., Ltd.	No. 383 Honghuan Road, Longxi Sub-district, Yubei District, Chongqing	401147
108	Yuanyang Sub-branch of Bank of Chongqing Co., Ltd.	No. 119, Building G8, No. 1122 Jinkai Avenue, Beibu New District, Chongqing	401147
109	Chang'an Jinxiucheng Community Sub-branch of Bank of Chongqing Co., Ltd.	Shop 1027, No. 109 Songpai Road (Chang'an Jinxiucheng) Second District, Longxi Sub-district, Yubei District, Chongqing	401147
110	Tongliang Xincheng Sub-branch of Bank of Chongqing Co., Ltd.	(Even No.)No. 198-206 and 206-1-8 Zhongxing East Road, Dongcheng Sub-district, Tongliang District, Chongqing	402560

List of Branch Outlets

No.	Name of Banking Institution	Address	Postal Code
111	Chengdu Chongzhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 79 South Section 1, Binhe Road, and No. 353-367 Yangsi Street, Chongyang Town, Chongzhou, Sichuan	611230
112	Chengdu Binjiang Sub-branch of Bank of Chongqing Co., Ltd.	No. 65 Shangchi Zheng Street, Qingyang District, Chengdu, Sichuan	610015
113	Chengdu Wuhou Sub-branch of Bank of Chongqing Co., Ltd.	No. 17 South Section 4, Yihuan Road Gaosheng Bridge, Wuhou District, Chengdu, Sichuan	610041
114	Chengdu Economic Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	(Odd No.) 1-19 Yiju Road, and (Even No.) 620-626 Beiquan Road, Longquanyi District, Chengdu, Sichuan	610100
115	Chengdu Jinsha Sub-branch of Bank of Chongqing Co., Ltd.	No 171 Jinze Road, and No. 246 Shuhui Road, Qingyang District, Chengdu, Sichuan	610074
116	Chengdu Kehua Sub-branch of Bank of Chongqing Co., Ltd.	Libao Building, No. 62 Kehua North Road, Wuhou District, Chengdu, Sichuan	610040
117	Guiyang Chengdong East Sub-branch of Bank of Chongqing Co., Ltd.	No. 116 Baoshan North Road, Yunyan District, Guiyang, Guizhou	550001
118	Guiyang Mountain View Lake Sub-branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Commercial Building One, Circle Y1 and Y2, Shijicheng, Guanshanhu District, Guiyang, Guizhou	550081
119	Xi'an Economic & Technological Development Zone Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Fenglu No. 1, No. 19 Wenjing Road, Xi'an Economic and Technological Development Zone, Xi'an, Shaanxi	710016
120	Xi'an Qujiang New District Sub-branch of Bank of Chongqing Co., Ltd.	1/F and 2/F, No. 6 Building, No. 1 Longmai South Zone Tianlunyu Cheng, Second South Ring Road (East Section), Xi'an, Shaanxi	710065
121	Xi'an International Trade and Logistics Park Sub-branch of Bank of Chongqing Co., Ltd.	1/F, Qihang Garden Commercial Street, No. 6 Port Avenue, Xi'an International Trade and Logistics Park, Xi'an, Shaanxi	710026
122	Liupanshui Zhongshan Middle Road Sub-branch of Bank of Chongqing Co., Ltd.	1st to 3rd Floor, Longcheng Plaza, No. 81 Zhongshan Middle Road, Zhongshan District, Liupanshui, Guizhou	553000
123	Zunyi Sub-branch of Bank of Chongqing Co., Ltd.	No. 1-1 Building 1, Jinxucheng Shangcheng Community, Nanjing Road, Huichuan District, Zunyi, Guizhou	563000

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

‘Articles of Association’	the articles of association of the Bank, as amended from time to time
‘Bank’	Bank of Chongqing Co., Ltd. (重慶銀行股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
‘Board’ or ‘Board of Directors’	the board of Directors of the Bank
‘CBRC’	China Banking Regulatory Commission (中國銀行業監督管理委員會)
‘CBRC Chongqing Bureau’	China Banking Regulatory Commission Chongqing Bureau (中國銀行業監督管理委員會重慶監管局)
‘Chongqing Road & Bridge’	Chongqing Road & Bridge Co., Ltd. (重慶路橋股份有限公司), a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600106), and holding approximately 6.37% of the entire issued share capital in the Bank as at the Latest Practicable Date
‘Dah Sing Bank’	Dah Sing Bank, Limited, a licensed bank incorporated in Hong Kong and holding approximately 16.95% of the entire issued share capital in the Bank as at the Latest Practicable Date
‘Director(s)’	director(s) of the Bank
‘Domestic Shares’	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
‘H Shares’	overseas-listed foreign shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
‘HKD’ or ‘HK\$’ or ‘Hong Kong dollars’	Hong Kong dollars, the lawful currency of Hong Kong
‘Hong Kong’ or ‘HK’	the Hong Kong Special Administrative Region of the PRC
‘Hong Kong Stock Exchange’	The Stock Exchange of Hong Kong Limited

Definitions

‘Latest Practicable Date’	April 17, 2015, being the latest practicable date prior to the printing of this annual report
‘Lifan’	Lifan Industry (Group) Co., Ltd. (力帆實業(集團)股份有限公司), a joint stock limited liability company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 601777), and holding approximately 9.93% of the entire issued share capital in the Bank as at the Latest Practicable Date
‘Listing’	the listing of H Shares on the Main Board of the Hong Kong Stock Exchange
‘Listing Rules’	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
‘PBOC’ or ‘Central Bank’	People’s Bank of China (中國人民銀行)
‘PRC’ or ‘China’	the People’s Republic of China, and for the purpose of this annual report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
‘RMB’ or ‘Renminbi’	Renminbi, the lawful currency of the PRC
‘SFO’	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
‘Shareholder(s)’	the shareholders of the Bank
‘Shares’	the Domestic Shares and the H Shares
‘Supervisor(s)’	the supervisor(s) of the Bank
‘Yufu’	Chongqing Yufu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司), a limited liability company incorporated in the PRC, and holding approximately 17.08% of the entire issued share capital in the Bank as at the Latest Practicable Date